

**Inner-City Milwaukee Businesses:
An Assessment of Conditions**

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By

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Forward
by
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Wisconsin is an extraordinary state. While known for its natural beauty, abundant wildlife, and agricultural economy, Wisconsin is also known for its modern, urban communities that provide economic, financial, and cultural growth. While each region of the state offers unique qualities, the city of Milwaukee has had both economic successes and challenges, generating significant revenues for the state while simultaneously drawing upon the largest share of public resources for low-income families. Governor Jim Doyle and the Department of Workforce Development (DWD) have made the Milwaukee region a workforce development priority, supporting strategies that develop and train job seekers for skilled work and supportive wages – ultimately matching high-wage/high-growth employers to qualified workers.

To that end, DWD and workforce development stakeholders have provided resources for gaining a better understanding of the issues facing Milwaukee's inner-city businesses. In 2005, the Council on Workforce Investment initiated a study resulting in *The Milwaukee Workforce Development Landscape Report* (January 2006), providing an overall understanding of inner-city Milwaukee employers and their connection to workforce resources. Following that report, DWD commissioned this second study, *Inner-City Milwaukee Businesses: An Assessment of Conditions*, to gain additional insight for strategic planning efforts.

The good news is that there are positive conclusions in both reports, including the respondents' characterization of Wisconsin's workers as "dependable," "professional," and "hard working" (90% of workers). Plus, inner-city businesses employ as much as 95% of their workforce from the inner-city, supporting local growth. These two points are important, and are key components to the future stability of the Milwaukee workforce system. It is our goal at DWD to aggressively address the issues identified in each of these reports, and build upon the collective enthusiasm of employers, workers, and workforce development stakeholders to ensure a sustainable, competitive, quality workforce.

Executive Summary

The Initiative for a Competitive Milwaukee (ICM), a multi-year effort within the Greater Milwaukee Committee that is dedicated to finding solutions that improve the business conditions in Milwaukee's inner city, with support from the Wisconsin Department of Workforce Development commissioned this study of employers in the inner city of Milwaukee to learn more about the health of these firms, the advantages and disadvantages they have, their workforce experiences, their assessments of the business climate, and their interest in various types of actions others might take to assist them in being more successful. This report reveals the findings of this study, undertaken in the first half of 2007.

The study focused on the geographic area defined by 11 ZIP codes that are commonly referred to as Milwaukee's inner city (see map page 10) and are the areas of greatest poverty in the city. The areas are immediately adjacent to the downtown on the south, west, and north sides. Some 81 firms from a range of industries agreed to participate in the study. The intent was to concentrate on what the Milwaukee 7 refers to as regional income producers, industries such as manufacturing, construction, wholesale trade and specific services that bring new dollars into the local economy from sales outside the region. The interviews targeted firms with at least 20 employees.

The firms interviewed had the following characteristics:

- 45% were in manufacturing
- 43% had multiple sites compared to 63% of manufacturers in the Milwaukee 7 2006 study of 177 manufacturers in the region
- 85% were headquarters v. 64% among 2006 manufacturers
- 50% of purchases were in the region v. 29% among regional manufacturers
- Average employment size at interview site was 94 v. 210 for regional manufacturers
- Occupational mix: 37% unskilled and 31% skilled v. 33% for both among regional manufacturers
- Average wage/hour: unskilled - \$10.38; skilled - \$17.43
- Founded since 1990: 23% v. 13% among 2006 manufacturers

Key Findings

1. In spite of local, regional and global challenges, the firms located in inner-city Milwaukee are relatively healthy:

- 53% increased sales over the past three years; few declined
- 53% are more or significantly more profitable than 3 years ago
- 63% expect more or significantly more profits over the next 3 years
- Employment has been growing: 42% grew in last 12 months; 49% expect to add significantly more employees over the next 12 months

- Significant growth is also expected in capital expenditure (47%) and space (26%) over the next 12 months
 - Firms located in these ZIP codes report they have less trouble finding both skilled and unskilled workers than manufacturing employers spread over the seven counties
2. The inner-city location is only mildly challenging in comparison to regional, national, and global trends. Several factors are challenging:
- Some 27% of employers said finding workers they need is the top challenge
 - Costs (such as health care, taxes, wages) of doing business are the next largest challenge - 18%
 - Crime in the neighborhood is relatively modestly regarded as an issue – 8% of responses to challenges cited crime
3. In terms of factors inhibiting future firm growth, two factors stand out:
- 35% of firms claimed that generating demand for product/service is the largest inhibitor to future growth
 - 17% of employers cited workforce quality or availability
 - On a related direct question with regard to most critical workforce challenges over the next three years, 75% of the responses were on the theme of worker shortages.
4. Employers are split on their assessment of the current workforce: 47% say the strong work ethic is the local workforce’s greatest attribute at the same time 26% say the absence of a strong work ethic is the top workforce challenge. Employers of all sizes and industries made these assessments. The message: employers highly value a strong work ethic.
5. The vast majority of inner-city firms currently hire from the inner city, and more state they will hire from the inner city, as business conditions permit.
6. Inner-city employers rate the quality of the business climate of the region at 3.01, right in the middle of a five-point scale. Of 14 factors that compose the regional business climate, the top five are quite to very important to employers. Unfortunately, none of these are top rated in terms of quality, and one (health care costs) has the lowest rank.

<u>Aspects of Business Climate</u>	<u>Importance</u>		<u>Rating</u>	
Workforce Quality	4.56	(1)	3.30	(7)
Workforce Availability	4.37	(2)	3.18	(8)
Health Care Expense	4.25	(3)	2.05	(14)
K-12 Education	4.00	(4)	2.98	(9)
Technical Education	3.93	(5)	3.35	(4)

7. The business climate is seen by about half (49%) as having improved in the last three years, and 50% expect it to continue in the next three years. To sustain and increase employer satisfaction, it is vital that action is quickly taken to address the help they most often requested during the interview:

<u>Topic for which Additional Information is Sought</u>	<u>Yes (%)</u>
Workforce Training Options and Government Sponsored Programs	70
Workforce Retention Strategies	59
Selling to Governmental Entities	47
Meeting Immediate Technology Needs	44
Developing Formal Relationships with Other Local Firms	35

8. These inner-city businesses are strong contributors to the regional and state economies. On average, 50% of their supply purchases are made in the seven-county region and an additional 15% are made elsewhere in the state. On the other end, 65% of sales, on average, are within the region, suggesting that few are directly large regional income generators.

9. Recommendations for Actions

To succeed in making the inner-city an even more viable location option for employers and residents will require efforts in four key areas to:

- Work with local employers on workforce training and retention
- Increase inner-city land available for locations and expansions
- Meet other employer needs to help them succeed, such as assistance with Information Technology, Intellectual Property creation and protection, development of cooperative business relations, government sales, and exporting
- Market the fact that success is possible, even probable, in this setting

An effort must be made to detail what needs to be done to take worthwhile actions in the areas just noted. That discussion is currently underway.