Economic Development and Workforce

Arkansas Rural Development Conference
Rogers, AR

May 23, 2014
Contents

- What is “Economic Development”, anyway?
- It all starts with Leadership
- The impact of Baby Boomers
- Workforce Issues & Changes
- Business Retention & Expansion
- Retail Development
- Rural Community Economic Dev.
- Roadmap & Final Thoughts
WHAT IS ECONOMIC DEVELOPMENT?

Your Definition?

Jobs
Income
Revenues
New Housing
Population Growth
Public Services
“Economic development is the process of creating wealth through the mobilization of human, financial, capital, physical and natural resources to generate marketable goods and services.”

“The developer’s role is to influence the process for the benefit of the community…”

American Economic Development Council
THREE P’S OF ECONOMIC DEVELOPMENT

Process
Practice
Profession
THREE P’S OF ECONOMIC DEVELOPMENT

Process
PROCESS

Decline
Stagnation
Stability
Growth
ELEMENTS OF THE PROCESS

- Basic vs. Non-Basic Businesses
- Leakage
- Multiplier Effect & Economic Impact
Basic vs. Non-Basic Industries

The growth or decline of an economy is determined by how it performs as an exporter (i.e., trade surplus vs. deficit).

Exports: goods or services

*Basic Industry* = Export Industries

Essential for building wealth
Basic vs. Non-Basic Industries

- Basic Industry:
  - Manufacturing
  - Selected Services
  - Tourism, Entrepreneurs & Downtown Business Development
Basic vs. Non-Basic Industry

Non-Basic Industry = Everything else

“Service”

- Dependent on basic industries
- Re-circulates imported $$
- Many industries are a mix of Basic and Non-Basic activity
- Essential to creation of Quality of Life and preventing leakage
MORTGAGE

BUSINESS PURCHASES

BIG BOX (SOMEBEHERE ELSE)

CONSUMER PURCHASES
<table>
<thead>
<tr>
<th>Industry Expansion</th>
<th>2003</th>
<th>2012</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct</td>
<td>500</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Indirect</td>
<td>225</td>
<td>940</td>
<td>940</td>
</tr>
<tr>
<td>Induced</td>
<td>77</td>
<td>365</td>
<td>448</td>
</tr>
<tr>
<td>Total</td>
<td>802</td>
<td>3,305</td>
<td>3,388</td>
</tr>
</tbody>
</table>
IMPACT OF AN EXISTING INDUSTRY EXPANSION

2003 - 2027
Taxes Generated from Various Sources
IMPACT OF AN EXISTING INDUSTRY EXPANSION

2003 - 2027
Cumulative Adjusted (Future Value) Payout vs. Tax Collections
THREE P’S OF ECONOMIC DEVELOPMENT

Process
Practice
Profession
TRADITIONAL MANUFACTURING STRATEGY IN E D PRACTICE

Attraction

Creation
Retention
Expansion

Community Development

ACRE
WHAT THE KEY STRATEGIC APPROACH OUGHT TO BE?

- **Attraction**
- **Community Development**
- **Retention**
- **Expansion**

- **Creation**

<table>
<thead>
<tr>
<th>Retail &amp; Services</th>
<th>Hospitality</th>
<th>Tourism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale</td>
<td>Govt. Sector</td>
<td>F.I.R.E.</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Extraction</td>
<td>ACRE</td>
</tr>
</tbody>
</table>

**ACRE**
Leading the Charge

• As Mayor or Judge, YOU must set things in motion to lead your community forward!
• A genuine leader is not a searcher for consensus, but a molder of consensus
• You will provide the (1) vision & creativity, (2) the leadership through (3) bold action & perseverance
Leadership Role

• Must take ownership and become involved
• Leaders turn Hope and Opportunity into Action!
• Consider having “Champions” to help lead the effort(s)
Baby Boomer Numbers

✓ 40.2 million (13%) of US population is 65 or older today
✓ 95 million to leave workforce by 2030
✓ 40 million to replace baby boomers
✓ Immigration to help somewhat, but still not enough to replace boomers
✓ Estimate at least 14 million short by 2030
More Population Numbers

• Every day 8,000 Americans turn 65
• 12,500 people are turning 50 each day
• By 2017, 50% of America will be 50 years of age or older
• The Workforce of tomorrow is drastically changing today!
POULATION GROWTH SINCE 2007

- Prime Working Age (25-54) Population
  - Data from St. Louis Fed

- 55-and-Over Population
NUMBER OF PEOPLE WHO HAVE LEFT THE LABOR FORCE SINCE 2007, IN MILLIONS

- Retired: 5.5
- Disabled: 2.9
- In School: 2.5
- Discouraged: 1.4
- Caring for Family: 0.2
- Other: 0.1

Business Insider/Matthew Boesler (data from Atlanta Fed, courtesy of Ellyn Terry)
Why should this be important to you?
Small Town Community
Economic Development Process
Small Town Community
Economic Development Process

1. Economic Outcomes
   - Jobs
   - Business
   - Prosperity
   - Wealth
Small Town Community
Economic Development Process

1. **Economic Outcomes**
   - Jobs
   - Business
   - Prosperity
   - Wealth

2. **Other Outcomes**
   - Civic
   - Environmental
   - Social
Small Town Community Economic Development Process

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3. **Approaches to Small Town Economic Development**
   - a. Strengthening/expanding existing business & industry
   - b. Recruiting from outside
   - c. Promoting the development of new business & industry
Small Town Community Economic Development Process

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4. Traditional ED Strategy
   - Business Retention/Expansion
   - Industrial Development
   - Workforce Development
   - Tourism
     (Short-Term & Direct)
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   - Workforce Development
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5. Alternative ED Strategy
   - Downtown Development
   - Entrepreneurship
   - Arts/Creative Economy
   - Cluster-Based Economy
   - Residential Growth
   - Smart Growth
     (Long-Term & Indirect)
Small Town Community Economic Development Process

1. **Economic Outcomes**
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   - Residential Growth
   - Smart Growth (Long-Term & Indirect)

   - Leadership Development
   - Transportation
   - Organizational Development
   - Strategic Planning
   - ED Finance
   - Broadband
   - Philanthropy
Successful Communities have…

- An educated & trained labor force
- Attractive economics
- Prepared industrial/commercial property – buildings & sites
- Existing training programs in place
- Existing training programs in specialty skills
- Their assets & benefits well documented
- “Success stories”
- Businesses targeted
- A quick response time

BTW - Most projects are in larger cities!
Current Education Trends

• % of students that complete 4 year college/university programs within 6 years? 53%
• % of students that complete certification and associate programs within 150% of program schedule? 27.5%
• % of first year college students requiring remedial coursework? Over 36%
• % of high school graduates that need remedial coursework? 75%

Skills/Education Gap

- 3.7 million job openings in US, but have skills issue & lack of education training
- 22% lack of technical education
- 14% leadership skills lack
- 12% computer/math skills lack
- 67% manufactures report experiencing a moderate to severe shortage of available, qualified workers.
- 74% production worker are skill deficient
What are you doing in Worker Prep

- Do you know what jobs are available in your community?
- Do you know what jobs your local industry needs?
- Do you have any idea of the salary/wages those jobs provide?
- Do you know how you will help recruit new “talent” to your community?
In the growing field of commercial construction, the possibilities are endless. Trades. Specialties. Specialty trades. But let’s face it—too many choices is one heck of a problem to have. So dig in. Explore. And discover the trade that’s the best fit for you.

**ELECTRICIAN**

**Median Hourly Wage:** $22.32

**ELECTRICIAN**

Electricians install and maintain the electrical systems and wiring that power the nation's businesses, factories and homes. These tradesmen use blueprints to determine the locations of circuits, outlets, load centers and panel boards and adhere to local, state and national building codes. When installing, electricians use hand tools such as screwdrivers, conduit benders, pliers and wire strippers. Later, they use ohmmeters, ammeters, voltmeters and other equipment to test connections and ensure that components are compatible and safe.
**CAREER: ELECTRICIANS**

**Electricians**

**About The Job**

Install, maintain, and repair electrical wiring, equipment, and fixtures. Ensure that work is in accordance with relevant codes. May install or service street lights, intercom systems, or electrical control systems.

**What They Do**

1. Assemble, install, test, or maintain electrical or electronic wiring, equipment, appliances, apparatus, or fixtures, using hand tools or power tools.
2. Construct or fabricate parts, using hand tools, according to specifications.
3. Direct or train workers to install, maintain, or repair electrical wiring, equipment, or fixtures.
4. Fasten small metal or plastic boxes to walls to house electrical switches or outlets.
5. Install ground leads and connect power cables to equipment, such as motors.
6. Perform business management duties, such as maintaining records or files, preparing reports, or ordering supplies or equipment.
7. Perform physically demanding tasks, such as digging trenches to lay conduit or moving or lifting heavy objects.

**Occupation Info**

**Education Required:**

Most occupations in this zone require training in vocational schools, related on-the-job experience, or an associate’s degree.

**Wages:**

In 2012, the average annual wage in Alabama was $41,990 with most people making between $28,090 and $57,590.

**Wages By Industry:**

- **Building Equipment Contractors:** $51,550.00
- **Electric Power Generation, Transmission and Distribution:** $57,990.00
- **Employment Services:** $44,270.00
- **Nonresidential Building Construction:** $50,070.00

**Common Majors:**

Electrician
In 1977, this poster was hanging in my guidance counselor’s office. I think it’s quite possibly the worst advice I’ve ever seen.

I hated it so much, I changed it to this.

- Mike Rowe
Did you realize???

• Workforce is often ranked the #1 site location requirement today!
• You must be able to document your workforce skills & training to land a new project!
• Smaller communities have much more to do to make up the gap presented by the skills/training deficit.
• Do you have a Business Retention & Expansion Program (BRE)?
# Characteristics of BRE Programs

<table>
<thead>
<tr>
<th>Provide Technical Assistance</th>
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<tbody>
<tr>
<td>Services may include management consulting, assisting with expansion siting, increasing competitiveness, acting as intermediary for workforce training, or working with local government to solve problems.</td>
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<thead>
<tr>
<th>Flexible</th>
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<td>A custom-tailored program bridges a gap between the community’s resources and the needs of the business community.</td>
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<tr>
<th>Inexpensive to Start</th>
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<td>A small core of volunteers, organized into an effective team of community advocates, can start a BRE program.</td>
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<th>Cost-effective</th>
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<td>Maintaining existing businesses is significantly less expensive per job and new investment dollar than other economic development efforts.</td>
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<thead>
<tr>
<th>Easiest to Serve</th>
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<tr>
<td>It is much easier to contact a company currently in your community through formal or informal means than a business or industry from outside the area.</td>
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<tr>
<th>Collaborative</th>
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<td>Requires the cooperation of business and local governments.</td>
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<th>Results-oriented</th>
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<td>Information is collected for the purpose of taking positive action.</td>
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<th>Assists Long-term Strategy</th>
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<tr>
<td>Data collected will help community focus on long-term needs of businesses.</td>
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<tr>
<th>Politically Correct</th>
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<tr>
<td>Emphasis is placed on meeting the needs of local businesses, not on wooing outsiders.</td>
</tr>
</tbody>
</table>
Knowing the condition of your local businesses is more important than ever. That’s why an effective business retention and expansion program is more than just collecting data, it’s about building relationships to help Arkansas communities win their share of plant consolidations and to assist businesses with the resources and connections they need to succeed.

Entergy's Teamwork Arkansas is pleased to provide communities with a framework for their local business retention and expansion program. The following five steps and accompanying guidebook can help your community launch a comprehensive program that focuses on one of Arkansas’ most valuable assets - its existing industries:

1. Get Organized
   - Identify a champion
   - Determine roles/responsibilities
   - Establish goals & timelines
   - Identify key partners & local resources

2. Gather Background Information
   - Identify your Most Valuable Customers
   - Research company & industry info
   - Develop a communication tool (survey)
   - Create a database to house info

3. Industry Relations & Direct Info Gathering
   - Assess level of relationship - formal/informal?
   - Practice successful on-site visit
   - Meet with company executive & gather info
   - Always follow-up on what you committed!

4. Solve Problems & Identify Opportunities
   - Enter info in a database
   - Review data & analyze risk factors
   - Facilitate problem resolution or seize opportunities with key partners
   - Set reasonable expectations. Always follow-up!

5. Maintain Program & Public Relations
   - Communicate & celebrate successes
   - Meet regularly based on goals & timelines
   - Re-evaluate goals - BR&E is an on-going process

Source: http://entergyarkansas12-px.rtrak.com/economic_development/retention_and_expansion.aspx
Easier & Cheaper to keep what you’ve got

• #1 Strategy is to support existing business
• It is far less expensive to keep existing business than recruit new business   AND
• 60% to 80% of new jobs are from local industry expansions
• Success begins with local business & industry already in your community
• 100% of existing business can help or destroy your business attraction efforts!
Critical BRE Questions at your next industry visit:

1. How many vacant jobs exist at plant today? and

2. How many workers are 58 years old & older at factory?

See the looming workforce gap at this plant in future??
Business Retention & Expansion

• Why Business Retention & Expansion is Important:
  ▪ Maintains and Creates Jobs
  ▪ Maintains and Enhances Local and State Tax Base
  ▪ Supports the Community’s Social Fabric Foundation
  ▪ Supports Recruitment Efforts
  ▪ Encourages Chances for Spin-Offs
  ▪ Increases the Standard of Living
  ▪ The Workforce is Aging
Strategy to Improve Competitiveness

- Link industry opportunities to workforce development:
  - Assess current supply of top occupations in labor market area
  - Educational requirements of top occupations in industry sectors
  - Identify education institutions with relevant programs
Business Retention & Expansion

It’s All About:

• Industry Visitation & Assistance
• Business Visitation & Assistance
• Information
• Partnerships
• Solving Problems
EXISTING BUSINESS SUPPORT

• Industry Visitation Program
  ▪ Build Relationships
    • Happy Residents = Happy Ambassadors
  ▪ Partner with AEDC, Utilities, and Others
    • Identify and Resolve Issues before they really become PROBLEMS!
Helping Your Businesses

• Taking Care of Your Existing Business and Industry “Today”!!
  ▪ Building Relationships
  ▪ Preparing for Economic Disasters
  ▪ Don’t Forget Your Retail and Services
Lifetime Value of a Small Employer

15 Employees

@

$450,000 payroll
$45,000 property tax
$15,000 Charitable Contributions

$510,000 Annual Impact

= $5.1 million over 10 years

= $10.2 million (20 years)

Lifetime Value
28th Annual Survey of Corporate Executives: Availability of Skilled Labor New Top Priority

The results of our survey show a modest improvement in short-range new facility and expansion plans, as well as a realignment of site selection priorities with the availability of skilled labor being the number one concern, outranking highway accessibility and labor costs.
Top 10 Steps of BRE Success

1. Face-to-face visits with companies
2. Include top officials in visits
3. Dedicated BRE staff to support effort
4. Build a trusting relationship with corporate contacts
5. Constant & appropriate communications
6. Immediate response to questions, issues or requests
7. Provide social forums for company contacts
8. Connect the dots – be prepared to make appropriate referrals
9. First & most important step in Economic Development Plan
10. Timely follow-up

• Always bring VALUE to any discussions/efforts
• Exceed their EXPECTATIONS!
Retail as a Community Strategy
Why Retail Development?

Directly...
- Creates New Business
- Generates Sales Tax
- Creates Jobs

Indirectly...
- Prevents / Slows Leakage
- Supports other strategies
Quality of Living Factors

- Economic Environment
- Housing
- Medical / Health
- Natural Environment
- Political / Social Environment
- Public Services
- Recreation
- Retail Goods and Service
- Schools

Source: Mercer's Quality of Living Factors
Retail Leakage

Q: Why do we shop somewhere else?

- Availability
- Selection
- Price
- Convenience
- Shopping Hours
- Associated w/ other Activities
- Shopping Experience
- When we’re Tourists
Retail Leakage

Q: Why do we shop somewhere else?

Availability

Selection

When we’re Tourists

Shopping Experience

Price

Convenience

Associated w/ other Activities

Shopping Hours
Internet Sales Leakage
Top 20 Counties (Population)
109% Capture
Second Set of 20 Counties

91% Capture
Third Set

74% Capture
Smallest Counties (Population)

58% Capture
Market (Trade) Area

- Gravity
- Drive Time
- Radius
- Survey
## Demographic / Spending Profile

![esri logo]

### DeQueen Total TA
Area: 4,324.01 Square miles

<table>
<thead>
<tr>
<th>Industry Group</th>
<th>Demand (Retail Potential)</th>
<th>Supply (Retail Sales)</th>
<th>Retail Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Merchandise Stores (NAICS 452)</td>
<td>$285,191,749</td>
<td>$390,856,840</td>
<td>$-105,665,091</td>
</tr>
<tr>
<td>Department Stores Excluding Leased Depts.(NAICS 4521)</td>
<td>$130,407,718</td>
<td>$182,933,650</td>
<td>$-52,525,932</td>
</tr>
<tr>
<td>Other General Merchandise Stores (NAICS 4529)</td>
<td>$154,784,031</td>
<td>$207,923,190</td>
<td>$-53,139,159</td>
</tr>
<tr>
<td>Miscellaneous Store Retailers (NAICS 453)</td>
<td>$21,951,064</td>
<td>$21,638,192</td>
<td>$312,872</td>
</tr>
<tr>
<td>Florists (NAICS 4531)</td>
<td>$1,162,376</td>
<td>$1,967,401</td>
<td>$-805,025</td>
</tr>
<tr>
<td>Office Supplies, Stationery, and Gift Stores (NAICS 4532)</td>
<td>$6,783,049</td>
<td>$6,500,219</td>
<td>$282,830</td>
</tr>
<tr>
<td>Used Merchandise Stores (NAICS 4533)</td>
<td>$2,211,602</td>
<td>$1,609,837</td>
<td>$601,765</td>
</tr>
<tr>
<td>Other Miscellaneous Store Retailers (NAICS 4539)</td>
<td>$11,794,037</td>
<td>$11,560,735</td>
<td>$233,302</td>
</tr>
</tbody>
</table>
What can I do right now?

1. **Calculate your market area** (using different methods) and capture / leakage
2. **Survey your businesses** (zip codes)
3. **Have “ready-to-use” market profiles**
4. **Educate local leaders** to your current retail landscape
5. **Create a retail/service business inventory**
6. **Compare your inventory** with other “like” communities
7. **Create and maintain an available buildings and sites inventory** – specific to retail & service
8. **Market your retail activity** on your website
9. **Market your retail activity** to developers and retailers
10. **Keep your information CURRENT !!**
DEVELOPING YOUR COMMUNITY
(PRODUCT)

- Downtown, Main Street, Neighborhood, Gateways
- Environmental
- Physical Infrastructure
- Education and Workforce
- Sites & Buildings
- Quality of Living
- Business Conditions
QUALITY OF LIVING FACTORS

- Political / Social Environment
- Economic Environment
- Medical / Health
- Schools
- Natural Environment
- Public Services
- Recreation
- Retail Goods & Services
- Housing

Source: Mercer’s Quality of Living Factors
“The first thing I look at when I visit a community is the downtown. If it’s vibrant they stay on the list. If it’s run down and empty, I move on to the next site.”

Anonymous Site Consultant
During a recent visit
THINGS ARE LOOKING UP...
Roadmap for Future Community Development

- Strong Local Government & Leadership
- Clear Idea for the Future w/ Vision & Plan
- Pro-Business Climate
- Workforce – Quality Labor with Skills
- Quality Product – Throughout Community
- Business Retention & Expansion Program
- Working with ALL Business Sectors means Retail, Business & Industry
- Meaningful Regional Cooperation
Final Thoughts

• The Goal is more important than Role!
• It is OK to aim high and miss rather than aim low & hit the mark!
• Forget “impressions” and go for positive “impact!”
• Good enough is not good enough if it can be better!
• It is not about you or me, but the future of your community!
Thank You!!
Thank You!!

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