Workforce Development as an Economic Development Strategy

GUIDING AND PREPARING FOR THE OPPORTUNITIES OF THE FUTURE
Critical Site Selection Factor #1: Availability of Skilled Labor an Acute Need

A growing economy and an “onshoring” trend are fanning demand.

Dale D. Buss, Staff Editor, (Q4 2014)

This series examines the top-10 site selection factors as decided by the respondents to AD’s Q1 Corporate Executive Survey: Labor costs, skills, and highway access are top of mind; construction and occupancy costs are key; and availability of ICT infrastructure is getting closer scrutiny. Find out what else your company should consider when making its next location/expansion decision...

With U.S. economic growth on a firmer footing and demand ticking up, the availability of skilled labor has become the #1 factor in site decisions, according to latest survey of company executives by Area Development magazine, rising from the #3 factor in the year-earlier survey.

Growing companies now apparently are more worried about adequately fulfilling demand than generating it. Also adding to the urgency of this criterion is that to the extent more U.S. companies are “onshoring” manufacturing that used to be done abroad - or businesses are locating factories and expanding in situations where previously they might have looked to Asia - the greater availability of skilled labor in the U.S. tends to be one of the most important attractions.

It’s not just cars, planes, and other big machinery and durable goods that are demanding advanced workforces. It’s also industries such as food processing...In large part that’s because such businesses also are doing more multifaceted production, and on more sophisticated equipment.
Manufacturing

Info Technology Trades

Construction Trades

Skilled Health Care Careers
If Only The Path Was This Simple

Good Choice
Bad Choice
Average Net Cost for a Bachelor’s Degree in Texas

- In 2011-12, freshmen with family income below $30,000 paid an average of $8,100 a year.
- Those in the middle income group (between $48,000 and $75,000) paid an average of $14,000 a year.
- Freshmen with family income above $110,000 paid an average of $18,800.

Dallas Morning News 10 March 2014
Costs shown net of grants and scholarships.
The average student loan debt in Texas in 2013 was $25,244.
High-wage Skilled Trades learned through:

- **Certificate Programs**
  - Criminal Justice/ Police Science: $48,230
  - Certified Network Control Technician: $42,689

- **Associate’s Degrees**
  - Registered Nurse: $68,059
  - Radiologic Technician: $48,236
  - Electrician I: $41,222
  - Carpenter I: $37,269

By contrast, median first-year earnings of bachelor’s degree recipients are $39,000:

- Biology: $25,000
- Business Administration/ Management: $36,987
- Psychology: $29,141

“The median wage for the skilled trades we’ve focused on is $20.25 an hour (~$41,000/ year), and even the bottom 10 percent earn $13.14 an hour (~$27,000/ yr.)”
Accenture 2014 College Graduate Employment Survey

- 43 percent expect to earn more than $40,000 at their first job.
  - Unfortunately, only 21 percent of the 2012/2013 grads actually in the workforce are earning at that level.
  - In fact, one-fourth of them (26 percent) are making less than $19,000.
  - 46 percent of recent U.S. college graduates consider themselves underemployed, working jobs that do not require a college education.

- The survey also revealed a significant disparity between what students had expected to earn and their actual starting salary:
  - While only 18 percent of graduating students believed they would earn less than $25,000 a year, over 40 percent of recent graduates indicated they made that amount or less.

It Matters What You Study

- Median Starting Salaries for **2-Year Technical Associate’s Degrees Exceed** 2-Year Academic Associate’s Degrees, As Well As Many 4-Year Bachelor’s Degrees.
- **“On average, a year after graduation, students with two-year technical degrees have first-year median earnings of more than $50,000.”**

Higher Education Pays: The Initial Earnings of Graduates of Texas Public Colleges and Universities.
# Texas Median First-Year Earnings of Graduates With Most Popular Technical Associate’s Degrees

<table>
<thead>
<tr>
<th>Degree</th>
<th>Median Earnings</th>
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<tbody>
<tr>
<td>Child Development</td>
<td>$24,823</td>
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<tr>
<td>Criminal Justice</td>
<td>$31,192</td>
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<tr>
<td>Legal Assistant/Paralegal</td>
<td>$32,947</td>
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<tr>
<td>Automotive Mechanics Technology</td>
<td>$34,565</td>
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<tr>
<td>Business Administration</td>
<td>$36,505</td>
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<tr>
<td>Drafting and Design Technology</td>
<td>$38,984</td>
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<td>Texas Statewide Median</td>
<td>$50,827</td>
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<tr>
<td>Radiologic Technology</td>
<td>$51,553</td>
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<tr>
<td>Respiratory Care Therapy</td>
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<td>Physical Therapy Technician</td>
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<td>Dental Hygienist</td>
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<tr>
<td>Nursing/Registered Nurse</td>
<td>$69,826</td>
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<tr>
<td>Chemical Technology</td>
<td>$74,470</td>
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"Higher Education Pays: But a Lot More for Some Graduates Than Others"
WE CANNOT SOLVE OUR PROBLEMS WITH THE SAME THINKING WE USED WHEN WE CREATED THEM

-Albert Einstein
Selecting the career path is a key decision, but deciding how best to educate yourself for the career is another.

- Technical School
- Military
- Formal Apprenticeship
- University Degree
- College or Trade School
- High School CTE Program
Reemerging Skilled Trade Pathway: The Formal Apprenticeship

- **Information Technology:** CompTIA IT-Ready formed a pilot apprenticeship program (Minneapolis/ St. Paul, Cincinnati and others) aimed at placing unemployed and underemployed individuals in their first IT job with at least a living wage that also represents the first step of a career pathway where salaries of $45,000 and higher are within reach.

- **Advanced Manufacturing:** Siemens USA (Charlotte, NC) apprenticeship that leads to an Associate’s degree in Mechatronics and a full-time job at Siemens with starting pay of around $55,000/year.

- In Texas, apprenticeships must be registered with the US Department of Labor and include, as a partner, a Local Education Agency (such as a Community College) in order to qualify for agency funding.
New Tools For Improving Outcomes:
HB-5 Endorsements

Requires a district to ensure that each student entering grade nine indicate in writing an endorsement choice. Mandates that the district allow a student to choose, at any time, to earn an endorsement other than the one previously selected.

Establishes endorsements in five categories:
(1) STEM
(2) Business and Industry
(3) Public Services
(4) Arts and Humanities
(5) Multidisciplinary

Good Early Career Counseling Will Help
New Tools For Improvement:
Workforce Innovation and Opportunity Act

WIOA contributes to economic growth and business expansion by ensuring the workforce system is job-driven – matching employers with skilled individuals.

- State and local boards will promote the use of industry and sector partnerships to address the workforce needs of multiple employers within an industry.
- State and local boards are responsible for activities to meet the workforce needs of local and regional employers.
- Local areas can use funds for demonstrated effective strategies that meet employers’ workforce needs, including incumbent worker training, Registered Apprenticeship, transitional jobs, on-the-job training, and customized training.
- Employers are incentivized to meet their workforce needs and offer opportunities for workers to learn with increased reimbursement rates for on-the-job and customized training.
Maximizing the Potential Skilled Trade Workforce Pool
Good Paying Skilled Trades

The Local Workforce Pool
The Local Workforce Pool

Lacking Essential Skills

Good Paying Skilled Trades
Good Paying Skilled Trades

The Local Workforce Pool

Lacking Essential Skills

Life Baggage
Program Focus
THE UNDERSKILLED AND UNDEREMPLOYED
The Local Workforce Pool

Good Paying Skilled Trades

No Technical Skills
Good Paying Skilled Trades

The Underskilled/Underemployed Workforce Pool

- No Experience
- No Technical Skills
- Life Baggage
- Lacking Essential Skills
Good Paying Skilled Trades

The Underskilled/Underemployed Workforce Pool

No Experience

No Technical Skills

Career Guidance
Apprenticeships
Internships
Scholarships
Trade Schools
Improved Skilled Trade Image and Communication
The Local Workforce Pool
Lacking Essential Skills

Good Paying Skilled Trades

Industry-Driven HB-5 Endorsements
Improved Academic and Career Counseling
CTE Programs
Apprenticeships
Internships
Scholarships
Certificate Pathways
Improved Skilled Trade Image and Communication

Life Baggage
Lacking Essential Skills