What’s holding back the Triad?

A colleague recently sent me a news article about the resurgence of the economy in Rochester, N.Y. Once dominated by Eastman Kodak, which filed for bankruptcy protection since the article ran, the Rochester metropolitan area has diversified significantly during Kodak’s long decline. Rochester now boasts a vast array of small and midsize technology companies that have helped push the region’s unemployment rate below 7 percent.

My colleague wondered why this rebound hadn’t happened here. Like Rochester, the Triad has undergone a decades-long structural transformation away from manufacturing. Moreover, the Triad has numerous amenities, including colleges and universities, great physical infrastructure, and a climate that can compete with New York and a more corporate-friendly legal and regulatory environment. So why not here?

It’s a good question, and one that Triad officials have been working on for years. Here’s part of the answer. In spite of our advantages, we have a workforce that’s lacking in skills relative to both Rochester and many of our competitor regions. In large part, skilled workers (and the companies that employ them) are hard to come by, particularly in high demand industries such as technology, science, and engineering.

Many people understand the importance of industry clusters, but a better predictor of a region’s economic dynamism may be its “skills clusters,” groupings of related occupations and competencies. Industries can come and go, but as photographic film maker Kodak can attest, people’s skills remain. Rochester officials tout a highly skilled and educated workforce. In 2009, according to the U.S. Census Bureau, 37 percent of Rochester’s 25- to 44-year-olds had college degrees, which ranked it 57th out of 366 metropolitan areas. Greensboro-High Point came in 196th and Winston-Salem was 150th, both with 28 percent.

The Raleigh-Cary and Charlotte metro areas were ranked 16th and 50th, respectively.

The Census Bureau combined the above data with other education indicators to get an index of overall education quality. On the basis of that index, Rochester ranked 37th while Greensboro-High Point was 147th and Winston-Salem was 177th. The Raleigh-Cary and Charlotte metro areas were ranked 33rd and 99th, respectively.

Corporate headquarters attract highly educated workers and generate high-margin spinoffs. As it happens, Rochester is home to a number of corporate headquarters, including Bausch & Lomb, the Genesee Brewing Co., and the restructuring Kodak. The Triad has comparatively few headquarters. Greensboro in particular sees its corporate community shrink as the textile-apparel industry contracted.

Education isn’t a perfect proxy for business formation, and in fact data from the Kaufman Foundation indicate that the rate of entrepreneurship is as strong here as in Rochester. But those figures include all businesses, not just the technology companies that are reportedly leading Rochester’s rebirth.

In 2010 the Rochester metro area generated 121 technology patents per 100,000 population, as compared to just 17 in Greensboro-High Point, 21 in Winston-Salem and a national average of 35.

The situation is improving, depending on how you look at it. Between 2006 and 2010, the number of patents increased 13 percent in Rochester as compared to an impressive 46 percent in Winston-Salem. In Greensboro-High Point, though, the number fell 7 percent.

None of this implies that Rochester doesn’t face its own challenges. But there’s a reason the Triad hasn’t yet had the resurgence seen in Rochester. Fortunately, a number of Triad economic development agencies are focusing on workforce development. Improving our workforce skills will set us down a path to growth, but the benefits will be significant and long-lasting.

Andrew Broo is a senior research fellow in UNC-Greensboro’s Center for Business and Economic Research and a member of The Business Journal’s Editorial Board of Contributors. Reach him at (336) 707-6439 or andrewbroo@uncg.edu. An archive of his columns is available at http://cherwinc.edu.