

## Old Is New: Making Innovation Work for Everyone

September 7, 2022

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Legislation to create the National Science Foundation (NSF) Technology, Innovation, and Partnerships (TIPs) Directorate and the Economic Development Administration (EDA) regional technology and innovation hubs, found in the recently passed CHIPS and Science Act, adds to the federal government's portfolio of programs intended to stimulate innovation and promote global competitiveness to meet national security and critical supply chain needs. These programs, along with the Infrastructure Investment and Jobs Act and the Build Back Better Regional Challenge, are expected to stimulate the creation of high value employment with above average wages and strong career pathways in industries such as advanced manufacturing, information technology, defense and logistics, and health sciences and pharmaceuticals. If implemented well, many of these programs can be instrumental in reconnecting communities, both rural and urban, overlooked by the globalized information economy of the past few decades.

Given the economic divide that exists today in both the rural and urban United States, a key challenge for the United States is to deploy these investments in innovation in a way that incentivizes more inclusive participation in the economic mainstream. Government and not-for-profit organizations have roles, but when they work alone, the results may not be as long-lasting or effective. Private companies need to take a stronger leadership role in making innovation, entrepreneurship, and economic opportunity more inclusive rather than waiting for government programs alone to incent opportunity. To be effective, renewing U.S. innovation must mean encouraging and engaging with the multiplicity of local initiatives—public and private—that connect the shared interests of communities and firms in building their region's productive base and skilled technical workforce.

### **Achieving Inclusive Innovation**

Inclusive innovation means bringing both demographic and geographic diversity into the knowledge economy of the twenty-first century. While U.S. inventiveness and entrepreneurship has been celebrated, its impact has been uneven. Many in the United States see themselves being left behind by new transformative technologies. Connecting communities into the broader innovation ecosystem can help create a shared stake in the United States' common prosperity. Moreover, for the United States to compete globally, every effort should be made to harness the talents of all its citizens.

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This is the author's manuscript of the work published in final form as:

Guevara, T. (2022). Old Is New: Making Innovation Work for Everyone. *Commentary*.  
<https://www.csis.org/analysis/old-new-making-innovation-work-everyone>

Many will turn to what is known as place-based economic development practices for implementing their innovation-building programs. Place-based development focuses on increasing innovation, entrepreneurship, and economic growth based on the business and workforce strengths that exist in a particular community or region. Programs are usually implemented through federal, state, and local governments, often in collaboration with local economic development organizations.

Place-based practices, supported by new federal monies, are likely to yield strong results for the advanced industries in places where there already exists a cluster of related industries and workers. What is far less certain is whether the most socially and economically vulnerable and disconnected populations will also rise with the higher tide of economic prosperity that federal investment will stimulate.

### **Skilled Technical Workers**

The investments to be made through this year's federal initiatives will likely stimulate the creation of skilled technical jobs. In today's advanced manufacturing and precision production market, skilled technical workers will use specialized skills to work with advanced machinery and processes, such as those used for medical device or pharmaceutical production, to produce precision products. But, to the worker's advantage, they will not necessarily need a four-year or postgraduate degree to earn a good living.

Skilled technical workers are in demand. The Bureau of Labor Statistics estimates that about 60 percent of the new jobs in the U.S. economy between 2020 and 2030 will not require any form of degree beyond high school. Among these jobs, there are several higher, above average wage occupations that only require a high school degree along with some additional on the job training, such as wind turbine service technicians, millwrights, and commercial pilots.

Businesses are struggling to find workers with these qualifications in today's economy, but that may be in part due to their desire to find people who already possess the certificates and experience of existing workers. Yet, only in the workplace can employees truly demonstrate their skills, adaptability to new technologies, and ability to be efficient and productive.

Businesses may forgo hiring workers who could learn the required skills by prioritizing hiring people who already possess those skills, creating a demand for labor that cannot be met. The—perhaps implicit—assumption that workers must bring most or all necessary skills to a job rather than learn any of them on the job may contribute to worker shortages and lost economic opportunity for both the company and individuals needing a good job.

A change in employer mindset, however, may be key to alleviating labor shortages by reconnecting capable workers living in disinvested communities back into the innovation economy. While it is certainly a far more common practice for companies in innovation-centric industries to make investment decisions based on existing qualities, skills, and aptitudes of

potential workers, it does not necessarily have to be the only path to profitability and competitive performance. The idea of making business investment decisions based only on a perceived ready-made workforce is not the way companies have traditionally made their business decisions. And certainly today, that approach has resulted in many companies experiencing significant shortages of labor, and consequently, lost economic opportunity.

### **Reinventing the Productive Commons**

The foundations of the U.S. economy are rooted in reciprocity and a strong sense of obligation to communities in which families lived and worked. Early farms often had no fences, allowing livestock—their own or a neighbor’s—to graze unfettered, knowing that harvest of both grain and meat could be exchanged between families to provide a better meal than simply leaving individual families to eke out their own subsistence. Common grazing areas—based on shared covenants about how to govern these commons— were the norm, not the exception. They were seen as an investment in the community that benefited farmers who shared their resources, as well as their families.

Throughout much of the twentieth century, many companies built their businesses based on “affinity of place,” often due to existing family connections, familiarity with the geography, or the development of personal relationships with peoples of a community or region. Affinity for a place and the people who lived there, motivated companies to look beyond their bottom lines as a sign of success. At its best, affinity of place meant that businesses possessed a set of values that enabled them to see the importance of community to the sustainability and profitability of their business. It went beyond just providing a paycheck to workers: company executives understood the importance of reciprocity in building a strong and resilient business. Places with firms who understood this became known as company towns.

Company towns provided residents with economic and social stability through “good jobs.” These jobs often led to intergenerational increases in education, income, and social opportunities. Company towns were characterized by neighbors who worked and socialized together. Children often had the chance to work for the same company as their parents, providing a steady workforce for the business and steady employment for community members. These opportunities were available because the company felt a responsibility to the community, and in return, the community felt a loyalty to the company. It built a shared identity that both the company and the community took pride in.

In recent decades, globalization has made the notion of a company town nearly obsolete, contributing to today’s worker shortages. Instead of focusing on investing in people and developing the quality of life in the communities where globalized firms are located, many businesses have placed a priority on labor production alone. If more companies saw themselves as members of their communities and embraced a company-town mentality as a workforce strategy, they may be able to address both labor supply challenges and significantly improve life for people and communities that have been abandoned, disinvested in, and underdeveloped.

This is where the United States has the opportunity to build a stronger, more resilient innovation economy and restore opportunity for more citizens.

### **Building on Affinity of Place**

In the state of Indiana, many communities have benefited from location and expansion decisions that are not purely based in economics but that also are strongly related to affinity of place. In places such as Batesville (Hillenbrand), Jasper (Jasper Engines), Indianapolis (Eli Lilly and Company), and Bloomington (Cook Medical), companies have become connected to the community while also being profitable. These companies understand the importance of community and seek out ways to be both a profitable, sustainable business, and make a positive social and economic impact in their community.

Other examples include Microsoft, which began in New Mexico but relocated to Redmond, Washington, because that is where Bill Gates and Paul Allen were raised. Viking Ranges created a new domestic manufacturing facility in Greenwood, Mississippi, because founder Fred Carl wanted to help his hometown create jobs and a better quality of life for the citizens who lived there.

In these examples, company leaders saw a higher purpose to their organization's existence beyond net income. This purpose is built on the notion of social responsibility and connectivity to community that is complementary to net income. This mentality drives company actions toward investments that make a return for both the company and the local community. Intentionally or not, they built company towns.

### **The Private Sector's Role**

Improving the inclusivity of innovation and economy opportunity may not necessarily lie completely with government mandates or program set-asides. Instead, businesses may have the opportunity to lead the solution to the United States' economic divide by taking an "old is new" approach to investing in the communities where they do business and produce the next generation of goods and services. This emergence of opportunity to invest in the development of innovations may provide one of the best chances to address the employment and economic needs of people who live in communities that have been disinvested in and their struggle to overcome life barriers due to disparities in important determinants of a good quality of life.

One example of how the private sector can lead in building a more inclusive innovation-based economy in place is happening in northeast Indianapolis, Indiana. Here, Cook Medical recently opened a medical device manufacturing facility. The development of this facility illustrates the potential benefits of investing in training and support for disconnected workers.

In partnership with Goodwill Commercial Services, Cook is creating a version of the company town model for local residents. The project extends employment, education, and career-growth opportunities to potential workers who have been overlooked or undervalued by other

employers. Cook has learned that life barriers, such as incarceration or past drug use, do not automatically indicate that a potential worker is unskilled, untrainable, or unreliable. These workers have access to many support services that can help them overcome barriers to employment. This approach increases their chances of succeeding in their jobs while reducing the employer's risks, both real and perceived.

In remarks at the ribbon-cutting event, Cook Medical president Pete Yonkman said the facility is not experiencing a shortage of potential workers. In fact, Yonkman said they had a waiting list of applicants who want to work there. These potential employees live in the same community as the plant—a part of Indianapolis that has lost economic opportunity, public investment, and neighborhood safety and security. Some of them also face employment barriers, such as having criminal records, substance abuse histories, or having not graduated from high school.

### **Combining Public and Private Efforts**

Government programs can help reduce perceived risk and the investment cost of hiring workers who face barriers to employment. Importantly, governments at all levels will need to be better at implementing comprehensive programs to help companies remove social, education, and health barriers that take away economic opportunity from disinvested neighborhoods and communities. But it will be companies' affinity of place and focus on building meaningful community relationships while they pursue a good return on investment that will determine whether people and communities are left behind. If companies can lead the effort to build "company towns" as a part of the innovation commons, the ideal of a more inclusive innovation economy, with economic opportunity for all, may be closer at hand.