

Blane Canada Research

Workforce Health:
Emerging Challenge Faces Workforce

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Excerpt From

Synchronist Users'
National Data Study

Blane Canada Research

A Division of Blane, Canada

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Workforce Health: Emerging Challenge Faces Workforce

Introduction

The tight focus on workforce development has a blind-spot. This blind spot, documented in the following research, could spell disaster for companies and communities in the US if not recognized and addressed.

These findings from Blane, Canada Ltd., provide new insights into the dynamics of business as well as the building pressure on workforce health. Workforce Development Boards, community colleges, and even business executives look at workforce needs in a vacuum, from a pure human resource perspective. There are worker challenges from a human resource perspective. But, when business dynamics are brought into the picture, everything changes. By looking at workforce issues in the broader context of competitive business strategy, these findings suggest that current economic drivers will present a new and serious challenge to workforce readiness in the U.S, increasing the challenge of job creation at the community level.

This *Workforce Health: Emerging Challenge Faces Workforce* Report documents emerging challenges that must be addressed to insure the health of our companies and the communities where they operate. This report provides a new view, based on a new information source, of the workforce needed – today and in the future – by employers across America.

A Shared Asset

Businesses and communities share a mutual dependence on the men and women who go to work everyday. These workers and the skills they bring can be the company's competitive advantage. From a community perspective, the workforce is central to the community's economic future. Without the right workforce, companies expand elsewhere or worse, relocate to a community where the company can draw the required skills. This is not news. Community leaders and professionals have known this for years. As a result, millions of dollars are spent to enhance workforce skills and capacity in communities throughout the US. Dozens of state

Publisher's Note

This Report is drawn from Blane, Canada Ltd.'s primary research on 5,694 executive interviews conducted using the Synchronist Business Information System™. These interviews spanned 343 communities scattered throughout the US and Canada.

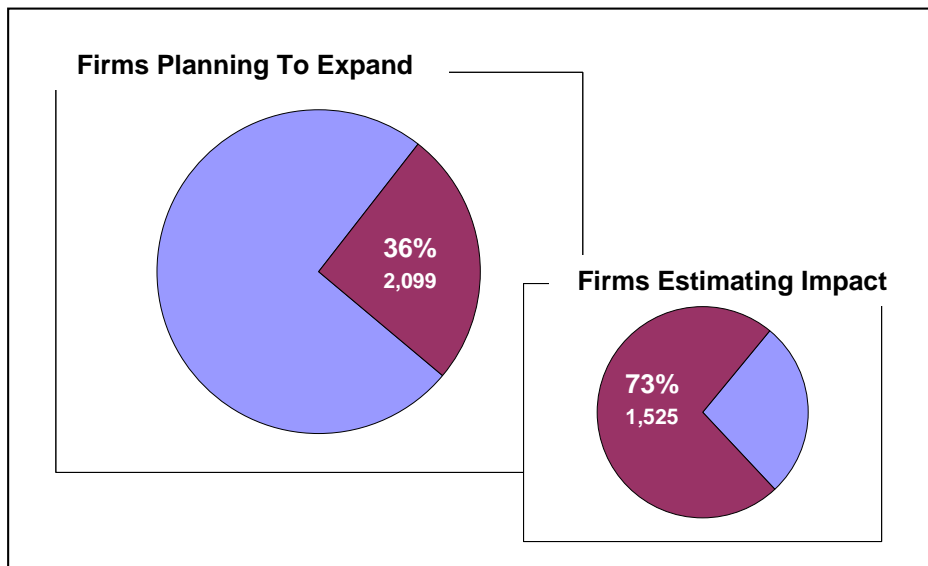
The Synchronist System is designed as a business diagnostic tool. As such, it builds a context to help development professionals understand workforce and other issues more fully. This broader understanding, makes it possible to specifically focus deployment of economic development resources, increasing the impact and return on the investment of these resources.

This analysis demonstrates how this context provides a better understanding of workforce issues. The company level diagnosis, the first ever in economic development, provides economic development professionals substantive information on relevant issues, as well as, a comparative frame of reference with concrete national benchmarks.

and local programs seek to expand the skill set of the workforce.

Progress against these workforce needs is measured against local employer needs. Except for limited anecdotal information, critical information like business strategy and growth plans is a gap in the local decision-making process. The decision making process defers to national and statewide statistics drawn from government data sources. This data is generally old and too distant from the community to be meaningful. Consequently, policy and programs suffer as a result.

Riding in the balance, according to this study, are tens of thousands of new jobs. Specifically, executives interviewed forecast that 36% of the companies interviewed plan to expand. As shown in the following graphic, 2,099 firms or 36% of the company executives interviewed anticipate expanding. Of these 2,099 firms, 73% (1,525) provided an estimate of the local impact of their proposed expansion. The new job estimate, given by 1,203 firms, averages 46 new jobs per employer or a total of 55,576 new jobs. Consequently, a failure to respond can have a significant consequence at the community level: lost payroll, lost capital investment, and lost tax base.



Significant Change Ahead

Key economic drivers suggest serious complications ahead in filling employers' worker needs. The men and women who go to work with America's primary sector employers are the greatest asset a community can have. However, many employers experience problems of worker availability and/or quality.

A community's workforce is critical to its economic success. In Blane, Canada Ltd.'s recent National Data Study of Synchronist System users, workforce and labor market were identified as the number 2 community strength by the 5,694 business executives interviewed. Over a four year period (2000 – 2003), 18% of respondents identified

workforce as second only to location (22% of respondents) as the most important community strength.

Workforce is also seen as a barrier to growth by many employers. Ten percent (10%) of respondents report the lack of skilled workers as a barrier to their growth in their current location.

Employer’s View the Workforce

Workforce Evaluation

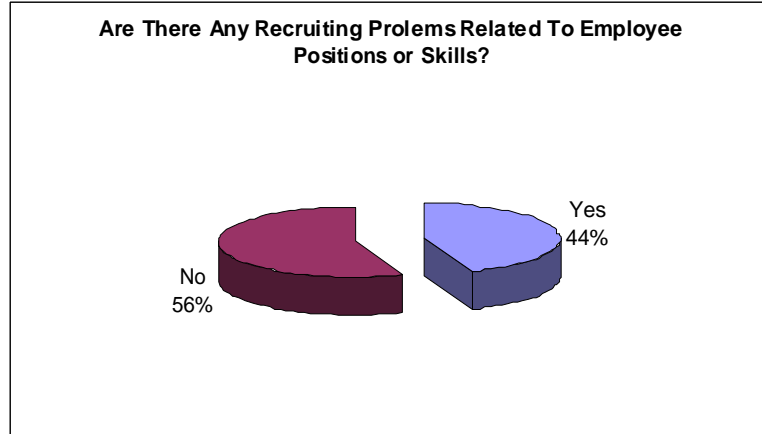
Four central measures of workforce are availability, quality, stability, and productivity. In Blane, Canada Ltd.’s National Data Study, respondents were asked to rank each of these indicators on a 5-point scale, 5 being high. The following table juxtaposes two representative communities with the national averages on these four pivotal indicators. Community A is consistently stronger throughout. In availability, quality, and stability, Community A has nearly a 20% advantage (1 point on a 5 point scale). In addition, the productivity advantage for Community A is 12%. Other communities would do well to study Community A as a role model for positive change.

Work Force Evaluation (1-low, 5-high)				
	Availability	Quality	Stability	Productivity
Comm. A	4.17	4.28	4.38	4.22
Comm. B	3.28	3.29	3.40	3.64
Nat. Avg.	3.49	3.47	3.65	3.98

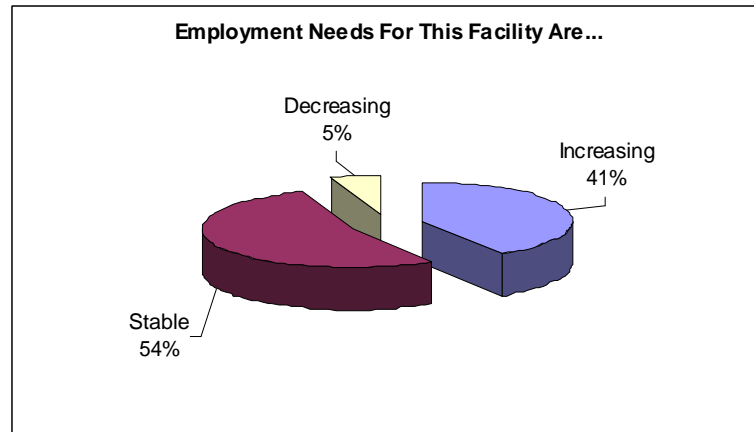
Job Openings and Recruitment Problems

Access to skilled workers is a critical weakness for 67% of the companies indicating workforce recruitment difficulties. Recruitment problems are not limited to a small set of primary sector company executives. As evidenced by the graph below, 44% of the respondents are experiencing employee recruiting troubles. As would be expected, these job titles run the gamut. Instead of focusing on job titles at a national level, researchers concentrated on the type of position to be filled, skilled or unskilled. The results are shown in the table below. The “Other” category includes those positions which could not be identified by skill level.

Skill Gap Report	# of Responses	Percent
Skilled Labor	1,314	67
Unskilled Labor	533	27
Other	117	6
Total	1,964	100



These dual problems, job openings and recruitment, will both be influenced by changes in employment. As seen in the National Data, pressure will continue to build as 41% of the companies interviewed seek to grow their employment.



Private Sector Workforce Training

The question about investment in training is an innocent question – packed with potential insight. The following table shows company involvement in training as well as the change in the training investment. The fact that 78% of the companies interviewed nationally have training programs is astounding. Additionally, a significant 1 of every 2 companies is increasing their investment in training. This commitment to training supports the positive assessment employers’ hold of their workers (quality, stability, and productivity). While this sounds good, some workforce advocates argue that more companies should be engaging in training and spending more if they wish to remain competitive.

Work Force Training				
# of Companies		% of Companies with Training Programs	% of Companies Increasing Spending on Training	% of Companies with Stable Training Budgets
Comm. A	72	82%	22%	78%
Comm. B	210	87%	61%	39%
Nat. Avg.	3,616	78%	51%	47%

At the local level, this considerable increase in training should be a strong signal to ask a follow-up question. If investment in training is increasing, it can mean one of three things. Probing is the only way to tell which, if any, is the underlying factor behind the increases.

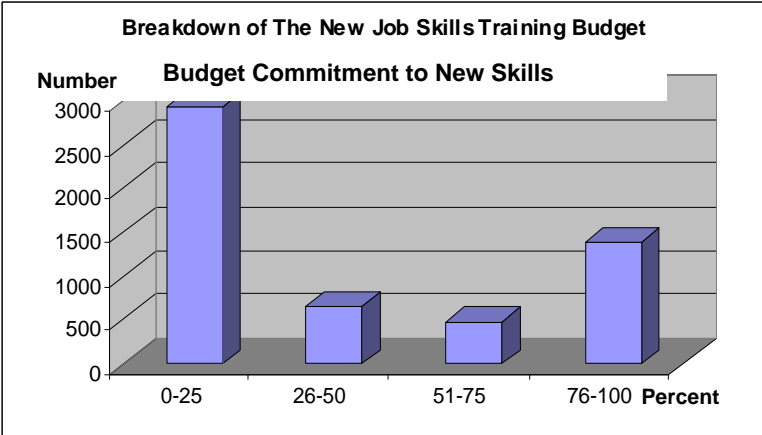
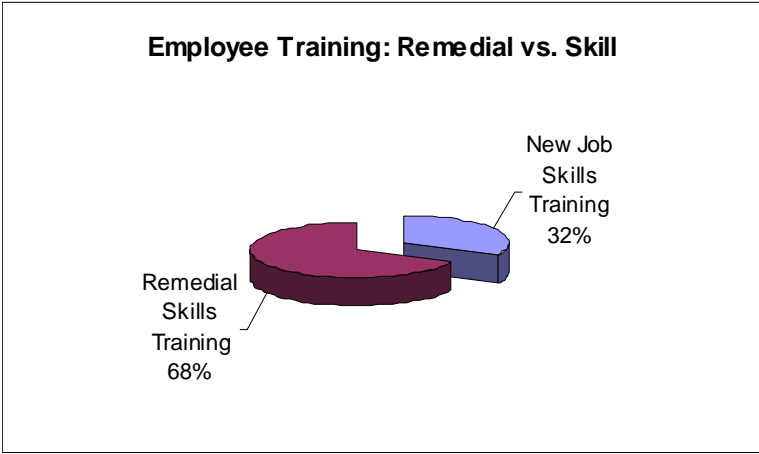
1. Turnover, or a deteriorating labor pool, is increasing the cost of training.
2. Employment is increasing.
3. The company is about to or has recently undergone a significant change.

Company training is largely invisible to the community. Community leaders and the public typically have no idea about the number of companies involved in training or their level of commitment. The survey response summarized in the following table clearly demonstrates the commitment of businesses to upgrade employee skills – new skills and basic skills (remedial). As evident by the chart below, two-thirds of this training is to correct or supplement basic skills that should be available when entering the workforce. Training is a substantial undocumented investment in the community made by businesses large and small. This provides an excellent opportunity for improved public relations information and open discussion. In the previous table, Community A is a very different community than Community B. Community B is similar to the national average. Community A has far fewer companies increasing spending on training and a higher percentage of stable budgets. Many factors could contribute to these differences: survey sample selection, survey sample size, large number of companies playing catch up in B and the national sample, and/or dramatic changes in the workforce. Identifying the difference allows development and workforce professionals to determine a course of action. Without a point of reference, the numbers alone are of limited value or even misleading.

“Training is a substantial undocumented investment in the community made by businesses large and small.”

Training Focus

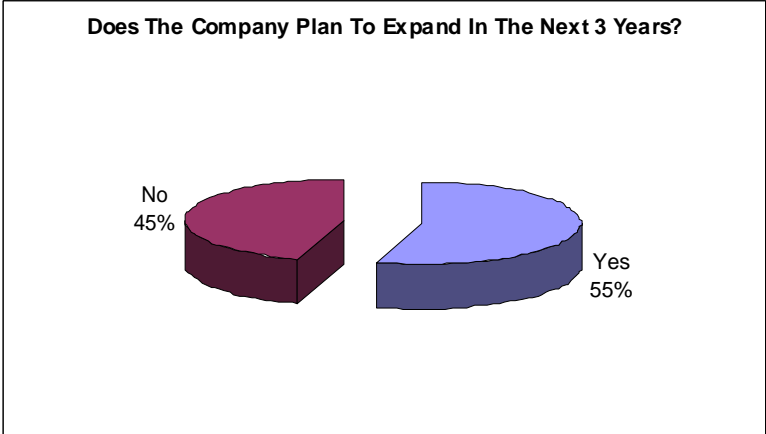
The focus of fully two-thirds of the training provided by employers is viewed by them as remedial training. These employers are investing in skills training employees should bring to the job from their educational experience or entry level jobs. In sharp contrast, the majority of employers spend less than 25% of their training budget on new skills training. Both are extremely valuable to the community. Both are valuable to the company. However, without the drag of required remedial training, companies would be free to invest more in advanced skills, potentially increasing their competitive standing within their industry.



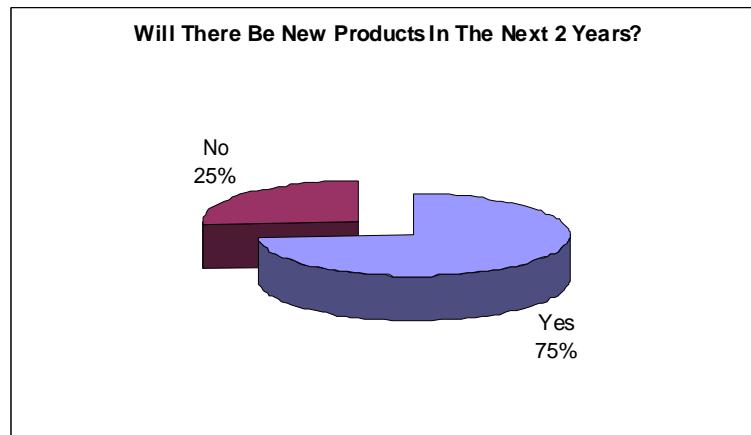
Emerging Pressure Points

Plans for Product and Production

The first and most direct pressure on workforce is planned expansions. As seen in the earlier graph, 36% of all companies interviewed plan to expand; however, if those who did not answer the question are excluded, the number of companies expanding increases to fifty-five percent (55%, 2,026) of the respondents. Their plans to expand to meet their growth will potentially absorbing tens of thousands of new workers.



A second, more pervasive pressure on workforce is a dramatic shift in new product introductions. Business executives are apparently recognizing in far greater numbers the importance of introducing new products to remain competitive. During the previous five years, only 19% of the respondents reported the introduction of new products. Looking forward, 75% of these same company executives anticipate introducing new products in the next two years. The pressure to create and produce these new products will put tremendous stress on the workforce to keep pace with technological, as well as, productivity demands.



Comparative Analysis

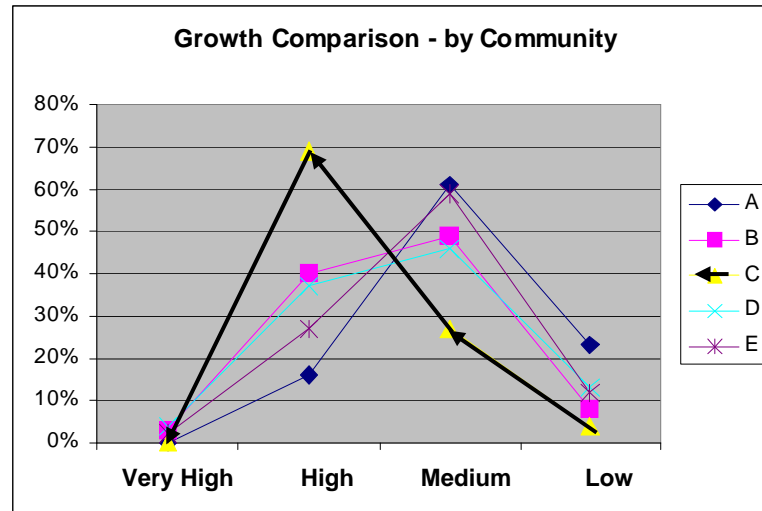
Not all communities have the same workforce challenges. As can be seen in the graph below, communities B & D have a more dynamic cluster of growth oriented companies, 15 to 25 points above communities A & E, respectively. Drawing on the National Data Study findings for Growth companies (see sidebar), it becomes clear that Communities A & E are most similar to the National Growth averages.

Given the growth company profile of Community C, it can be anticipated that Community C's workforce will require higher skills overall while Community A can utilize more low skilled workers. Community A will probably also exhibit a lower skill change dynamic over time than Community C. Community A will also be more susceptible to the negative impact of international competition.

Is community C real? There is no question that the companies interviewed in Community C make up a more powerful growth curve. However, the variation represented by Community C could be attributable to one of several factors: 1) an extremely strong base of growth companies; 2) a non-representative sample of companies selected for interviews; 3) a small survey sample, or 4) an abnormal economic period. Additional interviewing in Community C will determine if the dramatic growth sector holds up.

Growth Companies

Growth Companies are companies exhibiting characteristics that drive sales and employment growth. These characteristics include factors such as; new product introductions, R&D, management practices, export activity, employment growth, and others which can be objectively measured.



This type of comparative analysis provides a different frame of reference for analyzing and interpreting the raw data provided by survey respondents. It further adds a new perspective to the workforce requirements of companies within communities.

To leverage this information, community leaders and workforce advocates can hold forums with growth company executives in these communities. Aside from providing a platform for representatives of companies with higher anticipated growth potential, these conversations will probably result in very different sets of workforce service requests, suggestions, and recommendations.

Portfolio Orientation

The ability to separate companies objectively by their Growth potential provides an opportunity to move from a short-term retail strategy of economic development (help one customer at a time) to a wholesale strategy (deliver services to groups).

If economic development is managed like a financial portfolio, riskier strategic investments (business attraction) are balanced with more conservative investments (internal growth). The mix is constantly monitored to assess which projects are on-track, which need help, and which should be shut down. Return on investment is the critical measure.

In the Synchronist System's portfolio strategy, economic development resources are driven toward Growth and Value companies and away from those evaluated as risky. Traditionally, business retention has been focused on finding the problems and tackling them to avoid the loss of jobs, or at a minimum, demonstrating every effort was expended to avoid the loss of jobs. A portfolio strategy does not change this. It is politically impossible to walk away from a company at risk of reducing jobs in a community. However, not all of the

National Data Study

These findings are based on the analysis of 5,694 executive interviews (Synchronist System business retention interviews), conducted over a four year period (2000 - 2003), in 11 states and one province, or 343 communities, by 17 different organizations. Workforce was only one of several issues related to business health explored during these interviews.

economic development organization's resources should be devoted to fighting the "good fight." Arguments must be made for devoting resources to help those companies which are by definition – Value and Growth oriented – the most important to the community's economic future. Then, a greater percentage of available economic development resources, such as workforce training, must be pushed toward these Value/Growth companies. Using traditional workforce assessment surveys provides only one side of the story. A broader company level diagnosis, as shown in this report, provides a more dynamic picture of the demands a community's workforce must accommodate. A more comprehensive view allows workforce planners to draw a sharper focus on areas of potential impact.

Looking at a community or region's economic base as a portfolio provides an opportunity to focus resources and improve return on investment from economic development policies and resources.

Conclusion

Workforce is a shared asset for businesses and communities. Each owes it economic destiny to the skill, talent, and discipline workers bring to their work daily. It is incumbent upon both to find effective ways prepare workers with hard and soft skills. Without the combination, businesses and communities will be ill equipped to succeed in a global economic environment.

The "blind-spot" is visible only when one looks at workforce requirements in the context of company growth. These growth dynamics, planned expansions as well as the introduction of new products, tell a different story. Taking company growth potential and corporate strategies to increase competitiveness provides a totally new perspective on the workforce needs of U.S. businesses. Without this, critical workforce gaps remain hidden from view, undermining public and private sector efforts to build a workforce capable of competing globally.

The current growth dynamics will require soft skills like innovation at both the product as well as production levels. Flexibility as well as the ability to deal with constant change will also be at a premium.

Businesses as well as workforce interests have responsibilities to work more closely to insure the increased effectiveness of business as well as public investments in improving the skills and productivity of the encumbant workforce. The researchers who gathered and contributed the data for this research hope to encourage Workforce Investment Boards, Community Colleges and employers use this opportunity as justification to go beyond current practices. New training systems must be deployed to address soft skills, anticipating and adapting to change as well as innovation, identified in this research. These are all appropriate components of competitive businesses and competitive communities. Limiting the focus to technical skills and performance leaves a substantial gap which will have a substantial economic impact on communities as well as the US economy.

The *Workforce Health: Emerging Challenge Faces Workforce Report* signals a change in the nature and quality of information gathered and processed by economic development professionals at the community, regional, and national level.

Source

Synchronist Users' National Data Study

August 2004

Contributors

Thank you is not enough to express our gratitude to the individuals who made the first Synchronist National Data Study, the subsequent Workforce Health report, and others possible. Their dedication to their communities and literally years of hard work provided the raw material – 5,694 executive interviews – essential for building solid comparative data. Their communities benefit and the profession takes a giant step forward as a result of their personal and professional leadership.

Individually, Jim Anderson, Michigan Works Job Force, Escanaba, MI and Ed Sitar, ComEd – An Exelon Company, Chicago, IL provided their invaluable personal and professional perspectives on the Workforce Health report.

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The Synchronist Business Information System™ is a combination of software and services designed to help economic development professionals capture, organize, analyze, and report company and community information, giving community leaders' invaluable insight into the dynamics of the local economy. The Synchronist System is the most powerful tool of its kind available to economic development professionals. It is the platform of choice for business analysis in 16 states, 32 regions, and over 300 communities in the U.S. and Canada.

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