Imagine living in a state with the fastest growing economy in the Midwest:

- A state that fully capitalizes on its competitive and comparative advantages in manufacturing, value-added agriculture and advanced services to lead in the continuing industrial renaissance of the heartland.
- A state with a proliferation of home-grown businesses, many of them market leaders in the United States and abroad, both in mainstream manufacturing and emergent industries.
- A magnet for high growth clusters of frontier industries, e.g., biomedical and business software companies.
- An educational system that prepares young people for high skill jobs and helps retrain adults for better and better opportunities.
- A place world renowned for its livable, vital communities, and smart government.

In short, the state just described could well be Indiana as it celebrates its bicentennial in 2016. Break Away Growth details how Indiana can break away from competitor states by focusing on quality economic growth and performing government functions exceptionally well. The aim of the plan is to make Indiana the best location in the Midwest for businesses and families.

Why Should We Change Now?
Indiana has fully participated in the Midwest's economic revitalization. New plants have come to the state. Employment is at an all-time high. Exports continue to break records and outpace the U.S. rate of growth. Investment from overseas firms has increased. Why, then, should the state change its strategies?

While Indiana's cost of living and cost of doing business are well below most states, the average wage per job is below the national average (see Figure 1).

Wages that were once at the national average have grown 0.8% since 1981. During the same time span, national wages increased 10.5%.

Employment growth data are convincing: Indiana's economic development strategies have served us well for creating jobs. Now, the state must enhance those strategies to move ahead in improving its standard of living.

Global competition will continue to put pressure on prices. Manufacturing and agricultural production around the world have increased, meaning that more of what Indiana produces can be also made elsewhere. As a result, Hoosier companies must specialize in high value-added products and services that command a premium in the marketplace.

Mainstay industries such as manufacturing, agriculture, insurance, trade and distribution, and higher education will continue to be a cornerstone of Indiana's economy. Manufacturing, which represents nearly one-third of Indiana's Gross State Product, continues to outpace the nation in production wages and productivity (see Figure 2). Over-reliance on these industries, however, makes us vulnerable to recessions. By expanding cutting edge growth companies in traditional and frontier industries, Indiana can increase incomes and opportunities for job advancement.

Higher-paying jobs reward skill and innovation. Many production and service jobs do not necessarily require a four-year college degree. They do, however, require increased levels of skill in technology, problem solving, teamwork and communication.

The state's economic development system must be geared to meet demands for flexibility and responsiveness. The pace of the 21st Century will be even faster than that of today. State programs need the tools and customer-service focus necessary to respond quickly and in a coordinated fashion.

What is Break Away Growth?
Break Away Growth is...
A Vision for Superior Performance
Indiana aspires to be the best place in the Midwest to...
- earn
- work
- play
- learn

And to be globally renowned for its...
- free enterprise
- smart government

Goals that Raise the Bar
By 2016, Indiana will achieve Quality Economic Growth if it meets six goals:
1. Raise per capita income and average annual wages above the U.S. average.
2. Attain the best purchasing power of any state in the nation.

Graham Toft
President, Indiana Economic Development Council, Inc.
3. Secure the lowest poverty rate in the Midwest.
4. Bring productivity above the U.S. average and rank as the best in the Midwest.
5. Earn the highest livable places rating in the Midwest.
6. Create the highest rate of growth in the number of high skill, high paying jobs in the Midwest.

A Mantra of Innovation and High Performance

The bulk of U.S. economic gains are coming from advances in technology, improved productivity and increased worker skills and knowledge. Indiana is in a highly competitive world market. Only by synchronizing public and private efforts to focus on innovation and high performance can we create a higher standard of living and higher quality of life.

The Tenacity to Stay the Course

No strategic plan is complete without consideration of downside possibilities. Regardless of short-term economic contractions, Indiana must continue to focus on the long-term: innovation-led, high performance growth.

How Will We Break Away?

This plan charts a course for break away growth through three primary strategies:

Improve and Enhance the Performance of Mainstay Industries

Strong mainstay industries such as manufacturing are our economic powerhouse, and the employers of most Hoosiers. They will be the focus of continued efforts to improve performance and competitiveness.

Speed Development of Frontier Industries and Growth Companies

Agile, high growth, high paying companies in traditional and frontier industries offer opportunities to increase Hoosiers' standard of living through high skill, high paying jobs. Indiana will look for ways to speed development of these firms.

Create a Climate for Growth

State government and its partners can make a series of investments to create a climate conducive to quality economic growth by:

#1: Making Workforce Skills a Priority

In the highly competitive global economy, businesses compete on price, value and responsiveness. One option is for firms to focus on offering the lowest price by utilizing a low skill, low cost workforce and "dumbing down" operations. A second option is to command a premium price but offer the highest overall value. Finally, one could choose a hybrid option which combines price competitiveness and higher value. Both the second and third options require skilled workers and investments in technology.

The second and third courses of action, while more demanding, are the paths Break Away Growth advocates. High value added, innovative products strengthen companies' financial performance, increase job security for skilled workers and improve workers' wages and incomes. Consequently, education and training of the workforce has become the primary competitive issue in economic development.

Indicators of skill levels of current and future workforces present a mixed picture. Currently, only 16.8% of Indiana's jobs require a bachelor's degree or higher, compared with 20.7% of all U.S. jobs. Many of Indiana's good paying jobs require training other than a four-year degree, such as apprenticeship programs, vocational certificates and short course college "packages." It is important to recognize, however, that an increasing number of jobs will require post-secondary training of some sort.

One of the most important steps the state could take to prepare for the future is to ensure that Indiana can respond quickly as industries' needs change. That effort would require high response, on-the-job training adequate to address the skills of large and small numbers of people.

There is concern that as job tasks become more technically complex and require more problem solving and people skills, Indiana workers may not yet have the full set of matching skills. A recent Indiana Economic Development Council study estimates that for every 100 high skill job openings, only 65 job applicants had the mix of skills required. While 76% of the jobs do not require a formal post-secondary degree, they do require continual training, much of it on the job.

Formal education rates are lower than the national average. Currently, Indiana's public high school graduation rate is 70.1%—30th in the nation. Only 17.7% of adults have completed a four-year degree or higher—47th in the nation. Conversely, Indiana is the 14th largest producer of college graduates in the nation. These graduates represent a steady supply of workers that possess the knowledge and technical expertise needed to attract and retain high growth, high skill companies.
#1: Catching Up in Income and Wage Growth
Indiana must catch up in per capita income and real wages per worker.

#2: Accelerating Development of Growth Companies
On average, growth companies pay better, employ more highly skilled workers, export greater amounts, spend more on research and development, and provide better worker benefits and job satisfaction. These companies are the engines of Quality Economic Growth.

Generally, a firm is considered a high growth company if its sales and earnings grow at a rate of 15% per year, or better. The firms come in all sizes and cross all industries. What they share is a focus on innovative, cutting edge products and services. Indiana already has several concentrations of high growth, high pay companies in Elkhart, Warsaw and Indianapolis. The state’s future vitality and wage and income growth, however, depend on having many more of these clusters.

Diversifying Indiana’s industrial base to include high growth niches is a logical step. Promising industries include biotechnology, healthcare, information technology, advanced business services, environmental technology and services, advanced logistics, and education and training. They are also logical extensions of Indiana’s existing economic base.

Our college and university research capabilities and the state’s ability to produce skilled workers will impact efforts to have growth companies locate and expand in Indiana. Likewise, “smarter” government efforts to encourage networking among firms and regional high technology strategies can encourage business development. Equally important are efforts to improve Indiana’s quality of life and retain highly skilled residents.

#3: Taking Advantage of Our Crossroads Location
Indiana has an enviable geographic location. It is the Crossroads of America, the center of the world’s most powerful industrial nation. The state has a powerful asset with its advanced transportation system of railroads, highways, ports and airports, and its strong telecommunications system. Indiana can position itself as a global gateway by investing in superior transportation and logistics systems.

#4: Leading the Way with Smarter Government
Indiana is in an excellent position to pursue “smarter” government. It already follows the tenets of limited government, a moderate tax rate, low debt and local initiative. “Smarter” government will require three innovations:
1. Find ways to perform exceptionally well.
2. Implement performance-based designs for public services with high standards of accountability.
3. Find solutions that minimize or eliminate the role of public bureaucracies.

This effort to maximize both the efficiency and effectiveness of government calls for greater flexibility and a greater range of options to solve problems. For example, more of what the federal government funded in the past has shifted to local areas. Consequently, communities must cope with addressing more demands with fewer resources.

Likewise, to be truly effective in economic development, communities must look at issues such as transportation, infrastructure, worker skills, the environment and a host of items from a regional perspective. Sub-state solutions are required to achieve economies of scale, efficient financing and coordinated solutions to issues that cut across boundaries. Yet, coping with multi-jurisdictional issues can be challenging.

#5: Creating Livable and Healthy Communities
Increasingly, families and employers will pay premiums to live in places that are safe, clean and in harmony with nature. People will seek out communities that enhance the natural landscape, prevent pollution and are designed with convenience in mind.

The well-being of residents relates directly to environmental conditions and healthy lifestyles. Indiana communities rank high on many quality of life factors, but fall behind their peers in attaining environmental and health standards.

This plan focuses on policies that address the concept of sustainable economic development: maintaining or improving Indiana’s standard of living, agricultural yields and industrial productivity without compromising the support systems that make those results possible.

Break Away Growth is the fourth in Indiana’s series of strategic plans for economic development prepared since 1983. The Indiana Economic Development Council, Inc. is a public-private partnership that brings business, government, labor, and education to the table to reach consensus and develop commitment to creating a long-term strategic advantage for the state.

For more information, contact the Indiana Economic Development Council, or visit the Council’s Website at www.iedc.org