CREC CENTER FOR REGIONAL ECONOMIC COMPETITIVENESS

Beyond Training: How State Economic Development Agencies Are Helping Companies Develop Talent

Issue Brief

July 2019

State Economic Development Executives Network

Helping State Economic Development Leaders Thrive

INTRODUCTION

State economic development efforts have focused on developing the state's competitive strengths and leveling the playing field to attract or retain business investments. States have used a variety of strategies, including streamlining the tax and regulatory environment, supporting incentives targeted to specific high impact economic opportunities, developing emerging industries, investing in new technologies, supporting strategically important infrastructure investments, providing critically important amenities that help attract private investment, and training workers to help companies increase their productivity. In general, these strategies have focused on reducing business costs and maximizing the benefits of operating a firm in the state.

This paper, developed for the State Economic Development Executives (SEDE) Network, describes promising practices for talent development and how economic development agencies can help companies access the talent they need. We describe the types of activities that state economic development agencies may consider going forward and what some state economic development agencies are already doing to cultivate a talent pipeline.

Businesses have been clamoring for talent for the past several decades. Though sustained low unemployment rates make the issue more apparent, the talent shortage that companies are reporting reflects an increased investment in technologies to compete in a global marketplace and pressure from global competition to keep costs low while continously improving products. Companies may seek cost savings by driving down prices for small companies that serve as suppliers, putting downward pressure on wages. Companies that are reluctant to invest in training rely on informal learning-by-doing or seek already-experienced workers that have gained necessary skills elsewhere.

Reported talent shortages are also due to demographic shifts. Companies' concerns reflect an aging labor force without enough younger workers to fill the gap, exacerbated by the widescale retirement of baby boomers. Labor force participation rates are declining as the workforce ages and retires, and young people are slower to join the workforce as they spend longer in school developing their skills. Increased limitations on immigration make it even more challenging for businesses to find workers.

As of July 2019, national unemployment had been stable at or below 4 percent (or at 'full employment') for 15 months. In many states, unemployment had dropped below the 3 percent level. With full employment and continued economic growth, state economic development agencies are challenged to identify more innovative solutions for firms seeking talent in order to retain the state's competitive advantage.

Economic developers are recognizing that their role is shifting from attracting jobs to helping existing and relocating companies find people to fill those jobs. This shift to direct engagement in talent development means that state economic development agencies are playing an important role in bridging workforce development system gaps to strengthen the current and future talent pipeline. Some economic development agencies are working closely with both traditional and non-traditional workforce development partners in the state, and these partnerships may generate new opportunities to address long-standing issues of economic equity and inclusion and to expand the labor pool.

In this paper, we offer examples of activities and initiatives that economic development professionals are particularly well prepared to lead. In the conclusion of this paper, we discuss some leading strategies for those seeking cutting edge solutions. Primarily, we urge state economic development professionals to lead in talent development discussions to advance economic development goals—in ways that add value to already strained state talent development systems.

Each state will have different gaps and different opportunities for independent action and coordination in conjunction with talent development stakeholders. Economic development executives will need to be able to pinpoint the ways in which the dynamics mentioned above are playing out in their own state and match threats and opportunities with the strengths of the state's economic development agency—in order to advance and fill gaps in talent development through workforce training and education. The actions needed to stay competitive may involve leading organizational change, creating or reviving partnerships with workforce development and education, rethinking traditional tools and targets, identifying new funding mechanisms for programs developing talent, directly investing in young people early in their careers, and identifying ways for potential workers, including senior workers not yet ready to retire, legal immigrants, and traditionally disengaged adults to become and remain productive.

A Note on Terminology:

Economic developers are likely most accustomed to the phrase *workforce development*. This paper specifically refers to *talent development* to distinguish the economic developer's unique role in serving the talent development pipeline in the short- and long-term. Talent development is about identifying strategies, initiatives, and programs that support investment in human capital, and human capacity development, in the context of an economic growth and competitiveness strategy for a region.

An Evolution In Talent Development

Economic developers have long understood that access to talent is one of the most important factors influencing business expansion and location decisions. Economic development professionals depend on the public education and training system in their state to ensure that existing and relocating companies have access to an available and affordable workforce. Many state economic development agencies help connect businesses to just-in-time talent recruitment and training services. These are often customized for larger companies, as a location or expansion incentive, helping reduce the costs and risks associated with making investments within the state borders and rewarding companies creating jobs with resources to ensure that their new talent is ready to perform as quickly and cost-efficiently as possible. Some programs help companies improve the skills of existing employees when companies make large capital investments, co-investing with the firm as it introduces new technologies or equipment. These programs were created to fill a gap in a public workforce system that focused more on preparing economically disadvantaged people for work than on the immediate needs of growing firms.

States prioritize talent development differently, and today state investments in talent development vary widely. On average, states spent $2.25 per capita on economic development-oriented talent development activities in 2017. A few states spent more than $15.00 per capita and thirteen states spent more than $5.00 per capita on talent development activities. Twenty-seven states spent less than $1.00 per capita on these activities.

Nationwide, states spent about 10 percent of their 2017 state-funded economic development budgets ($733.3 million) on talent development activities. [1] State-funded talent development spending decreased $224 million from 2008 to 2017.[2] Some decreases resulted as state budgets suffered for several years after the 2008-09 recession. Some decreases reflect shifts of resources from these programs in response to Federal workforce investment reforms that sought to engage businesses more directly through workforce agencies.

Despite the differences across states, the issue of talent development remains an urgent priority for businesses and the economic development professionals that serve them. Economic and workforce development agencies have historically operated in separate silos due to financial and administrative barriers and differences in mission, goals, culture, and clientele. Workforce development agencies historically focused on Federal priorities and operated with the individual as the primary client. These programs targeted individual job placements and wage increases as well as reduced dependence on social services as their primary success measures. Economic development agencies used state and private dollars to address the issue with a focus on business demand. Funders measured success in terms of job creation or retention, the ability to deploy talent to meet the needs of new private investment, and the resulting increases in the tax base, including from payroll taxes.

When the Workforce Innovation and Opportunities Act (WIOA) replaced the WIA (Workforce Investment Act) in 2015, it re-energized the public workforce system to provide training that addressed business demand. WIOA was designed in part to address several key flaws in WIA that kept the public workforce system from responding effectively to business needs. Some of the most significant improvements involved providing a stronger voice for industry in governing the workforce system while reducing the influence of service providers committed to the status quo.[3]

This shift to WIOA signaled a shift in efforts to further align economic and workforce development practice. Consequently, many states re-examined their state-funded workforce development programs in response and economic development-managed workforce programs saw drops in their budget allocation since some were deemed duplicative of the reformed public workforce system. However, as businesses continue to express

---

[1] Our analysis of data from the Council for Community and Economic Research (C2ER) State Economic Development Expenditure Database captures state spending on economic development activities and programs on an annual or bi-annual basis. Expenditures are classified in one of 11 categories: Business Finance, Strategic Business Attraction, Business Assistance, International Trade and Investment, Domestic Recruitment, Workforce Preparation and Development, Technology Transfer, Entrepreneurial Development, Community Assistance, Minority Business Development, Tourism/Films.

[2] Talent (or "workforce") development activities include these non-mutually exclusive categories: Customized Training, Incumbent Worker Training, Apprenticeships, Sector-specific Non-manufacturing training, Sector-specific Manufacturing training and Other Workforce Development activities. These talent development funds do not include investments made through the Federal workforce or education programs nor do they include state investments in education.

[3] https://www.socialsolutions.com/blog/what-is-the-difference-between-wia-and-wioa/

concern about the availability of skilled talent, state-funded workforce programs are receiving renewed attention.

Companies seeking to expand their existing operations or locate facilities in new locations emphasize the importance of a deep pool of talented and skilled workers. Companies seek a cost-competitive environment to produce goods and services, but they are also concerned about whether a state or region has the talent to produce those goods and services. Economic developers, along with their partners, now focus a great deal of their efforts on ensuring that companies have the supply of talent needed today and tomorrow to ensure their state remains competitive, and they need a powerful set of incentives in their toolkit to create an advantage. Training programs alone are not enough. The talent challenge requires not only the production of certain skills but also the removal of barriers to improve labor market function and adaptability.

Economic Development-Led Talent Development Strategies

Traditionally, economic developers have responded to individual or collective business needs, including the need for talent. However, in the current economic climate, economic developers are proactively seeking strategies that strengthen the talent pipeline for companies in their states. Below, we describe four areas in which economic development professionals can make a critical difference:

- Skill Upgrading
- Talent Retention and Recruitment
- Pipeline Development
- Cluster and Sector Strategies

Skill Upgrading

With the current pace of change brought on by technology and new work arrangements, workers need more training more often, increasing the demands on training and education programs. Economic development professionals have a successful track record in identifying and funding on-the-job training programs in partnership with industry and the public workforce system. These programs primarily reach new employees and can be further extended to those who may be unemployed or newly entering the labor market.

States often provide customized training for individual businesses that utilize cost-sharing financing models. Some programs are completely subsidized by the state (e.g., offered as direct grants to companies or through existing community college continuing education programs) while others are employer-financed (e.g., employers often pay for educational programs and pay wages while apprentices are training on the job). Economic development agencies have also championed tax credits for businesses that invest in training.

New frontiers for economic development leadership in skills upgrading are in structuring on-the-job training opportunities through internships and apprenticeships and positioning employers to lead in identifying core competencies, skills and credentials. Structured, on-the-job training opportunities like internships and apprenticeships help companies attract, retain and upskill their employees, as do other structured programs for learning and credentialing. These programs help companies identify and reward employees that have the potential to make big contributions. When businesses in a state offer more opportunities like these, learners and workers are more likely to stay in state to work and learn. The programs can be further structured and expanded through competency-based (or "skills-based") programming.

Internships

Paid internships are gaining state support because they provide experiential learning opportunities over a relatively short term, getting students on the job to supplement classroom learning at a low cost (and with low risk) for employers. Internships are explicitly deployed by economic development and other state agencies to help companies recruit talent and retain talent in state. Internships—and other work-based learning experiences—connect talent at high schools and higher education to local employers and, potentially, to more permanent jobs. Several states offer tax credits to encourage companies to hire interns while other states opt to provide grants to companies for these purposes or focus on matchmaking directly or through online job boards.

New Mexico, New York and North Dakota provide tax credits. New Mexico provides a 'mentorship' tax credit equal to 50 percent of the gross wages paid to qualified students. New York's credit is also 50 percent of wages paid (up to $3,000) and is incorporated as part of a broader employee training tax credit focused on promoting careers in advanced technology, life sciences, software development or clean energy. North Dakota's credit is for 10 percent of wages (also up to $3,000), encouraging longer term internships.

Several states, including Iowa, South Dakota, and Nebraska, offer grants to support internships. For instance, The Iowa Economic Development Authority sponsors the Iowa Student Internship Program, providing grants to private companies to support internship programs that help transition in-state high school, community college or university students to in-state employment. In South Dakota, the Dakota Seeds program rewards businesses $2,000 for sponsoring interns in STEM, manufacturing and accounting programs. The Nebraska Department of Economic Development sponsors the Intern Nebraska Grant Program (InternNE), which provides grants to support new internship programs for students in high school, community college and university programs. These grants are limited to businesses with fewer than 500 employees.

For many of these programs providing direct assistance, funding has not been able to keep up with demand. Massachusetts focuses their investments on matching interns with companies seeking talent and the internship programs are managed through industry-targeted initiatives at the Massachusetts Life Sciences Center and the Massachusetts Clean Energy Center. Oklahoma also targets its limited funds, operating a grant program that supports interns engaged in research and development activities through the Oklahoma Center for the Advancement of Science and Technology.

Apprenticeships

Every state has some sort of apprenticeship program affiliated with the U.S. Department of Labor. Some states have embraced the structure of the federal registered apprenticeship system, establishing robust state agencies or engaging their entire statewide community college system in promoting apprenticeship and supporting the companies that sponsor apprentices. Other states have allowed these systems to languish.

Perhaps the most important factor for economic development professionals is how well the state supports companies that are seeking to invest in apprenticeship-type training programs. Economic development professionals can play a key role in advocating for apprenticeship programs that are accessible and functional for program sponsors, advancing customized services for individual businesses and sectors and facilitating business-to-business meetings and information sessions. Economic development professionals can also play a lead role identifying and supporting the business leaders that seek to champion apprenticeship programs in the state.

In some states, the economic development agency plays a central role overseeing the administration of the state apprenticeship program, such as in Iowa and Pennsylvania. The Pre-Apprentice and Apprenticeship Grant Program, administered by Pennsylvania's Department of Community and Economic Development, aims to increase apprenticeship availability to Pennsylvania employers to assist them with their talent recruitment and development.[4] Employers can receive up to $3,000 per apprentice per year and a total of $15,000 per year[5] to cover the cost of technical instruction including the hourly wage of an in-house instructor, books and training materials, contracted professional services, general education requirements towards a college degree, and for developing new and creative initiatives to meet the evolving needs of the employer.

The Iowa Apprenticeship Program, administered by the Iowa Economic Development Authority (IEDA), provides training grants to employers and partners. The grants help the registered apprenticeship program sponsors to combine on-the-job learning with related classroom instruction to increase the apprentice's skill level and wages. The program offers flexibility, allowing employers to customize the apprenticeship training to meet their specific needs and to be integrated into their current training and HR development strategies.[6]

A few states have set up grant programs and tax credits to encourage companies to sponsor apprentices. For instance, the South Carolina Technical College System's Apprenticeship South Carolina division administers two tax credit incentive programs aimed at promoting apprenticeships. The Apprenticeship Tax Credit offers South Carolina businesses $1,000 per employee enrolled in a qualified apprenticeship program for at least seven months in a given year. The credit may be claimed for up to four years per employee. The Enterprise Zone Retraining Program provides a tax incentive for manufacturers to invest in apprenticeship and other workforce training programs in targeted areas.

Other states focus resources on training in strategic occupations. Rhode Island offers business a tax credit equal to 50% of actual wages paid (up to $4,800) to employees enrolled in qualified apprenticeship programs supporting specific production occupations in short supply. Connecticut offers manufacturers and construction firms a tax credit for 50% of wages paid to qualified apprentices (up to $7,500) to support two- to four-year apprenticeships. Meanwhile, West Virginia offers a $2 per hour tax credit on wages paid to qualified apprentices (maximum $2,000 per year) to incentivize construction trades employers to provide apprenticeship programs in high skilled construction jobs.

Competencies and Credentials

Skills are in demand by employers, but they can be difficult to measure and verify. It can also be difficult for individual employers to clearly communicate their skill demands to public education and training providers.

[4] https://dced.pa.gov/programs/pre-apprentice-apprenticeship-grant-program/
[5] https://dced.pa.gov/download/preapprentice-apprentice-grant-factsheet-2018/?wpdmdl=81985
[6] https://www.iowaeconomicdevelopment.com/userdocs/FS_Apprenticeship.pdf

Specific skills or "competencies" can be integrated into programming at the state level to more effectively support employers seeking to develop key skills. For example, Minnesota provides competency-based work skills standards and related instruction through the Private Investment, Public Education, Labor and Industry Experience Program (PIPELINE) program. The competency standards and training are available for occupations in manufacturing, agriculture, health care services, and information technology. Employers share responsibility for training to these standards (on-the-job) with education and training providers who deliver related classroom lessons.

Credentials indicate familiarity with or mastery of a set of competencies. Post-secondary degrees, certificates, and licenses are credentials that employers use as proxies to validate the availability of certain skills. For instance, many employers seek out workers with a bachelor's degree because this level of educational attainment typically suggests that an individual has achieved analytical and critical thinking skills. A post-secondary degree is often seen as an objective way to filter potential job applicants. However, some employers are seeking to further validate the skills and competencies that degrees represent. Other companies are re-considering strict hiring requirements based on credentials in order to expand the available talent pool for a given job or occupation.

By identifying specific competencies, employers can better articulate their needs to education and training providers. When companies need access to discrete skills and time is of the essence in acquiring those skills, competency-based training can be a more efficient option in enhancing the quality of available talent. Companies may also find that competencies can be validated through "micro credentials," such as badges or assessment-based certifications, that indicate proficiency in those skills. Apprenticeships are increasingly "competency-based." There is increasing interest in the creation of more modular and flexible training and credentialing programs that are available to working adults and competency guides can help advance these programs.

Credentialing and competency-building programs can begin at the most basic levels of education, but businesses tend to invest less in their less educated workers and may need an incentive to provide more formal learning opportunities. In a couple of southern states, financial incentives help to get workers to a high school equivalency level. Georgia's Basic Skills Education Program Tax Credit provides an incentive for companies to invest in workers that may need foundational education to succeed and adapt at the workplace. The Georgia Basic Skills tax credit rewards businesses when their existing employees complete their GED or complete an adult education program of 40 hours or more. The tax credit rewards employers that are financing this training while reaching workers that are otherwise likely to disengage with the labor market. With a GED and basic skills training, these workers have an opportunity to develop the skills needed to compete and have the foundational education required to access further credentials—and potentially make bigger contributions at their company.

Even though many smaller companies are on the front lines in developing talent, there are surprisingly few competency and credentialing programs designed explicitly for their needs. Some training incentive programs have specific provisions for smaller companies, but these programs often require partnerships with area community colleges that demand multiple workers be engaged at the same time. Because each small company typically requires training for only one or two workers at a time, they do not have enough demand alone to make it economical to run a classroom so the per trainee costs can often be unaffordable. In order to deliver skill upgrading, economic developers have helped to organize and aggregate smaller company demand and to determine the best set of training and education partners. (Read more about cluster and sector strategies below.)

Talent Recruitment and Retention

Traditionally, state economic development agencies have focused on supporting new job creation by helping companies expand or relocate in state, often employing a variety of financial and other incentives. With companies clamoring for talent, economic developers are seeking to attract and retain talent as a more primary focus, directing incentives to individuals to locate in state.

Investment in a state's civic and commercial assets or "place-making" helps attract talent and tourists, but states are often competing with other states with similar investments in assets, amenities and attractions that entice talent. For example, states invest in higher education, which is a particularly important magnet for talent, but the communities in which those institutions are located often lose graduates to larger urban areas with more job opportunities or quality-of-life amenities. As talent migrates to larger cities and the largest cities become less affordable, states are using targeted marketing campaigns designed to project the relative advantages of less urban destinations. Efforts to retain talent also focus on connecting students and other visitors to local career opportunities and more explicitly welcoming students, faculty and foreign-born residents from different racial and ethnic backgrounds.

States are also seeking to attract talent by highlighting available employment opportunities, offering economic incentives and skill development opportunities. Some states help workers to invest in their own education; while others offer re-locating workers an opportunity to reduce college debt.

Vermont's Remote Worker Grant program aims to attract new talent to the state, targeting those who can work from anywhere in the country. The $5,000 grant can be used for relocation and equipment costs to set up a home office or co-working space. Sponsored by the state's Commerce agency, this program is indicative of more aggressive state efforts to attract and retain talent. A new version of the program recently provided a similar incentive for individuals moving to Vermont to work for a company located in the state.

Maine seeks to encourage former state residents to return to the state by providing an Opportunity Maine Tax Credit. The state provides a tax credit to alumni from Maine schools or recent graduates from out-of-state universities returning to the state. With a focus on graduates in STEM fields, the tax credit allows the state to reimburse student loan payments and incentivizes recent graduates to get settled in state.

Other states are also trying out a variety of initiatives designed to manage post-secondary education costs for talent that could fill the talent needs of employers in key industries. Utah's Talent Development Incentive Loan Program awards loans to students pursuing a qualifying two- or four-year post-secondary degree in a qualifying high-demand, high-wage field, as defined by the Governor's Office of Economic Development. Loans cover tuition, books and fees. Kansas provides another variation on the theme, offering income tax waivers or student loan repayments of up to $15,000 for college-educated workers who move to one of the state's Rural Opportunity Zones.

Given the challenges businesses are facing in finding and retaining skilled employees, there is greater pressure to engage with potential workers who are not currently participating in the labor market. These potential workers require support services to help them overcome challenges. Certain cohorts, like single parents, the formerly incarcerated, or those with substance abuse disorders, face multiple challenges in re-entering the labor pool, but they can be valuable talent assets. Through partnerships with community service agencies that provide wrap-around services, it is possible to overcome some of these challenges, and economic developers can focus on helping employers to become ready to adapt to the needs of these cohorts.

One critical service area in which economic developers have engaged is in improving residents' access to childcare. Certain state programs, like the Virginia Small Business Financing Authority's Child Care Financing Program, provide subsidies and related financial supports for childcare businesses[7], while others, like Georgia, have sought to encourage employers to provide childcare for their employees. Georgia's program offers an income tax credit equal to 75 percent of the employer's direct costs associated with providing childcare.[8] Georgia also provides a $2,500 tax credit to companies that hire individuals paroled during the past year. The state estimates that about $3 million in credits were taken last year, equating to about 1,200 parolees hired.

A few southern states direct multiple services to job seekers and new workers through the companies that will employ them. These programs demonstrate effective economic development leadership in designing and delivering key services directly to talent seeking businesses on demand. For instance, the Georgia QuickStart and Louisiana FastStart programs provide customized employee recruitment, screening, training development, and training delivery for eligible new and expanding companies. Operated by their respective state economic development agencies in collaboration with training providers, the programs were created because the agencies see themselves as better able to meet company needs in situations in which a highly agile response is needed for firms that are very concerned about start-up costs in finding and preparing talent. Georgia organized its program through the technical college system, and the program involves providing an in-depth talent needs assessment, developing customized training to meet the need, and delivering training. Louisiana Economic Development takes the Georgia model further by directly executing a four-part talent analysis, recruitment, evaluation and training system.

Pipeline Development

A key challenge facing many states is gaining traction with young adults entering the labor market. Economic development agencies and businesses are increasingly concerned about low labor force participation rates and inadequately prepared entry-level workers. While a strong talent pipeline should extend through to adult programming and on-the-job training for experienced workers, it starts with young people and new labor market entrants.

[7] https://www.sbsd.virginia.gov/wp-content/uploads/2018/07/CC-Financing-Fact-Sheet2018.pdf
[8] https://www.georgia.org/sites/default/files/wp-uploads/2014/01/Business_Incentives_Brochure_01_2013.pdf

Involvement in youth training programs allows economic development agencies to actively engage in establishing and curating the beginning of a strong talent pipeline. For many years, economic developers left this work to education and training providers, but employers maintain that they can no longer afford to rely on young adults who do not have work experience. Furthermore, companies are seeking ways to engage young people in promising technical careers that may have gained a negative perception as undesirable among parents, teachers, and students.

Youth programs that facilitate career awareness and skills development at an early age combine classroom learning with internships, externships, and other opportunities to engage with local industry – exposing young adults to a wide variety of career options. Increasingly, employer- and economic development-backed programs seek to enhance students' awareness about local employment opportunities, crafting career awareness materials for students in elementary and middle school.

For example, the Wisconsin Economic Development Corporation offers competitive, matching funds to public elementary, middle and high school districts and local consortia for investments in equipment to support hands-on science, technology, engineering, arts, and mathematics curriculum. Fabrication Laboratories (Fab Lab) Grants enable community-wide access to workshops equipped with computer-controlled additive and subtractive manufacturing components, such as 3D printers, laser engravers, computer numerical control routers and/or plasma cutters.[9] Students use the same facility that local entrepreneurs, businesses and investors access so that they can see the equipment in commercial operation.

Managed by the Governor's STEM Advisory Council, Iowa has created a public-private partnership that engages education, business, nonprofits, students and families, and state government to increase awareness and learning in science, technology, engineering, and math – competency areas that companies say are sorely lacking in the workplace. Iowa has created a unique twist on this approach by engaging businesses and workers with ties to China to create a specialized STEM-based high school for Iowa and Chinese students. The high school serves as a key component of the state's strategy to retain and attract Chinese investment and to develop a competitive advantage in developing a talent pool and attracting talent for companies with a connection to the Chinese marketplace.

Connecticut offers a different approach by incentivizing businesses to invest directly in local public high schools' work education programs with the Human Capital Investment Credit.[10] Human capital investments include but are not limited to in-state job training, work education programs, training provided by institutions of higher education in the state, childcare subsidies, and donations to institutions of higher education in the state. The incentive provides a credit of 5 percent of qualified expenditures and can be carried forward for 5 years. The state's Revenue department estimated about 110 companies take advantage of the credit to incentivize business investing in local talent and to put businesses in a more active role in the talent pipeline for about $4.5 million in foregone revenues.[11]

---

[9] https://wedc.org/wp-content/uploads/2015/11/FY19-Fab-labs-FAQ-100818.pdf

[10] https://portal.ct.gov/DRS/Publications/Special-Notices/2000/SN-2000-15#human

[11] Connecticut Tax Expenditure Report, February 2018, https://www.cga.ct.gov/ofa/Documents/year/TER/2018TER-20180201_Tax%20Expenditure%20Report%20FY%2018.pdf

CLUSTER AND SECTOR STRATEGIES

Alignment among stakeholders is key to ensuring a strategic, long-term, sustainable talent development plan. Economic developers have played a key role as conveners for industry "cluster" and "sector" strategies, bringing together the business community and an array of stakeholders to ensure that businesses have access to a trained workforce pool or worker training programs. However, institutional divides often hamper progress. While businesses are concerned that training entities are not responding quickly enough to their workforce development needs, partners delivering services to workers and companies indicate that employers tend to be unclear on exactly what skills or qualifications they need in the short- and long-term. This dynamic can create confusion of roles and responsibility and lead to inaction.

Some economic development organizations are well advanced in defining roles and sequencing coordination activities and are now attempting to resolve issues of data sharing and financing that limit the effectiveness of talent development programs. One strategy is to work with industry representatives to better identify and articulate talent needs. Companies use different jargon to describe their work. Furthermore, companies may require different skill sets, even when job titles and descriptions seem to suggest commonalities. In some regions, economic developers have recognized this challenge and taken on the role of translator. With guidance from organizations like the US Chamber of Commerce Foundation, they are seeking to develop a shared language among employers to describe job competencies, hiring requirements, and credential needs for targeted positions, in order to better signal talent demand to key education and training partners. In other regions, economic developers have helped education policymakers understand the need to extend academic credit to work-based learning experiences.

States can focus resources and energy by offering competitive grant opportunities to groups of companies committed to develop workforce strategies in targeted sectors. This can help focus resources on key skill development planning and implementation opportunities while allowing for creativity and innovation. Organizing companies by sector and skill needs has long been considered best practice in workforce development. Pennsylvania created the Industry Partnership program in 2005 in response to employers seeking improvements in the way workers were being trained to ensure that the training met employer needs. The program recognized the importance of training incumbent workers to help them move their careers ahead. Industry Partnerships became the national model for workforce sector strategies, demonstrating that industry clusters often have shared talent needs and that successful programs need to bring the employer and education/training communities together.

Economic development agencies committed to cluster strategies (focused on industrial dynamics) frequently recognize workforce sector strategies (focused on workforce development) as a natural companion for addressing cluster-based talent challenges. For example, Maryland provides competitive grants that incentivize businesses to lead industry-specific partnerships in collaboration with education and training partners. In many states, sector strategies often focus on traditional high-employment, local-serving industries like construction and healthcare, but similar sector strategies can also target the export sectors that the state's economic development clusters often emphasize (such as manufacturing, aerospace, information technology or cybersecurity, etc.) Maryland provides funding for analysis, planning and implementation. The program aims to establish industry-specific training pipelines that expand the available pool of skilled workers in local labor markets.

The Talent Ready Utah program demonstrates this emphasis on economic development priority clusters in workforce sector strategies. The state supports collaborative partnerships between economic, workforce and education agencies in four priority sectors. Four detailed pathway programs have been designed to help high school students transition into high skill jobs in aerospace, diesel engines, medical innovations, and the tech sector. Training tools are specific to each sector. For example, the aerospace pathway includes a 100-hour sector-specific program at a technical college and an externship at a sponsoring company. Students earn a certification confirming proficiency in basic manufacturing.

Career awareness programs can be developed for specific sectors too, targeting adults or, more often, young people who are in middle and high school. These young adult programs provide exposure to careers in local industries. The Pennsylvania Department of Community and Economic Development helps to fund an annual, statewide video competition for 7th and 8th graders to raise awareness of local manufacturing career pathways. The students receive video cameras and are invited to tour local business facilities and to interview workers. They work with consultants to edit the videos and enter regional contests on their way to the final state competition. Citizens vote on their favorite videos. The program is called "What's So Cool About Manufacturing" and was first launched by the Manufacturers Resource Center, the Manufacturing Extension Partnership Center in Allentown, PA.[12] In Nebraska, a Developing Youth Talent program engages 7th and 8th graders in hands-on experiences with local businesses in manufacturing and information technology sectors. The state departments of economic development, education and labor oversee grant allocations to local businesses, which can receive up to $125,000 in reimbursements for program participation costs. More recently, New Jersey has set up a pilot program for middle school vocational students to conduct on-site company visits.

Looking Forward: Talent-Focused Economic Development

Despite federal reforms in the public workforce system, companies are still finding it difficult to source talent. This has spurred economic development organizations to act by strengthening partnerships with education and workforce partners, seeking out program initiatives to fill gaps and providing companies with new services and incentives designed to address immediate talent-related pain points.

Where the public workforce system is engaging the business sector, there are still important and complementary roles for economic developers. Economic development professionals can help to ensure that workforce development investments clearly reflect local demand for talent. Economic developers can also help monitor the extent to which companies are providing meaningful input into talent demand assessments and providing meaningful opportunities for their current and future employees to learn in the classroom and on the job.

Because of their direct relationship with firms, economic development professionals are vital to the education and workforce system, playing a critical role in setting the agenda for their partners and institutionalizing more

[12] https://www.mrcpa.org/

responsive talent development strategies. Going forward, economic developers should play a more central role in leading talent development efforts that engage public, non-profit and private sector leaders. These partnerships can lead to the identification of strategic solutions to systemic challenges and the development of a training, education and employment infrastructure that can sustain a strong talent supply.

We expect to see innovations in the four areas introduced above—skill upgrading, talent retention and recruitment, pipeline development and cluster and sector strategies. The following sections highlight opportunities for economic development professionals to advance their practice and further define their role in delivering the most competitive talent pool possible.

Skill upgrading

A company's current employees are its most important talent source, but the public workforce system is not designed primarily to address their needs. Efforts to help companies update skills can enhance worker and business productivity. These workers are vital to the competitive strength of local companies as well as the local economy.

Economic development agencies should continue to deploy customized training services and incentives to help businesses respond to and plan for technological, organizational and other strategic changes and investments. Economic developers can also help companies identify more structured and long-term solutions to talent pipeline development. States and their partners have been advancing more flexible apprenticeship contracts and training models that fit within the federal registration system. They have been testing competency-based models of apprenticeship, with lesson plans and assessments for specific competencies.

States can lead experimentation in these and other areas, but it is particularly important that they find solutions for skill upgrading at smaller companies. Apprenticeships and other forms of customized on-the-job training can help smaller companies develop a highly targeted set of skills in response to emerging trends or to prepare for technology disruptions.

The key is to reduce administrative burden and leverage private investment (through private funding match) wherever possible. Economic development strategies that leverage company investment in their talent pool will stretch limited public dollars and ensure that workforce training and investment are relevant to available jobs. For smaller businesses, this may mean helping to aggregate demand by coordinating business training requests.

Action items for skill upgrading

- Identify strategic opportunities to help businesses upgrade the skills of current employees.
- Deliver training to current employees at small businesses with flexible and adaptable programming and delivery platforms.
- Make sure apprenticeship and internship programs are accessible and easy to implement.
- Support the development of industry-designed curriculum for specific skills necessary to keep businesses competitive and help businesses to retain and grow talent.

- Leverage both public and private commitments and investments to ensure skill upgrading programs are targeted at the level of quality and scale necessary to meet employers' talent demand.

Talent retention and recruitment

Economic developers already champion excellent and comprehensive services for businesses. Given the challenges businesses face in finding and retaining skilled employees, we expect to see economic development agencies pushing the envelope in talent retention initiatives, championing talent retention as well as skill upgrading services.

Connecting job seekers and existing workers to more affordable housing, child-care and transportation options is normally the purview of other social service agencies. Small businesses and businesses that employ the least skilled workers often urgently need these services. These businesses, with the proper supports for their employees, may be able to serve as initial employment and training grounds where new talent can be identified and upskilled. We expect leading states will help expand services for the employees of key business sectors to ensure employee retention and upskilling in-state as well as to engage individuals not working at full capacity or currently out of the labor pool due to the limitations of housing, childcare and transportation.

Economic development professionals will also play a leading role in recruiting and retaining highly skilled and highly mobile talent, including from the workforce development system. Homegrown talent will be the most likely to stay in the state and invest in the state, provided that talented individuals are connected early to businesses with which they can grow.

Action items for talent retention and recruitment:

- Understand strengths and weaknesses in the talent development system and identify companies willing to partner in efforts to advance local talent levels.
- Collaborate with the workforce development system to elevate talented residents who may be unemployed, underemployed or not in the labor market.
- Invest in infrastructure valued by skilled talent, such as high-speed broadband.
- Expand childcare options and other services that will help to increase the supply of local talent in state and expand the labor pool.
- Implement strategies aimed at welcoming new residents, including immigrants and reconnecting those out of the workforce.

Pipeline Development

Young adults are participating in the labor market at a lower rate than past generations and entering the workforce later in life. Economic development organizations can help connect the state's industries to talented youth that may become the next generation talent. Work-based learning opportunities, career awareness programs and competency-based programming can be utilized in K-12 and through higher education environments. Economic developers can also facilitate employer involvement in talent pipeline development efforts can help leverage investments across higher education, K-12 education, and the public workforce system to ensure industry needs are being met for training and related jobseeker support services.

Action items for developing the pipeline:

- Ensure that individuals ranging from high-skilled professionals to young workers are effectively connected to local job opportunities.
- Engage the private sector in providing work-based learning opportunities such as apprenticeships and internships and make sure students get credit for these experiences at school.
- Support employer engagement in career awareness programs.
- Provide educators with externships with industry and industry leaders with externships in education.
- Engage in K-12 through to higher education.

Cluster and Sector Strategies

Cluster strategies are core to economic development practice, whether the focus is on manufacturing or IT, and sector strategies are becoming an integral part of workforce development practice. These industry targeting mechanisms provide a key analytical and strategic frame for identifying and advancing talent development priorities. Not surprisingly, we found some of the most dynamic, innovative and focused talent development initiatives emerging in this area.

Economic development professionals can leverage many of the initiatives described above to enhance sector strategies; sector strategies will also be key mechanisms for producing and funding these programs. For example, cluster and sector strategies will be key for those states that seek to secure more productive partnerships with organizations and institutions that serve displaced workers, underemployed people, disconnected people and youth. Economic development professionals can help these organizations and institutions connect directly to employers in key value-added clusters that need workers. In contrast to the job of the workforce development system, economic developers can focus on ensuring that top talent from these populations, identified by these organizations, have clear pathways to the best jobs and high-paying careers.

Cluster and sector strategies have the potential to motivate better solutions and even more private investment in training to leverage and help direct public dollars. But they need not be focused exclusively on training. Other barriers need attention to create a talent marketplace that functions more effectively for firms and in-state talent.

Action items for cluster and sector strategies

- Encourage cluster leaders to drive lead in the design, implementation and improvement of state talent development strategies.
- Reward top talent providers. Leverage public and private investments into programs that work
- Drive consensus within industry around key knowledge, skills and abilities, valuable competencies and credentials in order to align public and private investments.
- Support industry efforts to create a shared language in describing job competencies, hiring requirements, and credential needs.
- Support industry commitments to develop the local labor pool.

- Support services to populations that are under-employed or disconnected from the workforce. Sector strategies are key for engaging these populations and businesses are increasingly willing to support related programs and services that help get people to work.
- Generate agreement on priority skills assessments that will help employers validate that training and credential offerings are generating skills that have labor market value.
- Coordinate small businesses to jointly invest in training opportunities for incumbent and new workers.

With an increasingly tight labor market, industry is focused on finding and developing local talent. Businesses seeking new and expansion locations are often concerned about the depth and diversity of the available talent pool. Shifting demographic and technological change will continue to put pressure on businesses and their workforce partners to develop solutions that serve immediate and future needs.

Economic development professionals may find themselves well positioned to address longstanding and critical gaps in our development systems. For example, they may help companies shift how they prepare their employees for new tasks and technologies. Economic development professionals may be able to galvanize resources to connect those seeking work more quickly and effectively with top training programs and to employment, helping to fill critical talent gaps. We urge state economic development professionals to lead in talent development discussions to advance economic development goals—in ways that add value to and address gaps in state talent development systems.

Contributors: Allison Forbes, Cathy Katona, Ahoefa Ananouku, Anuradha Dhar, Danielle Gilmore, Mereb Hagos, Gabe Moss, Jacob Stenstrom, Lee Winkler (Center for Regional Economic Competitiveness - CREC)

Released July 2019

State Economic Development Executives Network
Helping State Economic Development Leaders Thrive