



Benchmarking the Economic Competitiveness and Education Performance of States

December 5, 2006

MONITOR GROUP

Amsterdam ■ Beijing ■ Cambridge ■ Chicago ■ Emeryville ■ Frankfurt ■ Hong Kong ■ Johannesburg ■ London
Los Angeles ■ Madrid ■ Manila ■ Milan ■ Moscow ■ Mumbai ■ Munich ■ New York ■ Palo Alto
Paris ■ San Francisco ■ São Paulo ■ Seoul ■ Shanghai ■ Singapore ■ Stockholm ■ Tokyo ■ Toronto ■ Zurich

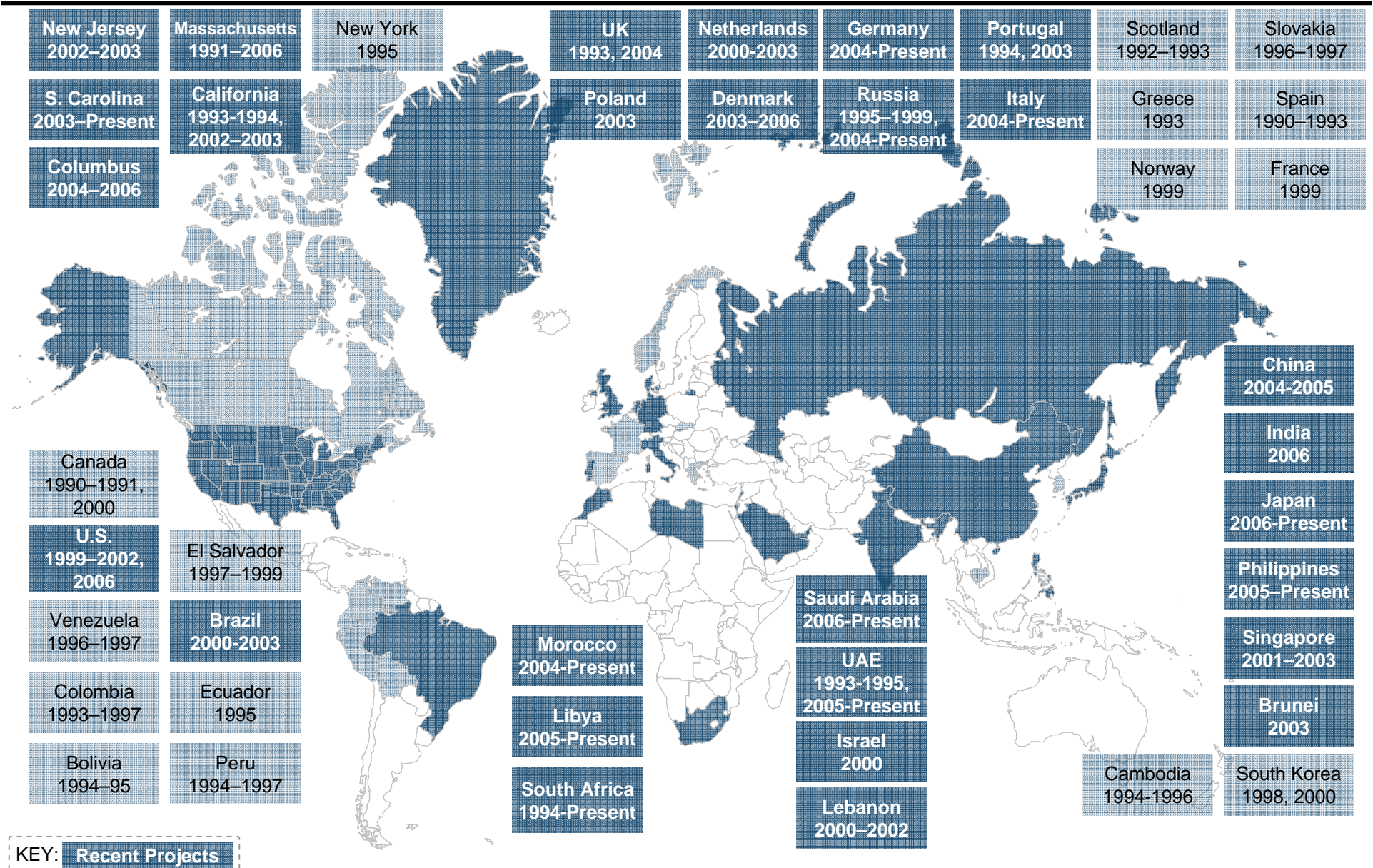
Copyright © 2006 by Monitor Company Group, L.P.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means —
electronic, mechanical, photocopying, recording, or otherwise — without the permission of Monitor Company Group, L.P.

This document provides an outline of a presentation and is incomplete without the accompanying oral commentary and discussion.

COMPANY CONFIDENTIAL

Select Monitor Competitiveness Projects around the World



Common Challenges Facing the 50 States

- Develop human **talent**
- Boost **innovation**
- Make **all clusters** “high-tech” clusters
- Address the decline of **manufacturing**
- Support **service-oriented** clusters
- **Differentiate** from the competition
- Understand your **international position**
- **Choose** to compete

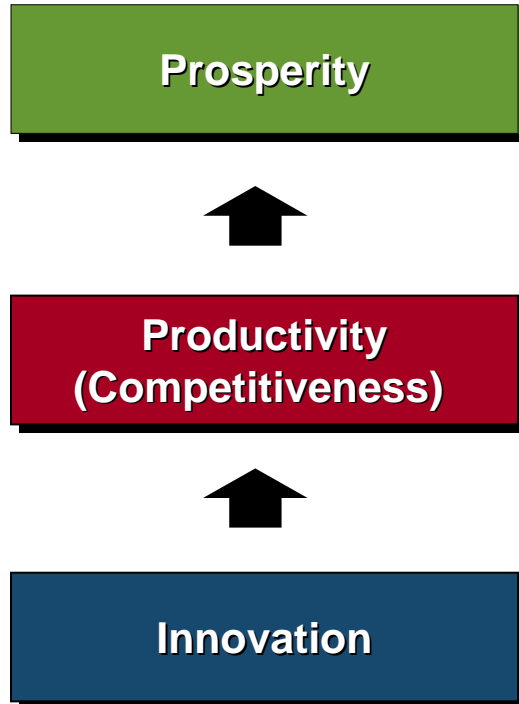
Agenda

- **Context for the Benchmarking Profiles**

- Common Economic Challenges

- Education Benchmarking

Prosperity, Productivity, and Innovation

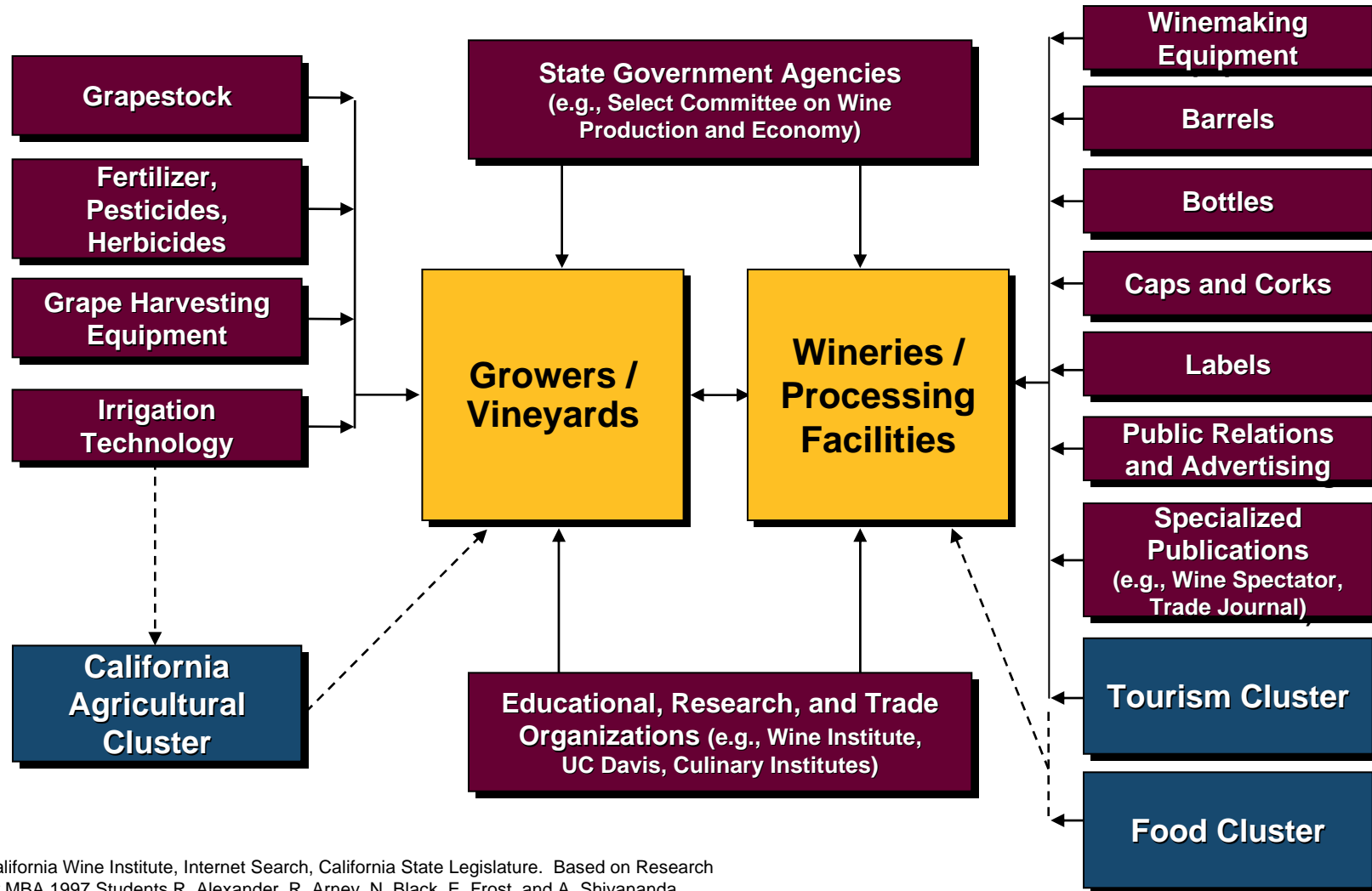


- A high and rising standard of living is the proper objective of economic development efforts
- For wages and profits to grow, workers and their firms must create more value year after year
- They must boost productivity, or competitiveness
- Productivity will not grow if firms keep making the same goods and services through the same methods and processes
- They must do something new and better
- They must innovate

Building Advantage through Cluster-based Economic Development

Example Cluster: California Wine Cluster

A cluster is a group of interconnected companies and related associations located in the same place, and engaged in a similar line of business



Source: California Wine Institute, Internet Search, California State Legislature. Based on Research by MBA 1997 Students R. Alexander, R. Arney, N. Black, E. Frost, and A. Shivananda

Focus on Traded Clusters

Traded clusters—clusters that trade their products and services outside their region—drive regional innovation and prosperity levels

	Traded Clusters	Local Clusters	Natural Resource Clusters
Share of Employment	27.6%	72.0%	0.4%
Average Wage	\$48,148	\$32,767	\$46,518
Annual Wage Growth, 1999 to 2004	2.9%	4.7%	8.2%
Patents per 10,000 Workers*	23.0	0.4	3.3
Number of Industries	643	414	35

Note: 2004 data, except patent data which is 2003 data
 Source: Monitor Cluster Mapping Project; *Institute for Strategy and Competitiveness, Harvard Business School
 CAS-COD-Prez-Date-CTL

Agenda

- Context for the Benchmarking Profiles

- **Common Economic Challenges**

- Education Benchmarking

Common Challenges: Develop Talent and Boost Innovation

Massachusetts Example

Economic Performance

Job Creation¹

- Employment grew yearly at 0.64% between 1996 to 2006, compared to the US average of 1.22%

Unemployment¹

- Unemployment rate in August 2006 was 4.90% equal to the US rate

Average Wages¹

- Average wage (private employees) was \$50,419 in 2005, contrasted to the US average of \$40,499
- Growth of average wages (private employees) was 4.42% from 1997 to 2005, measured against the US rate of 3.79%

Merchandise Exports²

- Merchandise exports per worker was \$7,915, against the US average of \$8,099, in 2005
- Growth rate per worker for merchandise exports was 4.84% from 1999 to 2005, while the US rate per worker was 4.07%

Gross State Product³

- In 2005, GSP per worker was \$117,962, compared to the US average of \$111,078 per worker
- From 1997 to 2005, the annual growth per worker was 4.65%, while the US rate was 4.21%

Innovation Output

Patents⁴

- Patents per 10,000 workers of 11.86 was 160.35% of the US average of 7.40 in 2005

Patent Growth⁴

- Growth rate per worker for patents was 1.58% from 1996 to 2005, while the US growth rate per worker was 0.73%

Establishment Formation¹

- Number of total establishments grew at 2.49% per year from 1997 to 2005, vs. the US growth of 1.93% per year
- Number of private establishments grew at 2.54% per year from 1997 to 2005 vs. the US growth of 1.95% per year

Venture Capital Investments⁵

- VC funding was \$84.54 per worker in 2005/06, contrasted to the US average of \$17.91 per worker
- VC funding increased at 6.96% in Massachusetts as compared to growth of 3.58% in the US from 1997/98 to 2005/06

Fast Growth Firms^{6*}

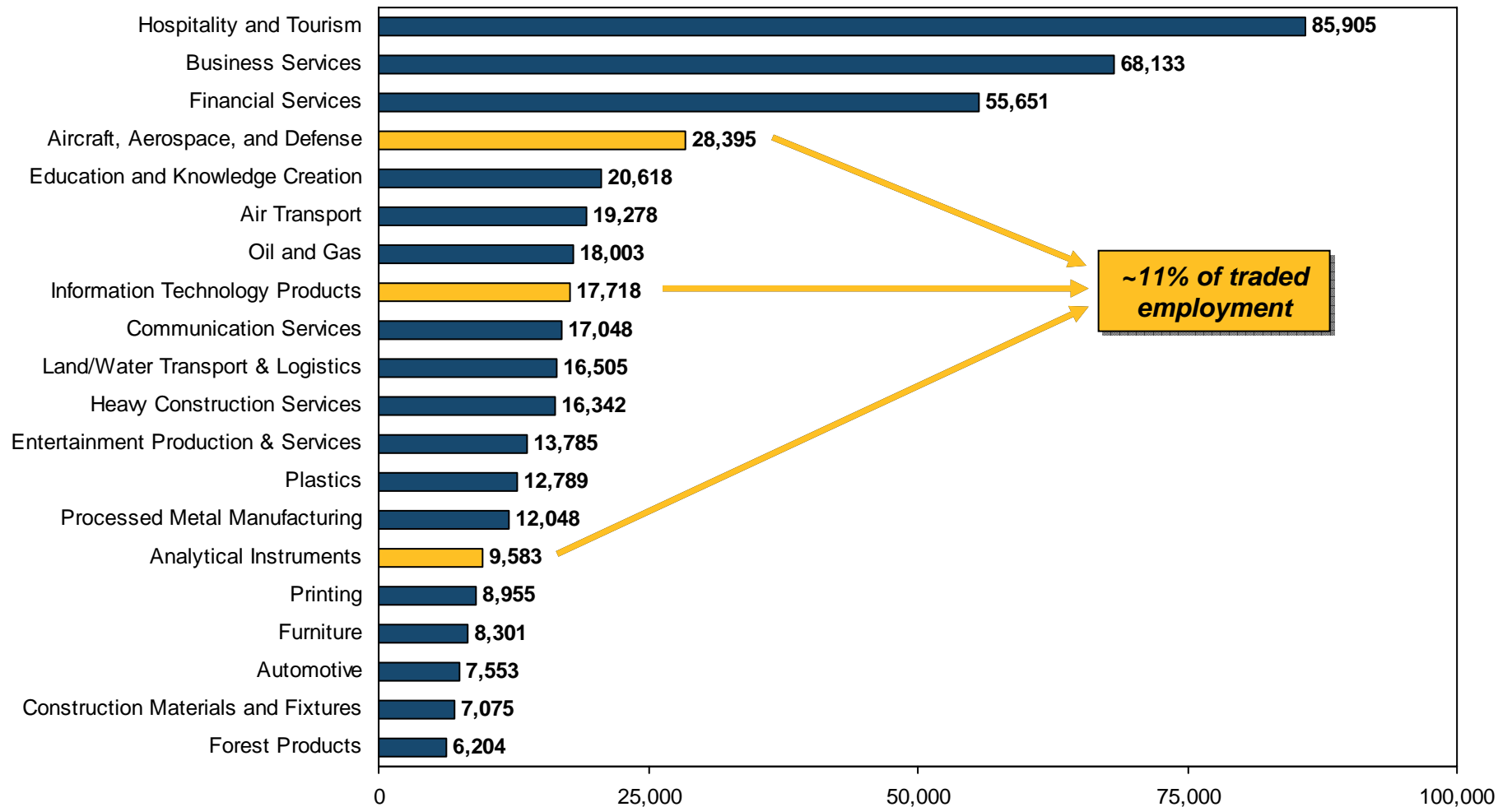
- Massachusetts had 5.60% of the Inc. 500 fast growing companies in 2006, more than their share of 2.52% of US private establishments

* US private establishment numbers have been estimated based on CAGR growth from 1997-2005

Source: (1) Bureau of Labor Statistics; (2) <http://tse.export.gov>; (3) Bureau of Economic Analysis; (4) USPTO; (5) PwC Money Tree; (6) Inc. Magazine

Common Challenge: Make all Clusters “High-Tech”

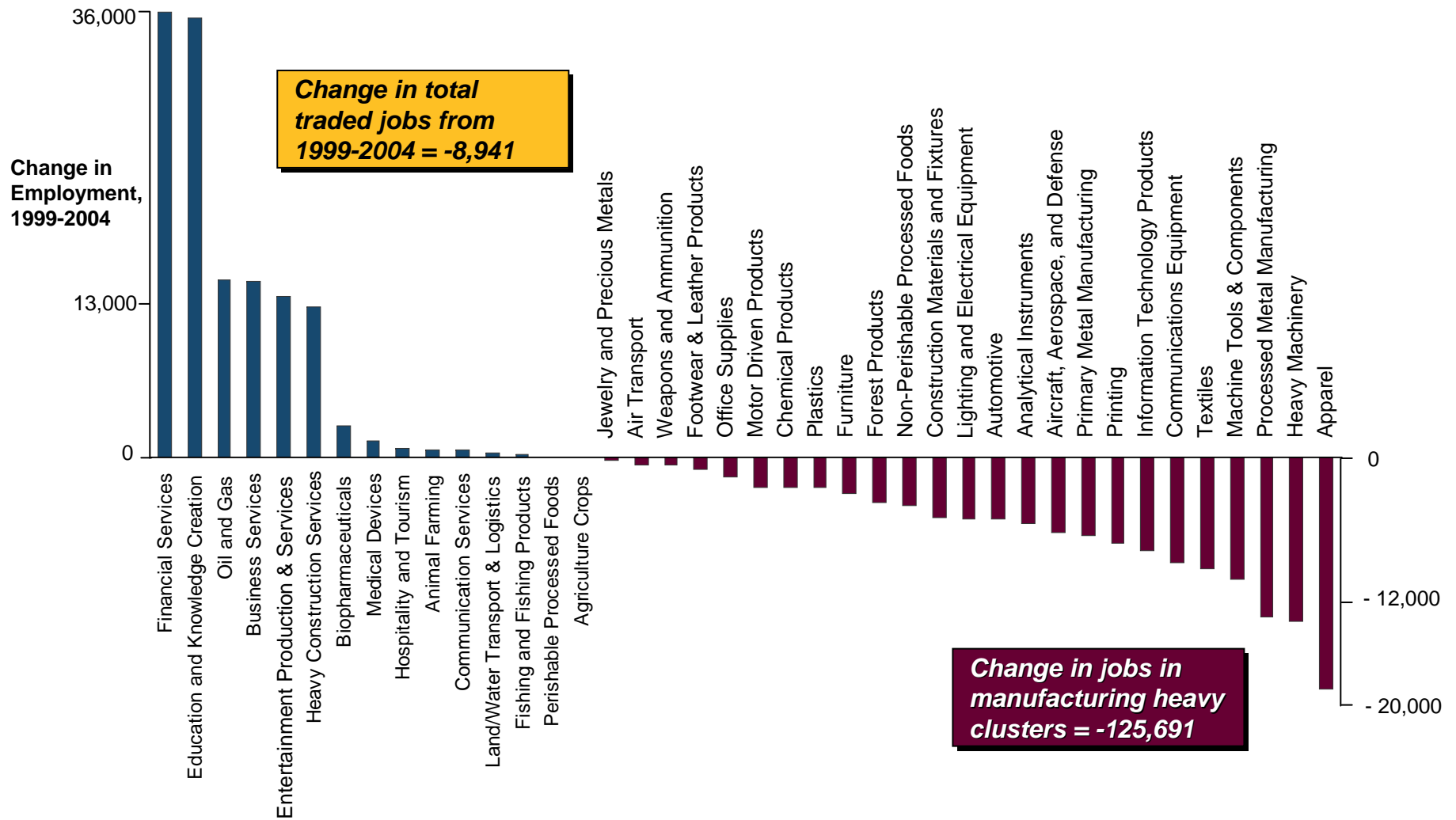
Arizona Example



Source: Monitor Cluster Mapping Dataset; 2004 data, most recent data available from the US Department of Commerce.

Common Challenge: Address the Decline of Manufacturing

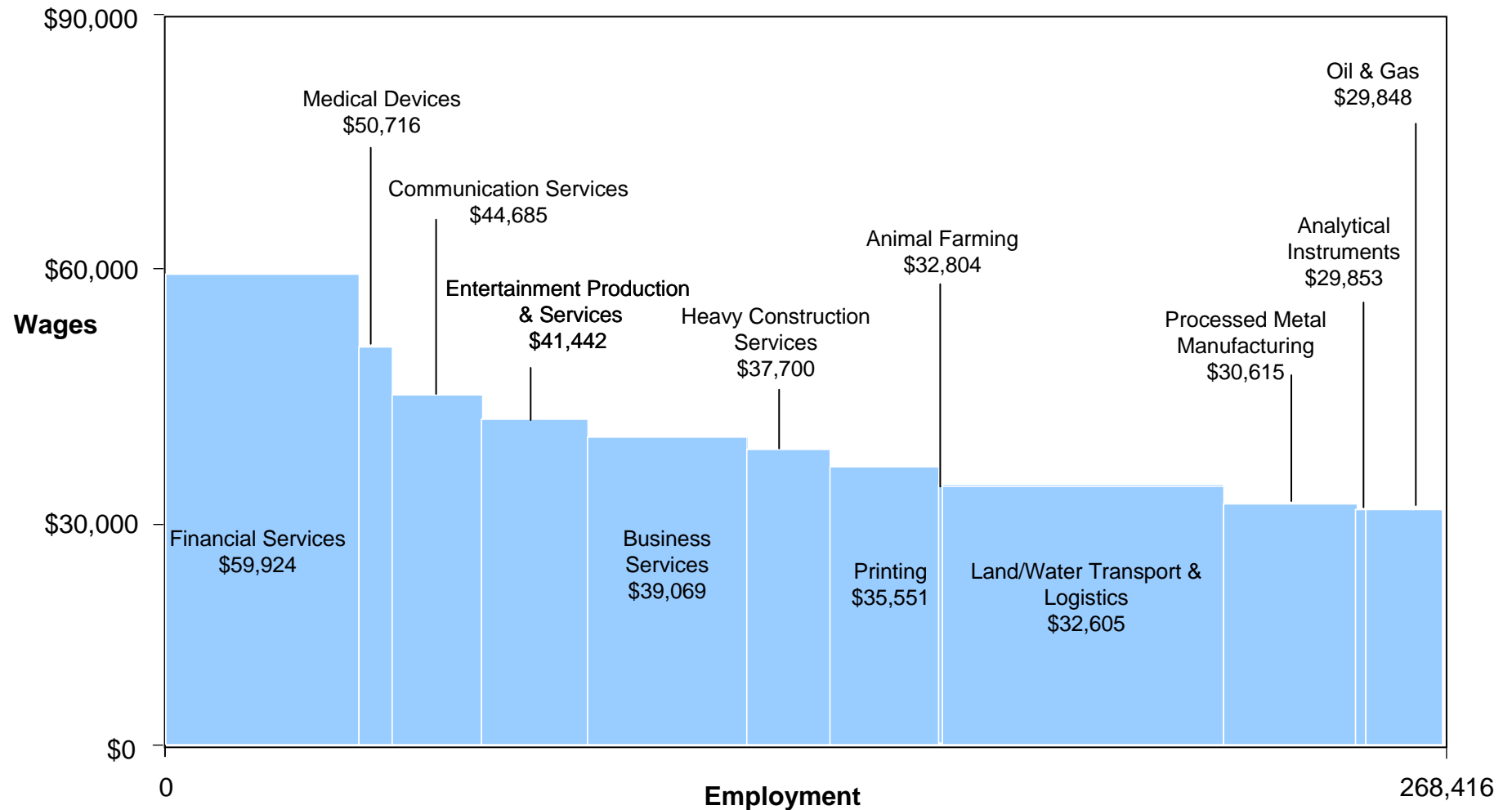
Pennsylvania Example



Source: Monitor Cluster Mapping Dataset; 2004 data, most recent data available from the US Department of Commerce.

Key Challenge: Support Service-oriented Clusters

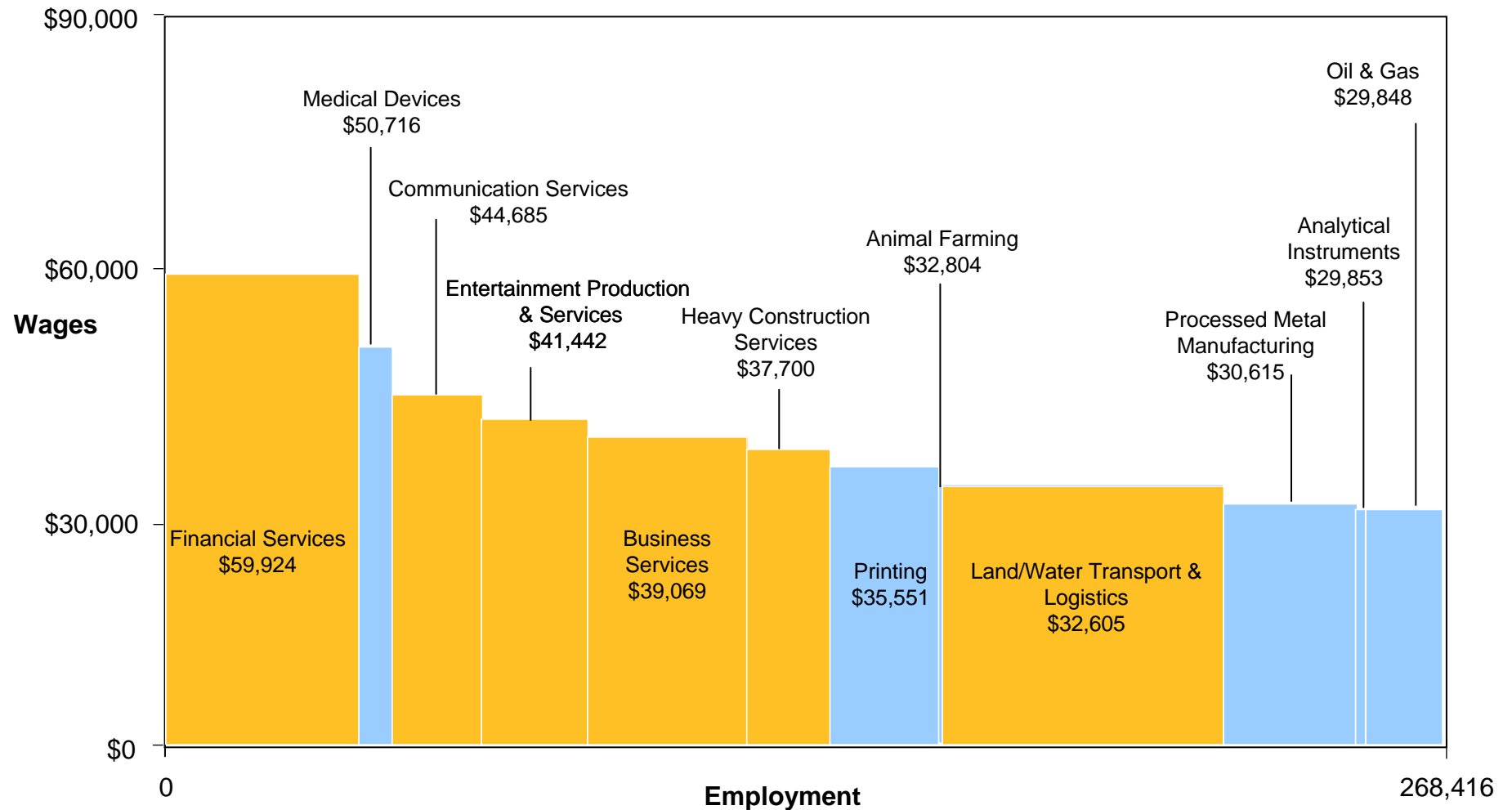
Tennessee Example



Note: Clusters with suppressed payroll data corresponding to 65% of cluster employment or more are not included in the chart above.
 Source: Monitor Cluster Mapping Dataset; 2004 data, most recent data available from US Department of Commerce.

Key Challenge: Support Service-oriented Clusters

Tennessee Example

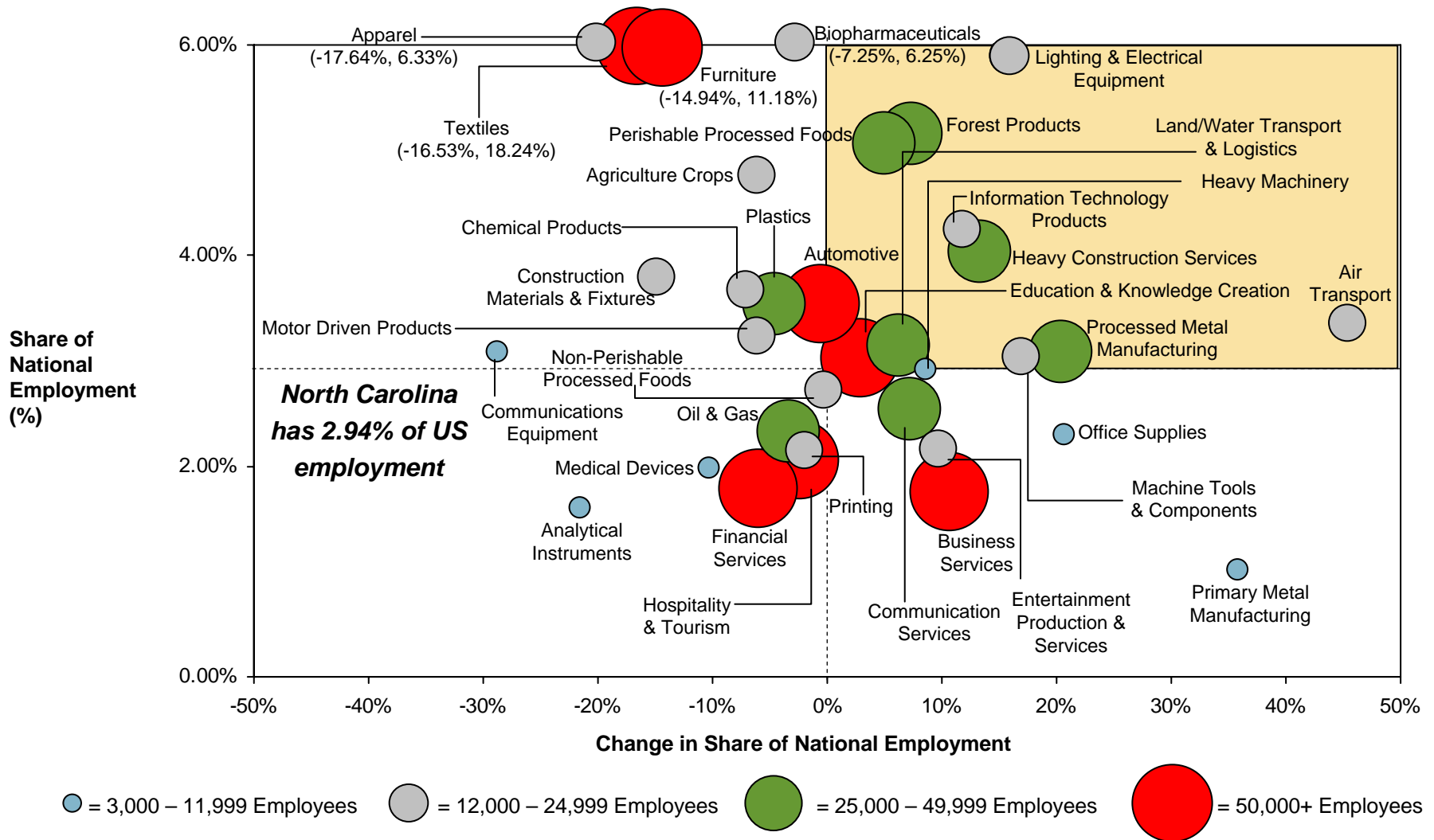


Note: Clusters with suppressed payroll data corresponding to 65% of cluster employment or more are not included in the chart above.
 Source: Monitor Cluster Mapping Dataset; 2004 data, most recent data available from US Department of Commerce.

Key Challenge: Differentiate from the Competition

North Carolina Example

2004 North Carolina's National Employment Share and Employment Share Growth 1999-2004



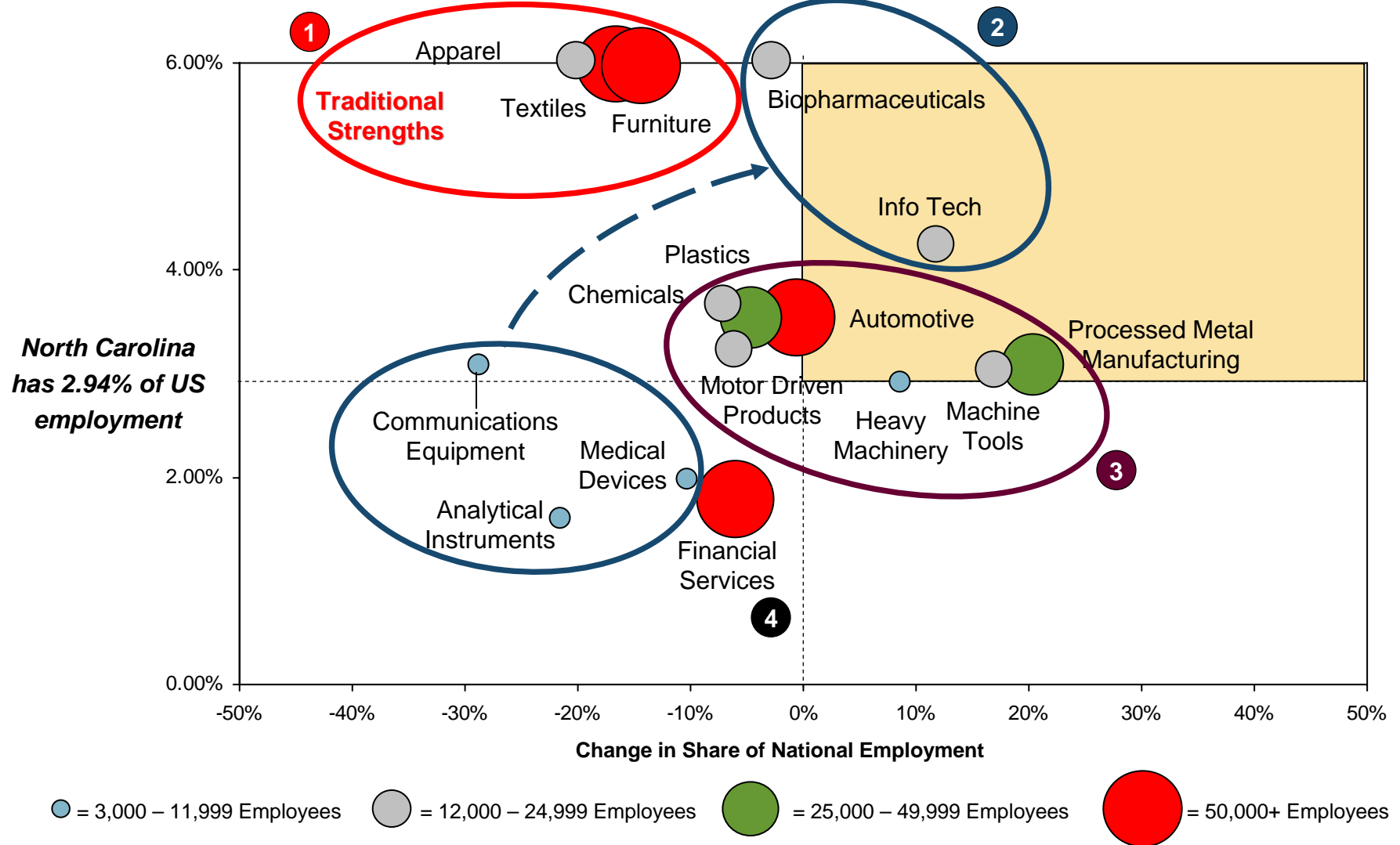
Note : Clusters with less than 3,000 in employment have been omitted

Source : Monitor Cluster Mapping Dataset; 2004 data, most recent data available from the US Department of Commerce

Key Challenge: Differentiate from the Competition

North Carolina Example

2004 North Carolina's National Employment Share and Employment Share Growth 1999-2004

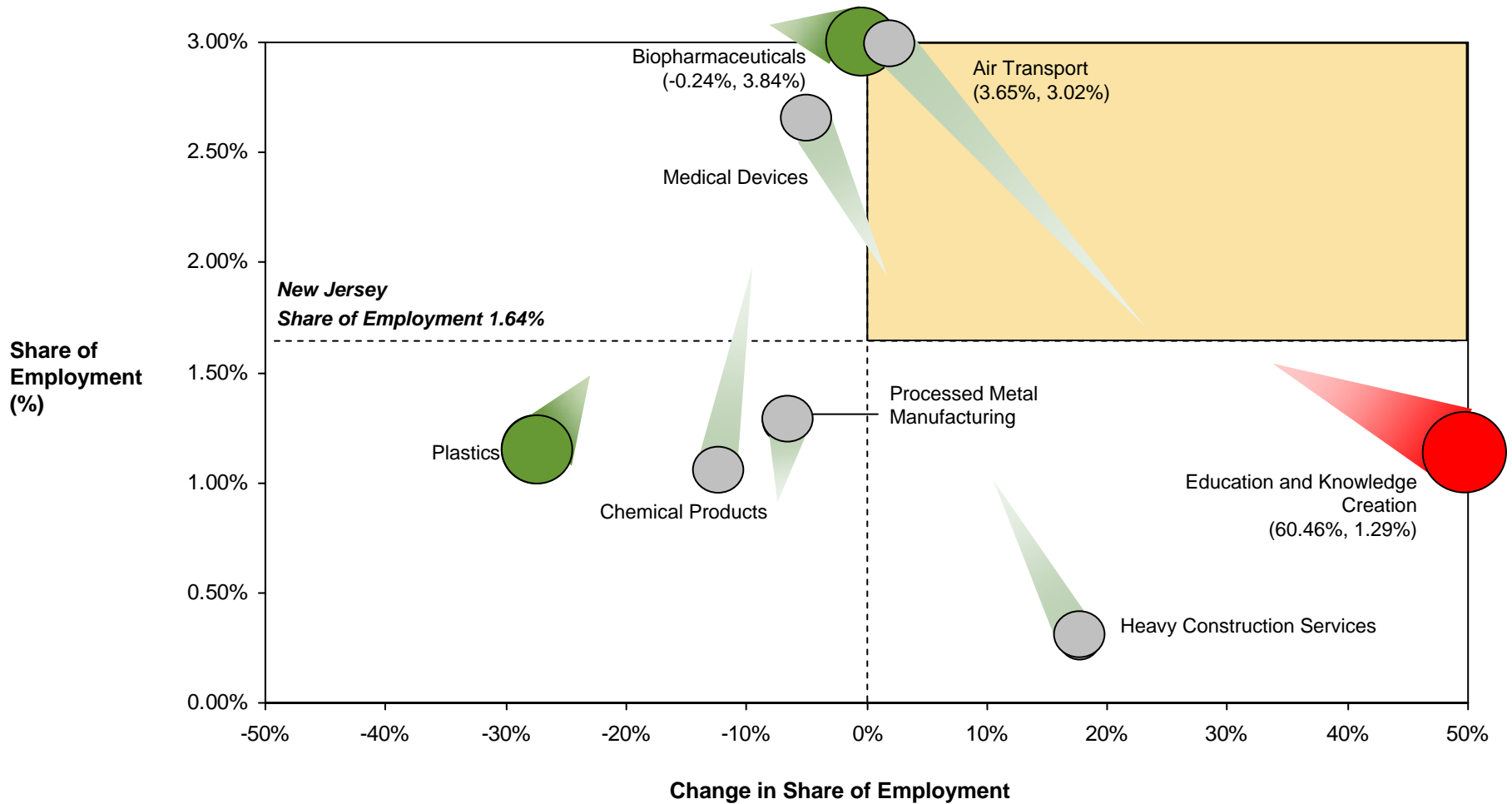


Note : Clusters with less than 3,000 in employment have been omitted

Source : Monitor Cluster Mapping Dataset; 2004 data, most recent data available from the US Department of Commerce

Key Challenge: Understand your International Position

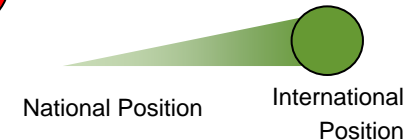
New Jersey Example



● = 3,000 – 11,999 Employees ● = 12,000 – 24,999 Employees ● = 25,000 – 49,999 Employees ● = 50,000+ Employees

Note : Clusters with less than 3,000 in employment have been omitted

Source : Monitor Cluster Mapping Dataset; 2004 data, most recent data available from the US Department of Commerce

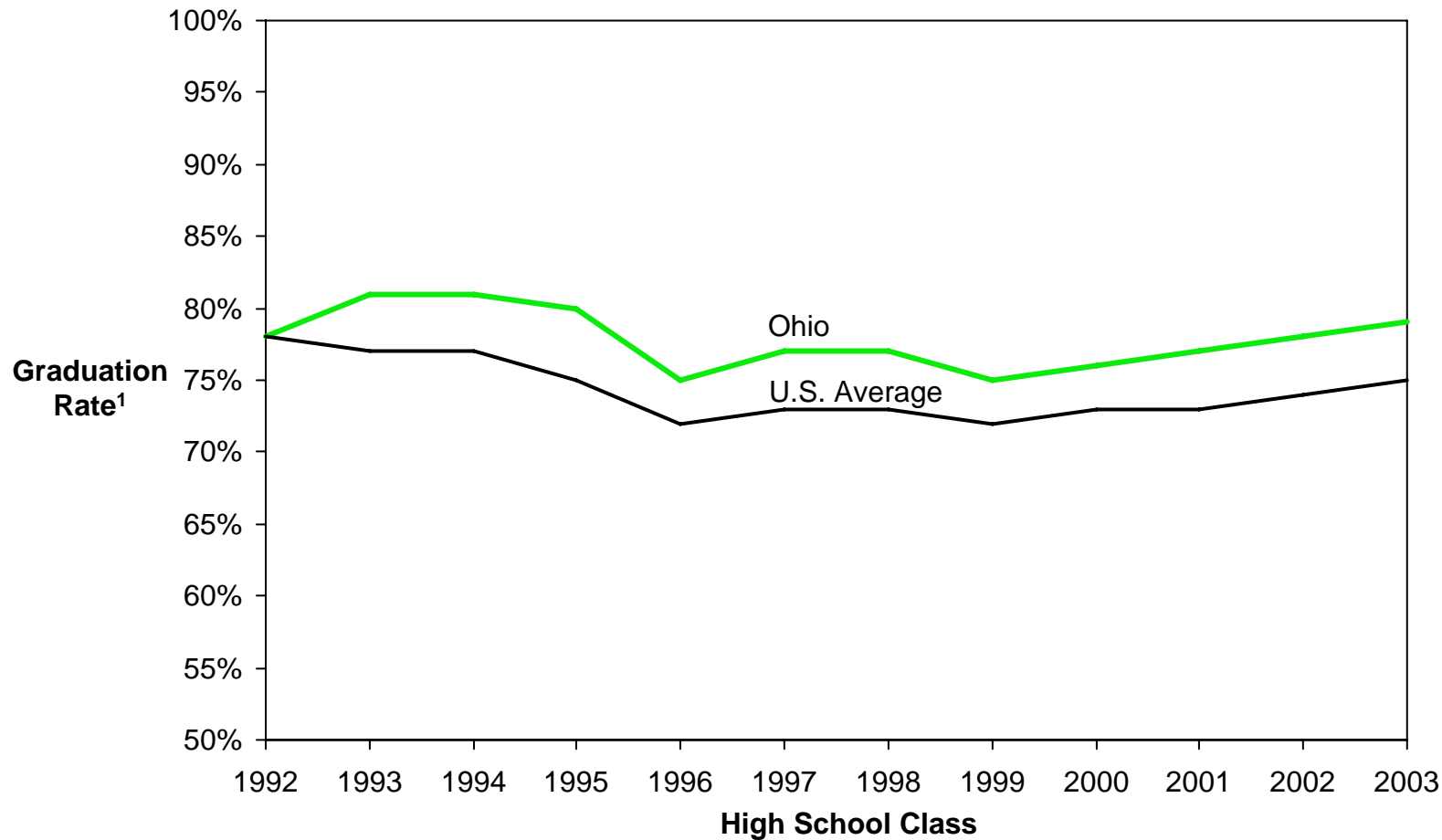


Agenda

- Context for the Benchmarking Profiles
- Common Economic Challenges
- **Education Benchmarking**

Key Challenge: Choose to Compete

Quantity of Talent in the Pipeline: High School Graduation Rates



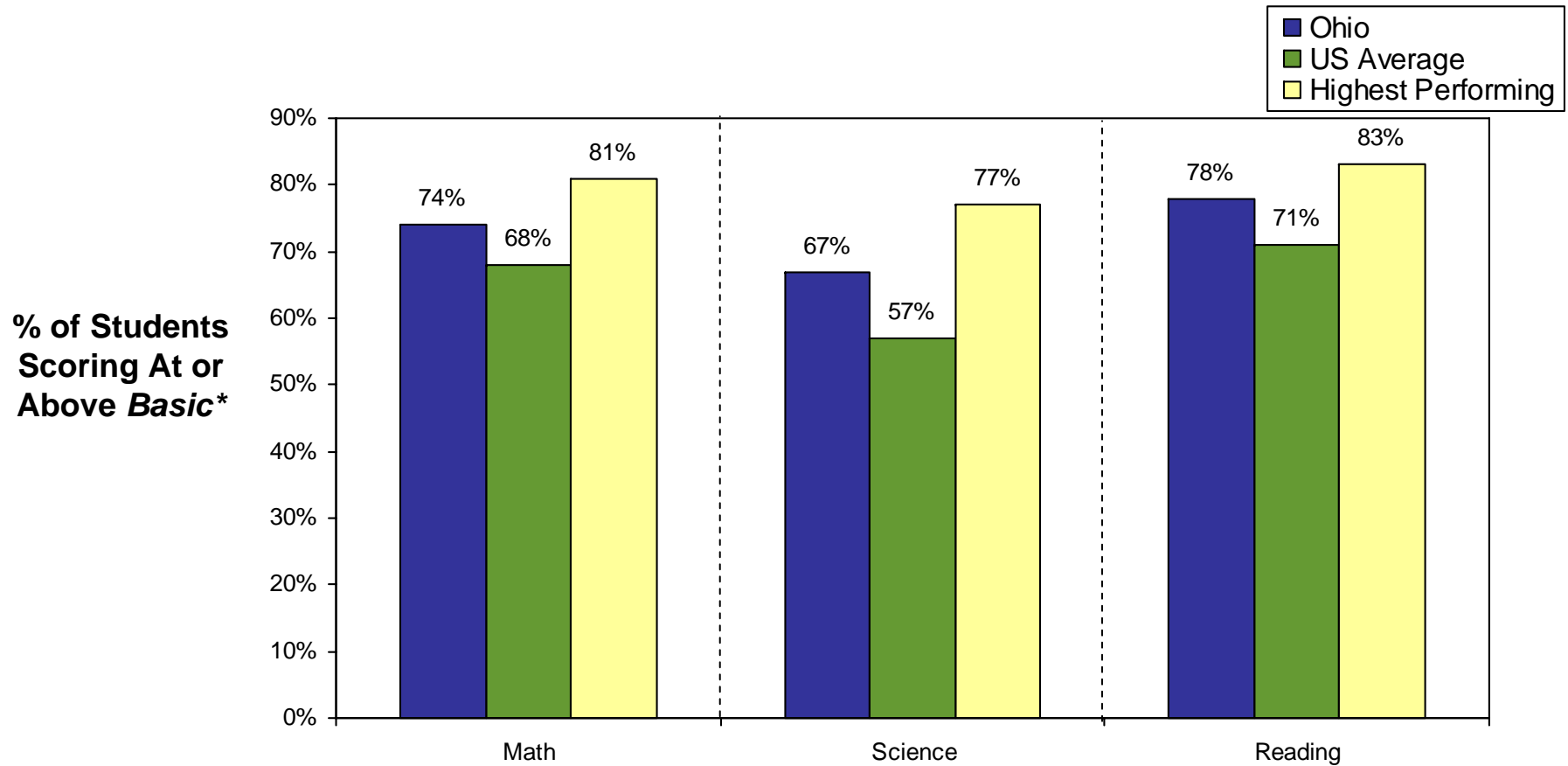
¹ In 2005 governors of all 50 states signed the NGA Graduation Counts Compact and made a commitment to a common method for calculating each state's high school graduation rate. The NGA Center for Best Practices issued a publication "Implementing Graduation Counts: State Progress to Date" in August 2006, which includes the Compact Formula and is available at www.nga.org/center.

Note: Years shown reflect data for the class graduating that spring (e.g., class of 2002)

Source: National Center for Education Statistics

Key Challenge: Choose to Compete

Quality of Talent in the Pipeline: NAEP Test Scores



NAEP 8th Grade Subject Test, 2004-2005

Note: *Basic* denotes "partial mastery of the knowledge and skills that are fundamental for proficient work in 8th grade. D.C. not included
Sources: National Center for Education Statistics, Nation's Report Card, 2005