



# Peter Frosch of GREATER MSP

## Region's potential as global economic leader threatened by current and future workforce shortage

A Civic Caucus Focus on Human Capital Interview

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### Present

Steve Anderson, Dave Broden (vice chair), Pat Davies, Peter Frosch, Randy Johnson, Sallie Kemper (associate director), Ted Kolderie, Dan Lortiz (chair), Bill Rudelius, Dana Schroeder (associate director). By phone: Paul Ostrow.

### Summary

Just as the economy of the Twin Cities region, especially in its key sectors, is positioned to advance to a place of global leadership, the size of its labor force is expected to stagnate, according to Peter Frosch of GREATER MSP. Not being able to meet the workforce needs of the region's businesses could result in lost opportunity, he warns. His organization has forecast that by 2020, the region could be short 100,000 skilled workers. He asserts that the shortage is already being felt today in occupations such as high tech, engineering and financial management. In those fields, there is already an extremely tight labor force in the region.

In 2013, GREATER MSP developed, for the first time in the Twin Cities region, a regional economic development strategy. Frosch stresses that some 1,000 corporate leaders, public officials and other leaders were involved in developing the strategy, which is built on three approaches: (1) telling our story more effectively; (2) building on our global sectors of strength; and (3) prioritizing talent. He notes that human capital is the region's number one competitive advantage and that not every other region in the country competes on its people power, as we do.

But Frosch cautions that what the region and the state have done in the past to create the workforce we have today is not necessarily what we should be thinking about doing in the future. He points out that the workforce and the competitive landscape are both fundamentally changing. It's a given, he says, that the looming labor-force shortage means we must ensure that all people in Minnesota are educated to their full potential, engaged in the economy and moving up the career ladder.

He also highlights the importance of migration and says we must work even harder to retain the people we have, even though we've historically done that quite well. And it's critical that we significantly improve our somewhat weak performance in attracting talented people to live and work in the region and state. He says the case to be made for attracting talent to the Twin Cities is compelling: here people seeking opportunities and their partners can both have great careers and a world-class quality of life that they can afford. There aren't many other places where all of those goals are as likely to be met.

## Biography

Peter Frosch is vice president of strategic partnerships at GREATER MSP, a Minnesota nonprofit dedicated to the growth of the economy in the Twin Cities area. He is responsible for developing and implementing the organization's economic development strategy for the Minneapolis-Saint Paul region.

Prior to joining GREATER MSP in January 2013, Frosch was legislative director for Congresswoman Betty McCollum in Washington, D.C. In this role, he managed the legislative staff and directed all aspects of Rep. McCollum's policy agenda, including her work on the House Appropriations and Budget Committees.

Frosch has also served as director of environmental policy at Environmental Initiative, a Minneapolis-based nonprofit. He is a member of the University of Minnesota's Center for Transportation Studies Executive Committee, a participant in Harvard Business School's Young American Leaders Program and a 2015 winner of the Knight Foundation Cities Challenge. Frosch earned a bachelor's degree from Northwestern University and a master's degree in international relations from Dublin City University in Ireland.

## Background

Founded in 2011, **GREATER MSP** (Minneapolis Saint Paul Regional Economic Development Partnership) is a private, nonprofit organization dedicated to providing public-sector and private-sector leadership, coordination and engagement to ensure economic growth in the 16-county Minneapolis-Saint Paul region. With its economic development partners throughout the region, GREATER MSP is advancing a coordinated regional economic development strategy, a coordinated regional brand, and a coordinated regional business retention, expansion and recruitment program. Through these efforts, the organization seeks to promote the region's assets and to stimulate capital investment and job creation in the region. GREATER MSP is also promoting a regional talent strategy to attract and retain talented workers.

The Civic Caucus has released two statements on human capital: **one in September 2014** laying out the human-capital challenges facing the state today and in coming years and **a follow-up paper in January 2015** offering recommendations for maintaining a high-quality workforce in Minnesota. The Civic Caucus interviewed Peter Frosch to learn more about GREATER MSP's economic development strategy for the Twin Cities region and its efforts to attract and retain talented workers.

## Discussion

**GREATER MSP grew out of the Itasca Project.** The **Itasca Project**, founded in 2004, is an employer-led civic alliance whose members are drawn together by an interest in new and better ways to address regional issues that impact economic competitiveness and quality of life in the Minneapolis-Saint Paul region. According to Peter Frosch of GREATER MSP, the Itasca Project's founders were concerned that job growth in the Twin Cities region was not tracking ahead of our peer regions, as it previously had. They found that over the previous 15 years, every other metro region around the country had created a regional economic development partnership, usually after a crisis had shaken the community. But the Twin Cities had not.

These partnerships elsewhere, Frosch said, usually contained a focus on business investment, one on marketing communication, and one on initiating and promoting a regional economic development strategy. Almost immediately after Itasca had researched these partnerships, the recession hit. That motivated regional leaders to create GREATER MSP in 2011.

**In 2013, GREATER MSP developed, for the first time in the Twin Cities region, a regional economic development strategy.** That process included 1,000 corporate leaders, public officials and other leaders, Frosch said. The strategy prioritized three pillars:

1. Telling our story more effectively. "We are a great place today on the numbers, compared to other places," Frosch said. "We are extremely competitive across a number of areas. If more businesses and people knew that, they would simply come. That's the most efficient way to grow."
2. Building on our global sectors of strength. "One of the secrets to our success is that we have a very diverse economy," he said. "We have concentrated clusters of excellence in health and life science, headquarters and business services, food and water solutions, advanced manufacturing, and finance and insurance. We have a higher concentration of those businesses and employees than the country as a whole. When one of our sectors contracts, you see other elements of our strength grow. Talent in this region has moved across those areas, supporting growth and injecting new ideas that stimulate innovation."
3. Prioritizing talent, a new initiative started in 2014. Human capital is our number one competitive advantage here, Frosch said. "That's not self-evident and it's not uniformly true across the country. Not every region competes primarily on its people power, as we do. It has been our advantage in the past and we believe it will be even more so going forward. Minnesota is well positioned in that this is not a new topic for us. We've been investing in people disproportionately for a long time."

**We're at a unique fulcrum in our human-capital history.** Minnesota has developed a successful formula over the past generation to build the highly competitive and productive labor force we have today, Frosch said. "We have the highest labor-force participation rate and the lowest unemployment rate of any major metro area in the country. To date, that workforce has been well matched with the industries we have, so we're supporting the growth and innovation of our industries."

"But things are changing quickly," he said, "and there are a number of trends that are converging in space and time, some of which are beyond our control and some of which aren't. They all are blinking red lights. The things we've done in the past to create the workforce we have today are not the things we necessarily should be thinking about doing in the future."

"We're going to have to do some different things, because the workforce is fundamentally changing and the competitive landscape is fundamentally changing," Frosch continued. The most significant trend is the crashing labor force growth. At the same time, our economy is positioned to advance to a place of global leadership, especially in our key sectors. To do that, we must meet the human capital needs of our businesses.

"In this moment when we have opportunity accelerating, the size of our labor force is expected to stagnate," he said. This threatens to cause lost opportunity. "We're doing what we can to get out there in front of a crisis. In a short period of time, a lot of people and institutions are going to be challenged to evolve quickly to adapt to this new environment."

**GREATER MSP has forecast that by 2020, the Twin Cities area could be short 100,000 skilled workers.** That shortage is already being felt today in occupations such as high tech, engineering and financial management, Frosch said. In those fields, there is already an extremely tight labor force in this region.

An interviewer asked about the situation in the health care field. Frosch responded that a lot of positions are projected to open in the field of home health care. That's a significant opportunity to pull in residents not currently in the labor force or residents not employed in career-path jobs.

In response to an interviewer's question about what types of jobs are included in the 100,000-worker shortage, Frosch said GREATER MSP is using its economic modeling software to break that down into occupations and skill levels. He clarified that his organization uses the Census Bureau's definition of the Twin Cities region as a 16-county Standard Metropolitan Statistical Area (SMSA), which includes two counties in Wisconsin.

**Many of the businesses exploring locating in the Twin Cities are looking for engineers.** An interviewer commented that 20 years ago, Minnesota had a very rigorous engineering base, but said many of the companies that employed lots of engineers are gone. He asked what is replacing those companies. Frosch responded that there are small and medium companies and GREATER MSP is trying to help companies here to expand. "A lot of those projects have had engineering at their core," he said.

Because of the number of projects requiring engineers, GREATER MSP commissioned its own **engineering study**, looking at questions such as what programs are producing engineers, what kinds of engineers they're producing and what engineers are looking for in terms of places to live and work. Business recruiters at GREATER MSP have seen potential projects that would produce 200, 300 or 400 jobs. The employers insist that recruiters can only compete for a project to be located here if GREATER MSP can show that a company could find the 30 or 40 engineers it needs in the Twin Cities region. "There's a lot of demand and there's a lot of opportunity," he said.

**GREATER MSP is prioritizing talent because it's our strength today and we're planning for it to be our base of competition going forward.** Frosch said talent would be even more important as the economy becomes based on knowledge competition. "How do we re-engineer our formula for developing the workforce we need so we can get the people we need and that five-year gap in workers never opens?" he asked.

He said State Demographer Susan Brower has told state policymakers that the looming labor-force shortage means we must have everyone educated to their full potential, engaged in the economy and moving up the career ladder. "That is a given," Frosch said. "It's difficult to do. Thankfully, dozens of institutions are working to strengthen the human capital pipeline, including pre-K, K through 12, higher education, and worker training and retraining."

However, he highlighted Brower's conclusion that migration matters more now than ever before. "We need to start watching the inflow and outflow more than we have before," he said. "We need to be prepared to work harder to retain the people we have and to significantly improve our performance in attracting talented people to live and work in the region and state."

A recent GREATER MSP study, Frosch said, showed that we were one of few major metro areas with no retention and attraction initiative focused specifically on young professionals. "We've built that initiative over the last two years and it's called **Make It MSP**."

**The case for attracting talent to the Twin Cities is that here, you and your partner can both have a great career and a world-class quality of life that you can afford.** "There aren't that many places in the country, or in the world, where those three things are true," Frosch said. *Atlantic* magazine had an article last year, he pointed out, concluding that people looking for opportunity and affordability should move to Minneapolis-Saint Paul.

**Talent attraction and retention is a strategic issue that is the aggregation of a lot of personal decisions.** It must be people-centric, Frosch said. We need to know what different people are looking for. He said GREATER MSP created a social media survey in February 2014. In 14 days, the survey got 1,100 responses from 18-to-39-year-olds living in this region about what's important to them. It showed that 78 percent of the respondents in that age range said they plan to be here over the next three to five years. Half of those survey respondents were native Minnesotans and half were transplants, he said.

Among the survey sample, jobs and careers ranked by far as the most important factor in making the decision about where to live. He said that countered some rhetoric that young people decide where they want to be and then find a job. The second most important factor turned out to be outdoor recreation opportunities. Frosch said the Twin Cities did better on this than other regions. Weather showed up as one of the least important things in the survey, he said. Our amenities overcome our weather.

An analysis for GREATER MSP by Myles Shaver of the University of Minnesota showed that the Twin Cities region ranks first among the 25 largest metro areas in retaining professionals and 19th out of 25 in attracting them here. Frosch said for decades, the region and state have relied on attraction to meet some of the most specialized skill needs in the economy.

"The fact that we have a knowledge-intensive economy demanding unique skills and that we've been able to attract individuals here to do this kind of work, is a good thing," Frosch said. "Attraction isn't a substitute for talent development or retention, but it is a critical part of the mix. Great cities and regions rely on attraction as part of their strategy for supporting growth and innovation. We are a global hub and we need to think of ourselves in that way."

**Automation is a trend that's going to impact the need for 100,000 more people in the labor force.** Frosch said automation would complicate efforts to make this a place where prosperity is widely shared. It is a global phenomenon and we're starting to see blips on the radar suggesting automation may reduce the size of job creation projects.

**Community is a competitive advantage here.** Frosch asserted that there is something special about the community we have in the Twin Cities region. We have a state of cohesion that doesn't exist everywhere. There is a tradition of collaboration and social cohesion that has differentiated us from other states and regions around the country. He said the premise of the regional strategy at GREATER MSP is to leverage that advantage.

"It's not GREATER MSP staff members alone who are doing the work of the regional strategy," he said. "The region is coming together in new ways to do the region's work. For example, there are over 100 companies and organizations deeply involved with the retention/attraction initiative Make It MSP. The depth and breadth of this collaboration stands apart from what we're seeing across the country. We have the potential do more and do it faster than other places, because we have so many great companies, so many rich cultural assets and motivated young professional groups, and so many universities. If we can figure out how to get all those elements working together, we could be even greater than we are today."

However, Frosch said there's room to grow in how connected and aligned we are as a community. For instance, newcomers have a hard time breaking into the community and we need to be more effective at bringing them in. He said GREATER MSP has been doing focus groups with newcomers and will be doing a major survey to understand what collective strategies we should get behind. "A region will not succeed over time in increasing talent attraction if it is known as a difficult place to get connected, Frosch said."

**Growing up in a post-9/11 world, millennials have had a sense of uncertainty and risk that has resulted in many of them postponing life decisions.** Acknowledging it's problematic to generalize about a generation, Frosch said we can observe that many millennials are delaying decisions like buying a house, getting married and having families.

He said GREATER MSP doesn't want to invite people only to find a job in Minneapolis-Saint Paul, but to have a career and build a life. "We tell young people that if you get into this economy and this community, you're going to develop a career."

**Formation of ideas at GREATER MSP is done by and with others.** In response to an interviewer's question about surveying leaders to determine their support for various proposals, Frosch said GREATER MSP does more than survey leaders. It looks to them directly to form ideas and proposals.

There was no report published on the regional strategy that leaders developed through GREATER MSP, he said. The executives who had worked on the strategy said the region didn't need another report. "That's not ultimately what motivates action and gets things done," he asserted. "It's the translation of that good data into persuasive arguments and stories and clear points of action that connect with people's energies."

"We found the data, created a direction, and activated the strategy by creating initiatives that are connected with the three pillars," Frosch continued. Creating the new **MSP Regional Indicator Dashboard 2015** was one of the first things the partnership of GREATER MSP did after the regional strategy was developed.

The dashboard includes about 35 indicators in the areas of the economy, business vitality, talent, education, infrastructure, environment, livability and other vital statistics. It ranks how the Minneapolis-Saint Paul region is doing compared to 11 other peer regions: Atlanta, Austin, Boston, Chicago, Dallas-Fort Worth, Denver, Phoenix, Pittsburgh, Portland, San Francisco and Seattle. Those regions were selected based on demographic and economic characteristics, location, positive economic trajectory, and evidence of competition with the Twin Cities region for business or talent.

There are many organizations compiling relevant data on the Twin Cities area, Frosch said. "The problem is we don't measure together. If not, we can't get to shared conclusions, shared priorities and shared action." There are lots of organizations co-owning the dashboard project, he explained. They and GREATER MSP will use the data to discover the issues we need to be addressing, who's working on those issues, what's working and what's not.

**The regional dashboard is intended to be a management tool for regional leaders, showing both the upsides and the downsides.** In response to a question about possible downside risks facing the region, Frosch said the 2015 data suggest the areas of innovation capital, business startups and shared prosperity deserve close attention. Racial disparities in labor force participation and poverty amount to a downside risk, he said. "The numbers clearly show shared prosperity is not on the right track."

He noted also that the region's population and workforce are not growing as fast as in some of our competing regions. He asserted that in the current war for talent, the region wouldn't have as many jobs if there were a perception that there are not enough skilled people available here.