



Iowa Business Council

Annual Iowa Competitiveness Index

INDICATORS

2001-2010

| | |
|------------------------------------|---|
| Economic Growth | ● |
| Education & Workforce Readiness | ● |
| Governance & Fiscal Matters | ● |
| Health & Well-Being | ● |
| Workforce Demographics & Diversity | ● |

Overall Competitiveness Trend

- Improving
- No Significant Progress
- Worsening



| Metric | Historical Metric Measurement | Year | Current Metric Measurement | Year | Historical State Ranking | Current State Ranking | Competitiveness Trend |
|--|-------------------------------|-----------------|----------------------------|-------------|--------------------------------------|--------------------------------------|-----------------------|
| Economic Growth | | | | | | | |
| • Per Capita Income | \$27,348 | 2000 | \$36,548 | 2010 | 23 | 31 | ● |
| • Gross State Product (GSP) | \$93 billion | 2000 | \$143 billion | 2010 | 29 | 30 | ● |
| • Manufacturing Value as a % of GSP | 23.4% | 2001 | 20.8% | 2009 | 8 | 2 | ● |
| • Total Employment | 1,555,200 | 2000 January | 1,582,500 | 2011 May | 2.6% (US: 4.0%) unemployment rate | 6.0% (US: 9.2%) unemployment rate | ● |
| • Knowledge Jobs | 18 | 2007 | 29 | 2010 | 18 | 29 | ● |
| Education & Workforce Readiness | | | | | | | |
| • Proficiency – 8 th Grade Reading | 36% | 2003 | 32% | 2009 | 11 | 26 | ● |
| • Proficiency – 8 th Grade Math | 33% | 2003 | 34% | 2009 | 12 | 29 | ● |
| • ACT Scores – 50% Participation | 22.0 | 2004 | 22.2 | 2010 | 3 | 2 | ● |
| • Educational Attainment by Population Over Age 25 – High School or Beyond | 86.1% | 2000 | 89.6% | 2010 | 9 | 7 | ● |
| • Educational Attainment by Population Over Age 25 – Bachelor or Higher Degree | 21.2% | 2000 | 24.2% | 2010 | 22 | 35 | ● |
| Governance & Fiscal Matters | | | | | | | |
| • State and Local Debt as a % of GSP | 8.11% | 2000 | 11.39% | 2008 | 1 | 3 | ● |
| • State and Local Government as a % of GSP | 9.90% | 2000 | 9.82% | 2007 | 37 | 37 | ● |
| • State and Local Tax per Capita | \$2,593 | 2000 | \$3,688 | 2009 | 29 | 24 | ● |
| • Government Full-Time Employees per 10,000 | 601 | 2000 | 506 | 2009 | 41 | 28 | ● |
| • Units of Government per 10,000 | 6.75 | 2002 | 6.56 | 2007 | 41 | 41 | ● |



| Metric | Historical Metric Measurement | Year | Current Metric Measurement | Year | Historical State Ranking | Current State Ranking | Competitiveness Trend |
|---|-------------------------------|-----------|----------------------------|-----------|--------------------------|-----------------------|-----------------------|
| Health & Well-Being | | | | | | | |
| • Primary Care Physicians per 100,000 pop. | 71.3 | 2000 | 82 | 2010 | 46 | 34 | ● |
| • % Obese | 21.5% | 2000 | 28.4% | 2010 | 39 | 32 | ● |
| • % Smokers 18 Years and Older | 23.5% | 2000 | 17.1% | 2010 | 30 | 17 | ● |
| • Infant Mortality Rate per 1,000 Live Births | 6.4 | 2000 | 5.3 | 2010 | 9 | 5 | ● |
| • Gallup-Healthways Well-Being Index | 67.8 | 2009 | 66.9 | 2010 | 7 | 19 | ● |
| Workforce Demographics & Diversity | | | | | | | |
| • Total Population | 2,926,324 | 2000 | 3,046,355 | 2010 | 30 | 30 | ● |
| • Population 10-Year Change | 5.4% | 2000 | 4.1% | 2010 | 43 | 41 | ● |
| • Ethnic Diversity of Population | 6.1% | 2000 | 8.7% | 2010 | 45 | 44 | ● |
| • Median Age of Population – Iowa (USA) | 36.6 (35.3) | 2000 | 38.1 (37.2) | 2010 | 40 | 32 | ● |
| • Net Overall Migration | 5,609 | 1990-1999 | (15,876) | 2000-2009 | 33 | 41 | ● |



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What Do These Indicators Tell Us?

Overall, Iowa's economy expanded during 2001-10 based on growth in key sectors, e.g., advanced manufacturing, value-added agriculture, and financial business services. Though absolute dollar value for per capita income and Gross State Product (GSP) increased, growth was not fast enough to improve Iowa's ranking relative to other states. Manufacturing continues to play a key role in Iowa's economy due, in part, to many high-quality niche manufacturers. Notwithstanding a decline in its percentage of GSP, the manufacturing sector remains one of Iowa's strongest attributes. Our diverse business sector was resilient during the recent economic downturn, avoiding the depths of the real estate and banking crisis seen in most other states and regions. Still, Iowa must remain focused in pursuit and adoption of new innovations in practice and technology that will attract talent and enable our state to effectively respond to change, providing us with an advantage in a global marketplace.

Why Are The Indicators Important to Our Competitiveness?

Setting government expenditure levels for infrastructure, education, public safety, and other services while weighing private sector needs for expansion, reinvestment, and the spin-off new enterprises is at a critical juncture. A balanced portfolio of business requires on-going investment to assist and maintain a competitive posture. That Iowans can compete for and retain jobs through continuing education and skills development is also essential. We must leverage our competitive advantages and mitigate identified weaknesses while striving to make Iowa the preferred location for corporate home offices, relocation, expansion, consolidation, R&D, and start-ups.

What Actions Are Necessary?

For Iowa commerce and industry to effectively compete in the 21st century, the existing delivery model for economic development must be transformed into a broader planning and programming strategy that plays to Iowa's strengths, utilizing regional organizations, institutions, and partnerships. Iowa's future will depend on its ability to develop innovation capacity and recruit the skilled talent necessary to compete effectively in a global environment. The presence of a diverse and vital economy enhances a quality lifestyle and offers meaningful career opportunities for our citizens, all to the promise of long-term economic growth and prosperity.

Source/Notes

- 1: Iowa State Data Center – www.iowadatacenter.org; US Census Bureau – www.census.gov
- 2: US Dept. of Commerce Bureau of Economic Analysis – www.bea.gov/regional/gsp
- 3: Iowa State University, CIRAS, Manufacturing in Iowa Report 2010 – www.ciras.iastate.edu; US Bureau of Economic Analysis, Regional Economic Information System – www.bea.gov/regional
- 4: Iowa Workforce Development "Iowa Trends," June 2011 – www.iowaworkforce.org/trends/emp.html
- 5: Information Technology & Innovation Foundation – www.kauffman.org/uploadedfiles/snei_2010_report.pdf. "Knowledge jobs" measures seven aspects of knowledge-based employment: 1) employment in IT occupations in non-IT sectors; 2) share of workforce in managerial, professional, & technical occupations; 3) education level of the workforce; 4) average educational attainment of recent immigrants; 5) average education attainment of recent U.S. inter-state migrants; 6) employment in high-value added manufacturing sectors; & 7) employment in high-wage traded services.



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What Do These Indicators Tell Us?

Iowa test scores have remained steady or risen slightly, while other states have made substantial progress, pushing Iowa's proficiency ranking substantially lower. Minimal changes have occurred in test scores between the 4th and 8th grades where most national experts and reports suggest that strengthening the learning and understanding of math and science must occur. The failure of Iowans to complete two- and four-year college courses and receive a certificate and/or degree also remains a significant hurdle. Iowa has consistently ranked lower each year on the percentage of its population that has received a bachelor's degree or higher. Two data points are encouraging: the percentage of Iowans receiving their high school diplomas, and Iowa's ACT test score ranking compared to states where at least 50% take the ACT test.

Why Are They Important to Our Competitiveness?

The marginal "bumps" in test scores over the decade remain a challenge to be addressed with a more serious focus. Students who don't score well in math and science will not, generally, continue on to college to obtain vital engineering, technological, and related scientific degrees necessary to fill the workforce demands. Nor will they become the next new inventor or innovator for Iowa's intellectual capital. Reports such as the updated *Rising Above the Gathering Storm* (The National Academies) have suggested that a two-year associate and a four-year university degree correlate to higher personal incomes, increased Gross State Product and, eventually, a more competitive workforce from which industry selects its vital talent.

What Actions Are Necessary?

Rekindling the commitment, resources, and CEO-leadership around a business-education consortium is critical to assuring federal, state, local, corporate, and philanthropic dollars are applied more effectively towards both student achievement and teacher training. Some states have substantially increased student participation in the ACT exam; though initial drops in scores can be expected, when "all" students participate a state can accurately assess the college and work readiness of its entire high school graduate population. Finally, a parent-student awareness campaign should be developed that promotes the benefits of completing college, the future employment opportunities such an achievement affords, and the innovative entrepreneurial scenarios presented.

Source/Notes

1: Iowa Department of Education; National Center for Educational Statistics

2: ACT



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What Do These Indicators Tell Us?

The cost of public sector services, such as primary and secondary education, social services, infrastructure, and public safety continues to increase throughout Iowa. Areas in the state that also have declining populations are especially affected as their local economies produce lower revenue and, consequently, lower tax receipts. While the State of Iowa has effectively maintained a AAA bond rating through most of the 2001-10 decade, the effect of federal aid to States and the recent ARRA (Recovery Act) dollars have offset emerging fiscal difficulties with county and local government budgets and debt levels. As more government services are pushed to the local levels, burden on special districts to deliver them increases.

Why Are These Indicators Important to Our Competitiveness?

The national and state fiscal crisis is focused on austerity, the size and layers of government, the amount of public sector employment versus the private sector, and the lack of an effective resource allocation policy-making process to meet current and future demands. These issues limit Iowa's ability to determine its own direction for economic growth. For instance, while the State and Local government portion of Iowa's Gross State Product has decreased slightly since 2000, of concern is that dollars allocated to Higher Education have decreased by 24% since 2001, while funding for all other areas of State government have increased by 28%. Alternative delivery of services and operations of facilities, along with reduction in public sector employment through outsourcing or new partnerships/consolidation in governance have been used successfully in other states and locations, resulting in improved customer satisfaction and lower tax consequences to individuals and industries.

What Actions Are Necessary?

Nearly a decade ago, Iowa was one of the first states to adopt the philosophy of continuous process improvement – or LEAN Enterprise – in the public-sector, well before many states reached the current fiscal situation that has forced attention on more efficient and effective processes. However, the LEAN initiative has not been maintained at a level and scale necessary to impact the current Iowa budget challenges. And while LEAN was adopted and deployed in some State agencies with private sector assistance, it has not yet been broadly adopted across State agencies nor has it been consistently utilized at the county and local government level where the status of debt ratios and resource allocation gaps are just as critical. Therefore, it is essential that the Office of LEAN Enterprise be revitalized within the Executive Branch, and an accountable organization to address LEAN in Iowa local government should be identified.

Source/Notes

1: U.S. Dept. of Commerce: <http://www.bea.gov/regional/gsp/>. Debt: <http://www.census.gov/govs/estimate>

2: U.S. Dept. of Commerce, Bureau of Economic Analysis: <http://www.bea.gov/regional/gsp/>

3: State and Local Taxes per Capita: <http://www.taxfoundation.org/taxdata/show/336.html>

4: Government Full-Time Employees: <http://www.census.gov/govs/go/>

5: Units of Government: <http://www.census.gov/govs/go/>



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What Do These Indicators Tell Us?

Iowa's health and well-being picture has both strengths and challenges. Strengths include a low infant mortality rate and fewer smokers over the past five years – success attributed to tobacco cessation and prevention efforts, including the Iowa Smoke Free Air Act (effective July 1, 2008). The prevalence of obesity, linked to a number of chronic diseases, is a challenge that has tremendously negative consequences for the state's overall health and its economy. Iowa's overall health ranking, relative to other states, has fallen. The state does comparatively well providing its residents with geographic access to primary care physicians (PCPs); however, as more Iowans gain direct access to health insurance coverage through initiatives spawned by the federal health care reform law (PPACA), the limits of Iowa's PCP supply will be tested.

Why Are These Indicators Important to Our Competitiveness?

A healthy, able, and available workforce is the engine that drives Iowa's economy and its ability to compete globally. Fiscal soundness is advanced through a strategic investment in the health and productivity of Iowans and our continued ability to take care of the state's workforce, families, and retirees. Iowans cannot reasonably expect to be competitive in attracting business and industry if we are unable to promise a healthy workforce and a healthful work environment.

What Actions Are Necessary?

- All Iowans must actively engage in efforts to improve wellness, healthy lifestyles, nutrition, exercise, etc., that address obesity problems in our children and adults. Collaboration is essential between local public health departments, legislatively-directed and ad hoc health-related committees, State agencies, the business sector, schools, and other organizations working to affect the health of Iowans.
- Engage with Healthy Iowans, the statewide plan addressing health needs and issues over the next five years, and Healthy People 2020, the U.S.'s health plan for the coming decade.
- Encourage med school grads to stay in Iowa for their graduate medical education (GME) and attract those physicians who enter out-of-state GME programs back to Iowa once their training is complete.
- Develop incentives so that medical graduates choosing careers in primary care specialties and other health care providers in short supply to stay in or come to Iowa.
- Reduce the out-migration of not only Iowa's young physicians, but also our dentists and other health care providers.

Sources/Notes

- 1: Univ. of Iowa Office of Statewide Clinical Education Programs, Iowa Physician Information System www.medicine.uiowa.edu/oscep/data_reports/index.html; includes general practice, family practice, pediatrics, & internal medicine; reflects availability of physicians to assist citizens w/ preventative & regular care.
- 2: America's Health Rankings (AHR) – www.americashealthrankings.org; % of population estimated to be obese, w/ a body mass index (BMI) of 30.0 or higher; obesity is known to contribute to a variety of diseases, including heart disease, diabetes, & general poor health.
- 3: AHR – www.americashealthrankings.org; % of population over age 18 that smokes on a regular basis; indicative of known, addictive, health-adverse behaviors.
- 4: AHR – www.americashealthrankings.org; number of infant deaths (before age 1) per 1,000 live births; indicative of the prenatal care, access, & birth process for child & mother.
- 5: Gallup-Healthways Well-Being Index – www.well-beingindex.com/default.asp



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What Do These Indicators Tell Us?

Little has changed for Iowa's population and demographic profile over the past decade. While the population increased between 2000 and 2010, the rate of growth is lower than the prior decade. There's been little change in migration to Iowa to offset the reductions in population; in fact, overall net migration has been negative for the past decade. As a result, Iowa's overall demographics and diversity, while slightly improved, have not advanced significantly towards addressing the needs of a growth-oriented economic engine. The state still lacks in attracting populations with diverse skill sets as well as retaining the talent graduating from Iowa's colleges and universities – the next generation of business-owners, inventors, or employees of key industry clusters. The median age of Iowa's population continues to be higher than the country as a whole. In addition, the dependency ratio, i.e., sectors of the population below the age of 18 and over 64 – is projected to grow over the next 20 years. These age groups normally are less productive and draw upon more social services.

Why Are These Indicators Important to Our Competitiveness?

A diverse population provide the skills and a 'global perspective' that increase the competitiveness of academic institutions, industries, and the innovation process. With the exception of immigrants from Latin America and Asia, foreign born residents choosing Iowa as their home has not grown over the past decade. Domestic migration out of Iowa totaled 52,205 between 2000 and 2009. Low retention rates of university and college graduates reduces our competitiveness related to educational attainment, cost of public services, and competencies needed for industrial productivity. Recruiting talented and skilled workers to Iowa is an expensive proposition, one that adds to the cost of a company's products and services. Iowa business will compete and succeed in the world marketplace only when it has an educated, culturally varied, and globally aware workforce. The goal is to build our reputation as a destination for highly skilled and motivated employees that work for dynamic companies in a welcoming business climate. High-quality, knowledge-intensive jobs drive innovative, market-leading enterprises. It's no secret that a skilled and diverse workforce follows wealth-creating opportunity wherever it may exist. That opportunity can be, and should be, in Iowa.

What Actions Are Necessary?

Iowa has several potential pathways to promote the quality of life, affordability, and employment opportunities it offers. Leveraging public-private sector partnerships to promote the state as a place willing to welcome and embrace a new generation of talented citizens is critical. These include utilizing networks within academic institutions, existing corporate and industry global connections, and targeted economic development strategies that recruit "talent" to the state. Efforts currently underway to emphasize and promote Iowa's innovation capacity can strengthen the recruitment and attraction of talented, experienced professionals as well as recent graduates from around the country. A statewide recruiting and 'diversity' network could assist in promoting Iowa as a preferred employment location.