



Kansas Framework for Growth


Economic Development Blueprint

KEDA / Chamber Executives

Nov. 4, 2019



Our extended team will bring the best of McKinsey and Brookings to Kansas

 On the ground, core project team

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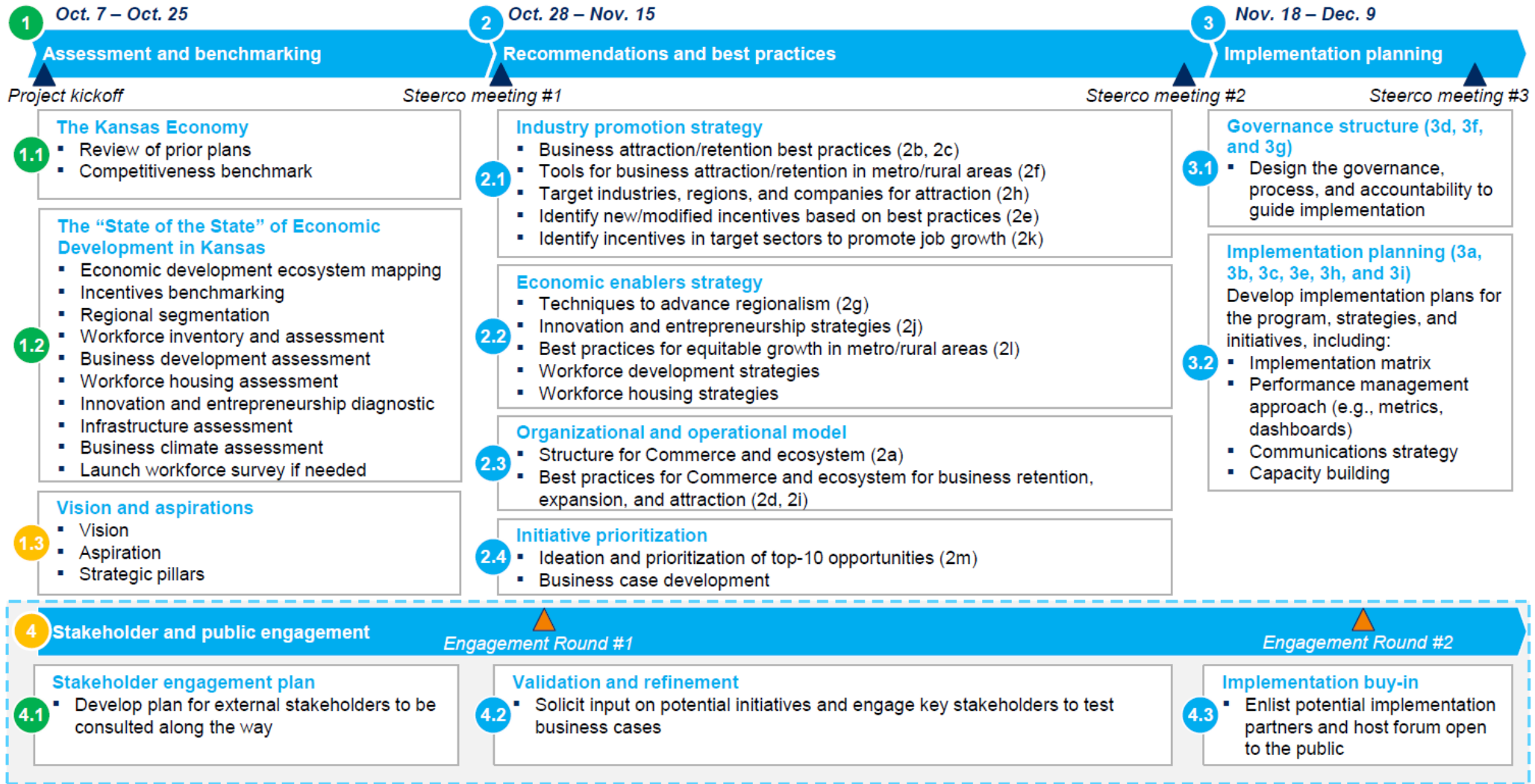


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Sarah Tucker-Ray
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Expert in Innovation

We are wrapping up phase 1 and heading into phase 2



Our interviews with stakeholders highlighted the importance of quality of jobs, talent retention, and regional collaboration

Theme	Summary of what we heard	Example quotes
Quality of jobs over quantity of jobs	<ul style="list-style-type: none"> ▪ Kansas is experiencing historically low unemployment, yet, the state is facing some key economic challenges because although there are a lot of jobs, these jobs are not high quality ▪ Kansans want jobs that pay enough to support families and have a career trajectory 	<p>"Kansans want jobs that pay a livable and adequate wage with a career trajectory so that they can care for their families and give back to their community"</p>
Attracting and retaining talent should be "front and center"	<ul style="list-style-type: none"> ▪ The biggest challenge facing Kansas is that the State is "exporting all our talent" ▪ Kansas lacks the sticking factor to keep its young talent in the state and the pattern is a vicious circle 	<p>"We are bleeding young talent... the issue is not that we don't have enough jobs, its that we don't have enough people around to do the jobs we have"</p>
Kansas is lacking a clear brand and identity	<ul style="list-style-type: none"> ▪ Kansas has difficulty attracting businesses and talent because the State lacks a brand ▪ People have difficulty identifying why someone should move to Kansas and the elements that make Kansas unique 	<p>"What keeps me in Kansas? There are so many reasons. Great people, active communities, vast landscape... The issue is that nobody knows that. We don't have an identity"</p>
Finding wins across the entire state	<ul style="list-style-type: none"> ▪ The strategy should aim to bring all regions up together and find wins across the state, no matter how big or small ▪ Rural and urban Kansas depend on each other and the strategy should emphasize balanced growth across the State 	<p>"Urban Kansas succeeds when rural Kansas succeeds. They are completely dependent on each other and that's why it can't be an either or strategy"</p>
Greater collaboration and leadership needed at the local level	<ul style="list-style-type: none"> ▪ There is room for more collaboration at the local level, especially between neighboring rural communities that are facing population loss ▪ There is a need for the next generation of local community leaders to step up and drive change 	<p>"Communities in rural Kansas who used to be football nemeses are now having to come together and figure out how to share their assets to better serve their communities"</p> <p>"Who are the next generation of leaders in rural Kansas?"</p>

DRAFT: Kansas has set a bold aspiration for the State

Getting Kansas to “punch above its weight” again by:

1. **Accelerating Kansas’ growth:** Over the next ten years, Kansas will be a leader in wage, GDP, and job growth, achieving the highest growth rate among Midwest states and top 10 States in the US
2. **Finding opportunities for growth across all regions:** All seven of Kansas’ economic regions will experience job and wage growth
3. **Improving resilience:** Kansas will improve the diversification of its economy to reduce vulnerabilities during downturns and sustain growth
4. **Prioritizing efforts for sustainable growth:** Kansas will prioritize strategies that look to the long-term health of its economy to withstand technological and other disruptions on the horizon
5. **Collaborating** with regional and local stakeholders and EDOs to catalyze economic growth in the State through target industry promotion and supporting competitiveness efforts

1 Once “punching above its weight”, Kansas has lagged in recent years

2 The State has core assets that it can leverage to catalyze future growth

3 But, is facing a unique set of challenges that it will need to overcome

... what emerged was a complex story about Kansas' economy

- Kansas has experienced **slow to moderate economic growth over the last several decades**. Compared to peers, Kansas has had slower pace than peers (0.9% vs. 1.6% p.a. in the last decade respectively)

- Kansas has a **robust education pipeline** from kindergarten to higher-ed that outperforms peers (11th state in the U.S. in graduate production)
- Kansas has a **favorable business climate and efficient incentives programs** (Kansas spends \$22K / new job vs. U.S. avg. of \$30K / new job)
- Kansas has built communities with **high specialization and growth potential in key sectors** (e.g., business services, biosciences)

3a Kansas' sector mix is not aligned for future growth and resilience

- Kansas is highly specialized in industries that are experiencing stagnant growth (e.g., agriculture, aerospace, food processing) and under indexed on the industries that are driving the majority of economic growth in the U.S. (e.g., tech, healthcare)
- Many of Kansas' regions are overly dependent on 1-2 sectors which leaves them in a vulnerable position in a downturn (e.g., agriculture with an LQ of 1.8 and projected US growth of 0.3% in the next decade, and aerospace with an LQ of 5.2 and projected US growth of -0.1% in the next decade)

3b Population decline and the widening talent gap are immediate threats facing the Kansas economy

- Kansas has experienced severe net out migration in the past 5 years (44th in the country in migration). The working population is projected to decline 2.3% by 2028
- There is a widening skill gap in high skilled professions. The state has few high-skill opportunities for workers with a bachelor's degree or higher (~32% of the population has a bachelor's degree or above, and only ~24% of the current jobs require this level of skill)
- Challenges in talent attraction and retention are partially explained by the lack of cities, vibrancy, and lower wages compared to peers

3c Kansas has a stifled innovation ecosystem that has limited the opportunities for Kansas based start-ups

- Kansas underperforms the U.S. across the innovation pipeline, falling the most behind in start-up creation and patent commercialization (ranking as 38th in startup job creation and 22nd in patents granted in the country)

3d Rural Kansas is facing challenges that are more acute than the rest of the state

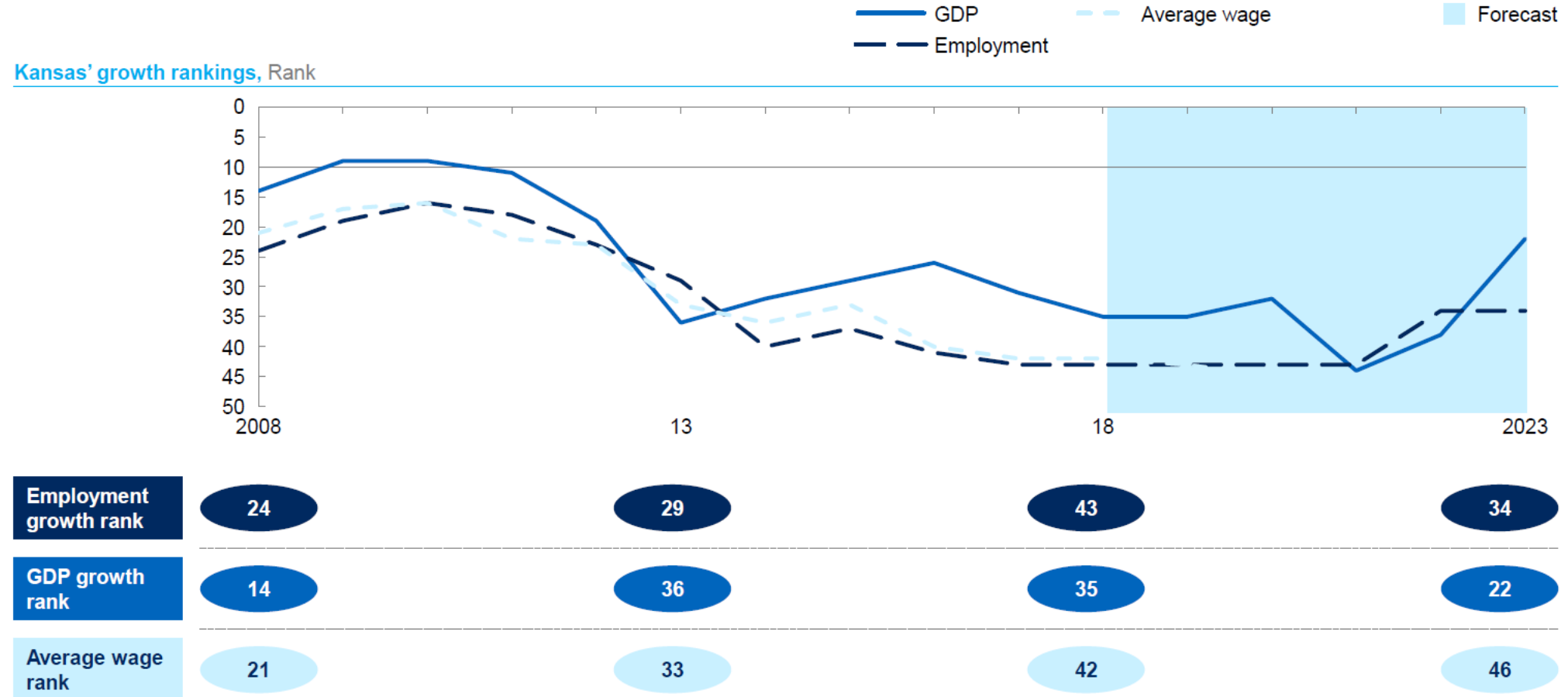
- Certain regions in Kansas are experiencing greater challenges related to population loss, unemployment, and GDP growth (e.g., Southeast has 16% lower per capita income than the East Central region and has experienced an ~18K decrease in its working age population vs. ~44K increase in East Central region)
- Some communities have faced such severe population loss that they have lost critical mass for key social services (e.g., schools, hospitals)
- Rural communities are less connected to the higher growth markets and have lagging outcomes in digital and physical connectivity (e.g., broadband)

3e Automation is a key risk for the State and it will affect sectors and regions disproportionately

- Automation will create varied levels of disruption across regions and occupations (the largest job displacements in Kansas could be in office support, food services, transportation, and customer service roles. This risk is particularly skewed to populations with lower educational attainment)

- 1 Over the past decade Kansas has fallen out of the top half of states, and is projected to continue struggling to keep pace with the nation

Kansas' growth rankings, Rank



SOURCE: IPUMS, American Community Survey, BEA, BLS, Moody's Analytics

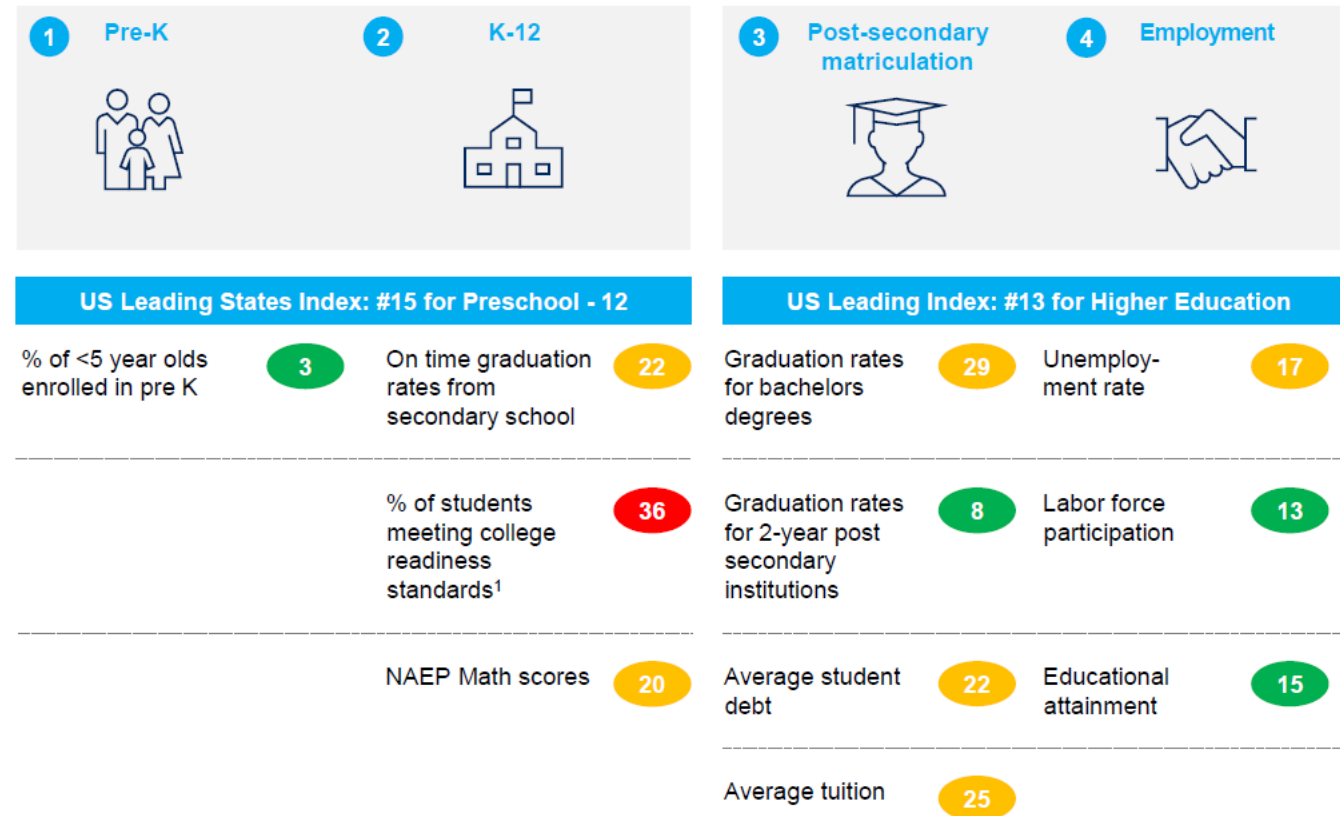
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2 Kansas has strong performance across the education pipeline, particularly in pre-k and post-secondary, and outperforms peers in talent production

Kansas' performance compared to other states across the pipeline

KS state rank in US

Top 15 # Middle 15 # Bottom 20

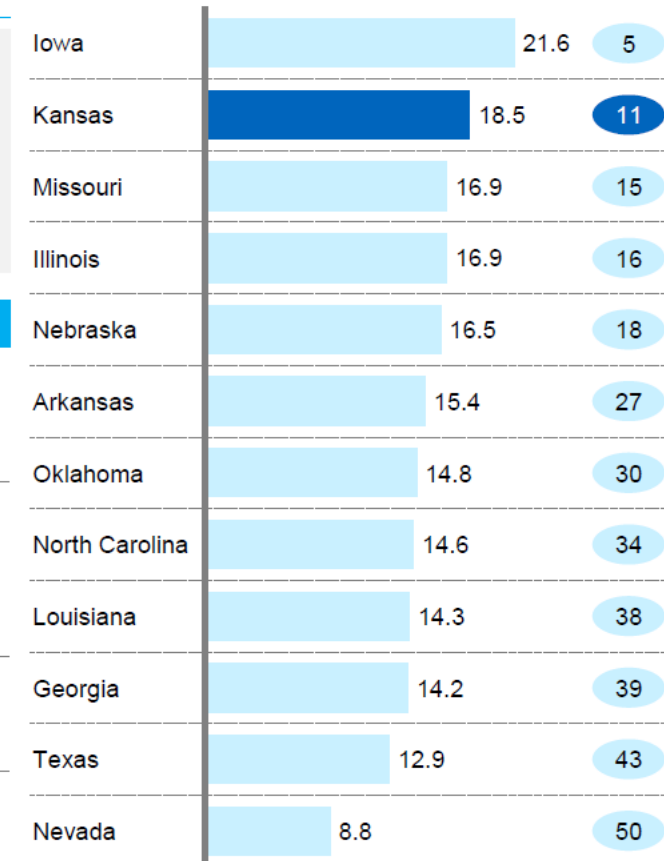


¹ This metric measures the approximate percentage of high school graduates from the class of 2018 who have passed the SAT, the ACT or both.

SOURCE: US News, Best States Rankings 2019, Economic Modeling Specialists International (EMSI)

Total graduates per 1,000 people in Kansas, 2017

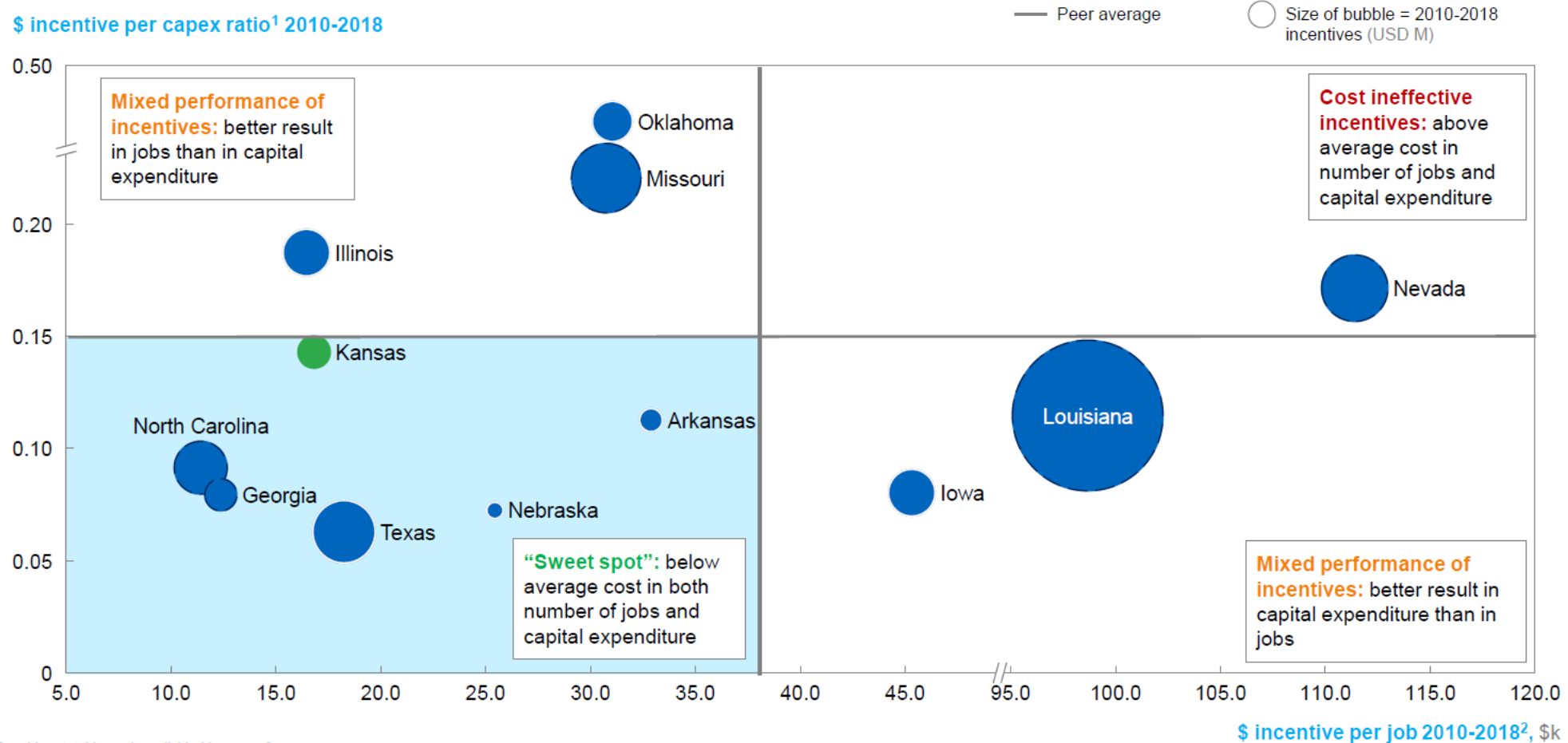
Rank



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2 Kansas' incentive program is in the efficiency "sweet spot" – less is spent per job and per capital expenditure dollar than most peers

\$ incentive per capex ratio¹ 2010-2018



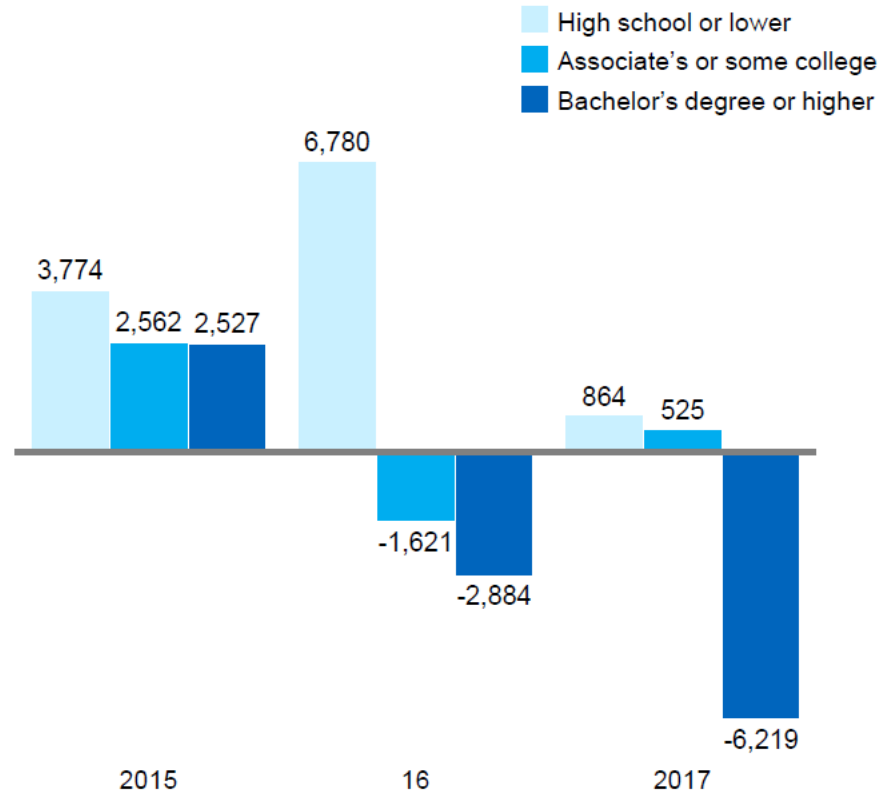
¹ Considers total incentives divided by sum of capex

² Considers total incentives divided by the sum of jobs (created and retained)

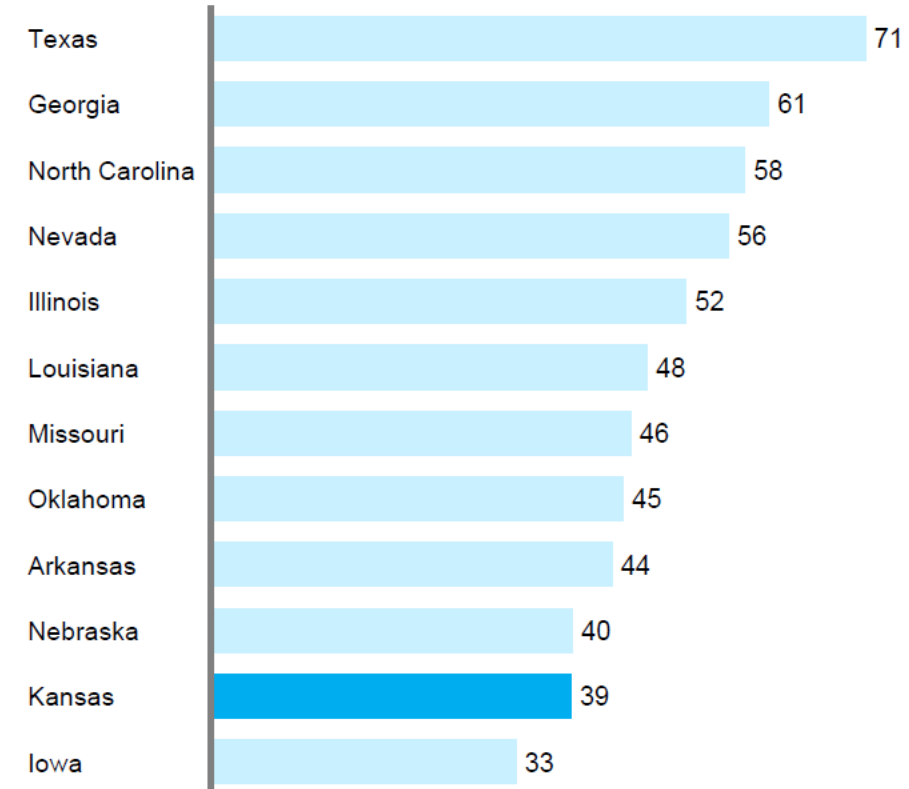
Source: IncentivesMonitor by WAVTEQ, all deals from Jan 2010 to Dec 2018, data accessed 10.18.19

3B Over the past few years, Kansas has seen many of its higher-educated population leave the State

Net migration by educational attainment in Kansas,
Population age 25 years and over



Graduates that live in state where they graduated,
Percent, 2018



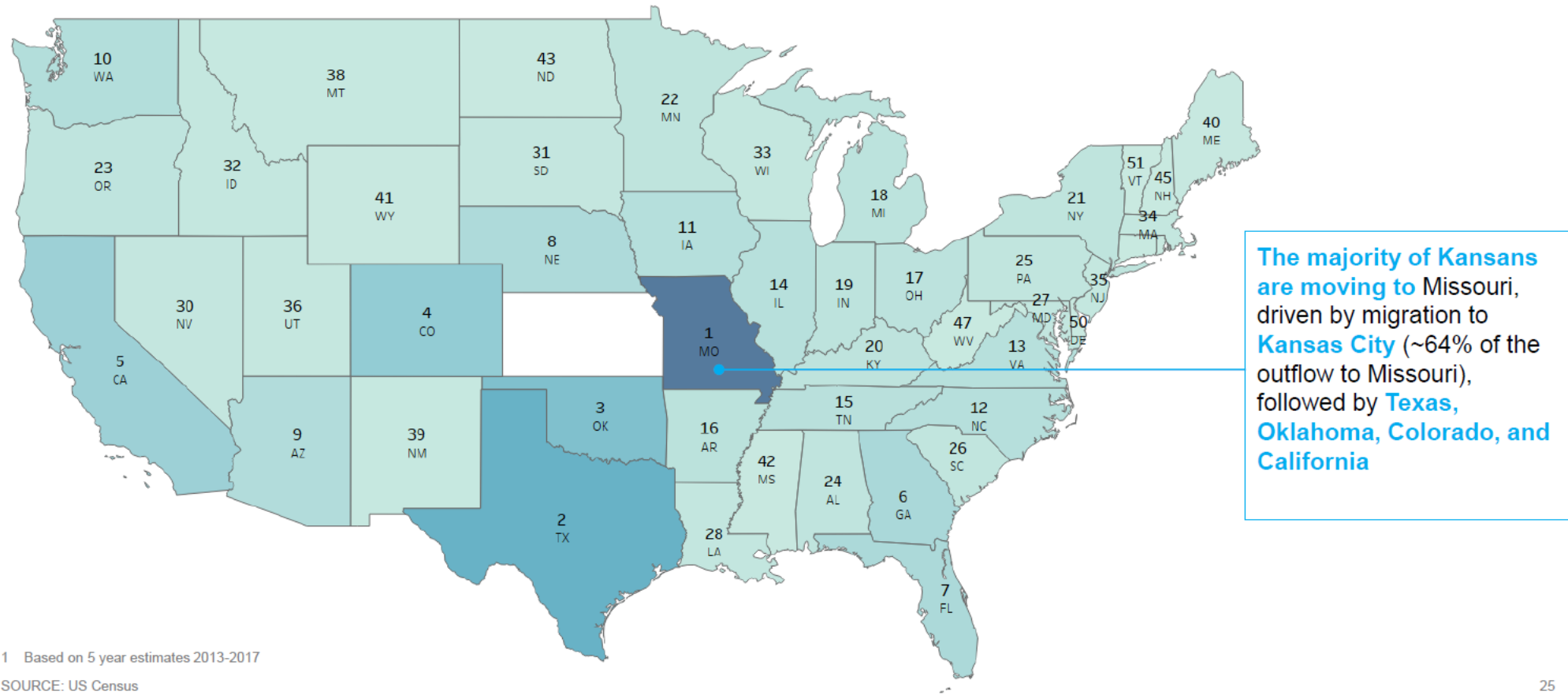
SOURCE: U.S. Census, IPUMS, Economic Modeling Specialists Intl. (EMSI)

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3B ~22% of Kansans are moving to Missouri, the vast majority moving to Kansas City, followed by Texas and Oklahoma

Where are Kansans moving?

2017¹ Kansas population outflow to other US States, Rank

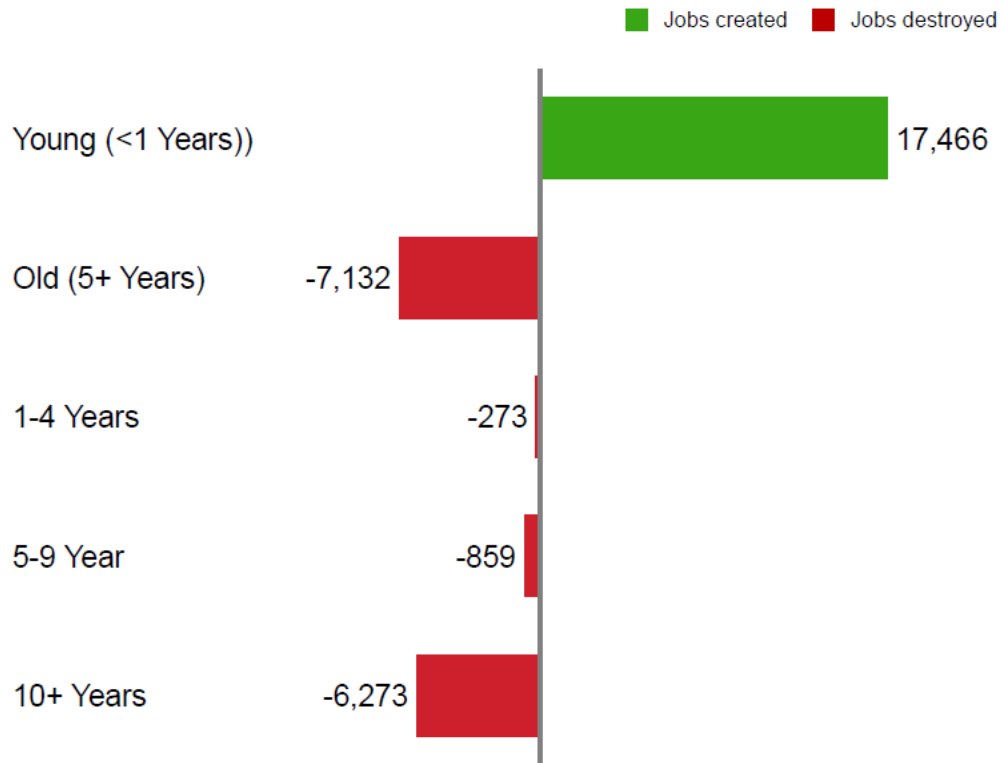


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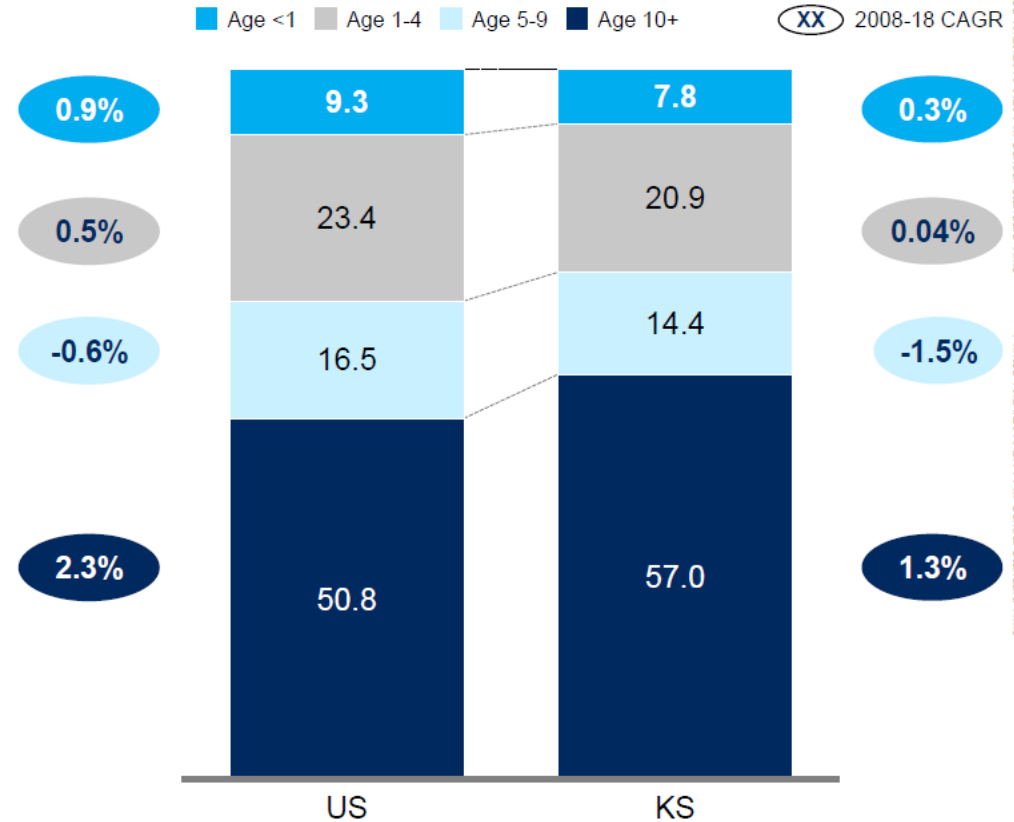
3C Young companies have driven job creation in the U.S. over the past decade, but Kansas has a lower share of them in its economy

2008-2018 net job creation by company age in the U.S., in thousands



SOURCE: SBA Business Dynamics Statistics

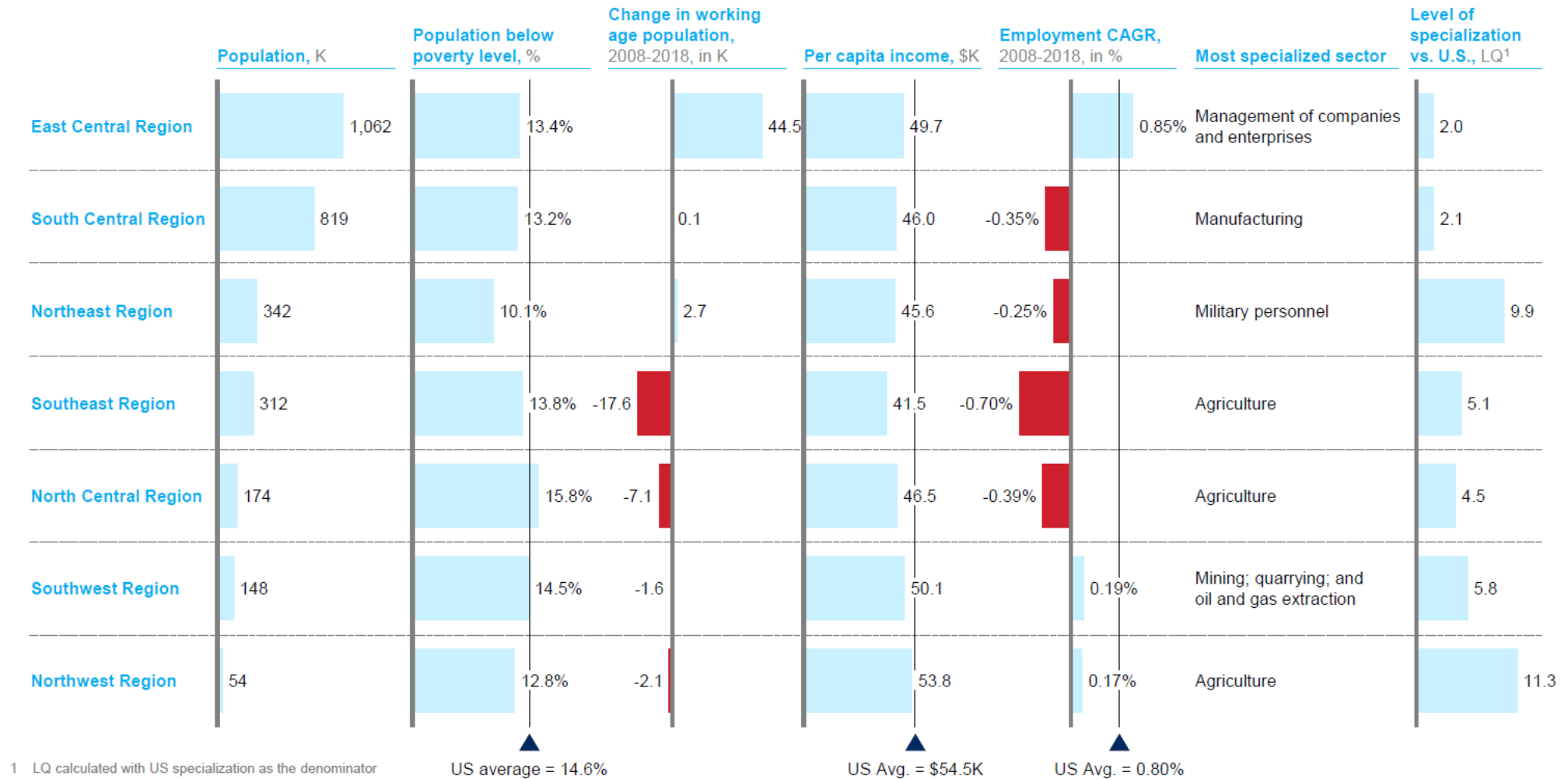
Distribution of companies by age in KS and the U.S., 2018 %



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3D Economic performance is varied by region, with more rural regions facing acute challenges



1 LQ calculated with US specialization as the denominator

SOURCE: Moody's Analytics, U.S. Census

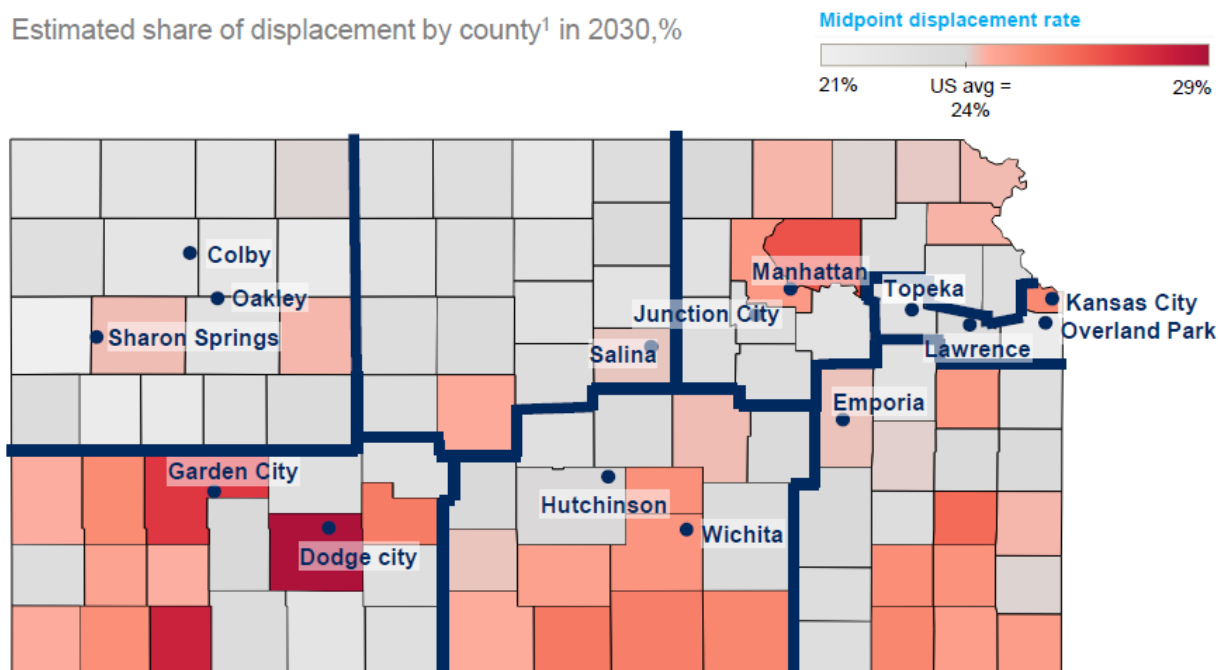
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3E Kansas is estimated to experience 22% displacement from automation, with some geographies and occupations hit harder than others

Midpoint displacement rate¹ for Kansas

Estimated share of displacement by county¹ in 2030, %



Jobs lost by occupation in Kansas – midpoint adoption scenario, (2017-30, K)

Displacement rate, %

Secretaries and administrative assistants ¹	10	30
Retail salespersons	10	23
Stock clerks and order fillers	9	46
Bookkeeping, accounting, and auditing clerks	9	49
Cashiers	9	24
Aircraft structure, surfaces, rigging, and systems assemblers	8	44
Office clerks, general	7	34
Combined food preparation and serving workers ²	7	22
Farmers, ranchers, and other agricultural managers	6	17
Waiters and waitresses	6	25

¹ Total jobs lost divided by total jobs 2030

SOURCE: McKinsey Global Institute, "The future of work in America: People and places, today and tomorrow," July 2019

Discussion questions to consider for Framework for Growth conversation

Framework for Growth questions to consider

- How would you define success for the Kansas economy in the next 5-10 years?
- Which metric do you believe is most important to measure progress in Kansas (e.g., employment, growth, population growth, increased wages?)
- What are Kansas' greatest strengths and assets?
- What are constraints and barriers to growth?
- What are the greatest disruptions that Kansas needs to prepare for in the next 5-10 years?
- What are initiatives in other states or countries that you find interesting or exciting?
- What are success stories in Kansas that you think could be scaled to other regions or industries?
- What are some of the big ideas that you think could drive sustained growth for the State?
- If you had a magic wand...what would you change? |

SOURCE: Source

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