

Unintended Consequence: Undermines Iowa's Workforce Development Efforts

Workforce Concerns

(Iowa Economic Development Authority's 2014 Battelle Study)

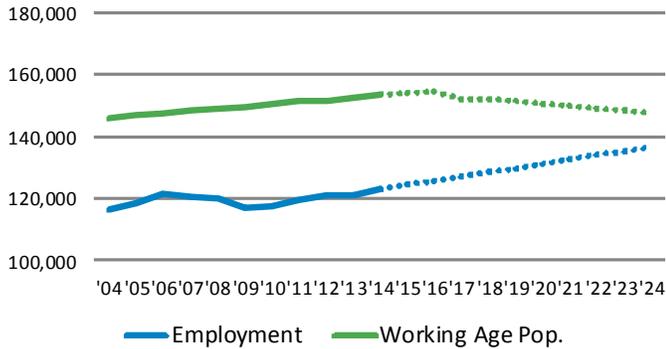
- Flat growth in population among Iowa's youngest population group (24 and younger), which grew a meager 0.5% from 2001 to 2012.
- Surveys of 393 Iowa corporate executives report significant concerns regarding workforce availability in Iowa.
- 2/3 of Iowa companies surveyed are experiencing recruitment challenges.
- Iowa's current economic potential is being held back by shortages of qualified workforce.
- The availability of a skilled workforce is a major area of concern to Iowa businesses. Combined with Iowa's weak population growth, this workforce problem is likely to plague Iowa for many years to come.
- The combination of industry concerns about skilled workforce availability and the lack of population growth, especially among young residents not yet in the workforce, suggests that Iowa has both a near-term and longer-term problem with generating the needed skilled workforce.
- In recent years, Iowa has had a positive net in-migration from other states.
- Iowa is competing with other states for the "best and brightest" as the entire nation faces an impending workforce crisis.

Moving Forward

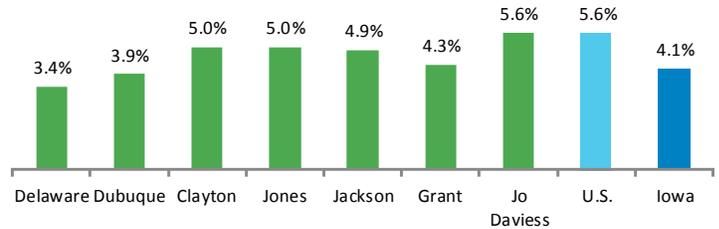
The State Legislature and the Board of Regents need to focus on how we grow Iowa's workforce and, due to flat population growth, those growth strategies must include recruitment from out of state. The most recent membership survey of the Iowa Association of Independent Colleges and Universities shows that 70% of all graduates stayed in Iowa following graduation. The University of Iowa reports 40% of their non-resident students take their first job in Iowa. The proposed plan for performance-based funding provides disincentives for recruitment of out-of-state students.

Workforce Data for Iowa and the Greater Dubuque Area

Dubuque Region Employment Outlook



Unemployment Rate - Dec. 2014



Employment Growth

Labor Market	2004-2014	2014-2024
Dubuque MSA	12%	13%
Dubuque Region	5.8%	11.3%
Iowa	6.1%	12.2%
United States	4.5%	16.2%

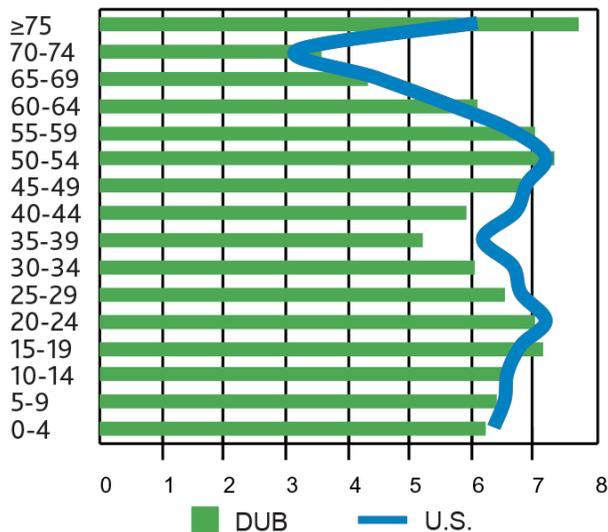
Working Age Population Growth

Labor Market	2004-2014	2014-2024
Dubuque MSA	8.9%	(1.1%)
Dubuque Region	2.1%	(3.9%)
Iowa	5.1%	(1.9%)
United States	9.0%	1.3%

Employment in the seven-county Greater Dubuque Region, as projected by EMSI, is estimated to grow by 11.3% over the next ten years, which is at a rate somewhat below the projected growth for the State of Iowa and the Nation.

The Region's Working Age Population (ages 20 to 69) is projected to decline by nearly 4% over the next ten years while Iowa is projected to decline at a lower rate and the U.S. is projected to have modest growth.

Population by Age, %



SUMMARY INFORMATION

- In 2014, 63% of Dubuque businesses interviewed expressed a challenge with workforce recruitment, just above Iowa peers at 56%.
- A November 2014 Skills Gap Analysis projected a gap of 7,471 openings in the seven-county Greater Dubuque Region over the next 10 years in the top 50 positions and fields that require post-secondary education and training.
- As the year 2011 began on January 1st, the oldest members of the Baby Boomer generation celebrated their 65th birthday. In fact, on that day, today, and for every day for the next 19 years, 10,000 baby boomers will reach age 65.

Sources: Census Bureau, Moody's Analytics

Testimony to Education Appropriations Sub-Committee

By Greater Dubuque Development Corporation
Vice President for Workforce Solutions Sarah Harris
and Dubuque City Manager Michael Van Milligen

February 17, 2015

Van Milligen Remarks:

I want to thank Senate President Pam Jochum, Senator Schoenjohn and Representative Dolecheck for inviting Greater Dubuque Development Corporation Vice President for Workforce Solutions Sarah Harris and me here to testify about the Regents' plan for Performance Based Funding.

I would like to introduce Mayor Roy Buol, Assistant City Manager Teri Goodmann, Dubuque Area Chamber of Commerce President & CEO Molly Grover and Chamber Senior Vice President Barry Gentry who are here with me today. I would also like to note the presence of University of Dubuque President Jeff Bullock, who is here as the Board Chairperson of the Iowa Association of Independent Colleges and Universities.

Sarah and I would like to focus on the unintended consequences we believe this proposed funding policy will have on the State of Iowa and the Dubuque region.

The State of Iowa is facing a significant workforce shortage. In December 2014, the Iowa Economic Development Authority released the Battelle Study conducted by the world's largest nonprofit independent research and development organization.

The Battelle Study states the following:

“The troubling issue for Iowa is its population growth. . . . perhaps the most troubling is the nearly flat growth in population among Iowa's youngest population group, 24 and younger, which grew a meager 0.5 percent from 2001 to 2012.

. . . surveys of 393 [Iowa] corporate executives . . . report significant concerns regarding workforce availability in Iowa . . .

. . . two out of every three companies surveyed are experiencing recruitment problems.

This persistent concern of employers on the availability of qualified workers was heard by Battelle in its fieldwork across the State. [This study] suggests that Iowa's current economic potential is being held back by shortages of qualified workforce.

. . . a high quality workforce is critical to defining a positive business climate. As the National Governor's Association points out in their series on State Leadership in the Global Economy. 'CEO's report that availability of technically trained talent is their top priority—one that often determines where they locate high value investments.'

. . . Iowa's overall workforce remains strong at middle-skilled education levels involving some college to associate degrees, but [is] continuing to fall further behind the nation in higher skilled education levels.

Even as middle and high skilled jobs grow in Iowa, the availability of a skilled workforce is a major area of concern to Iowa businesses. Combined with Iowa's weak population growth, this workforce problem is likely to plague Iowa for many years to come.

The combination of industry concerns about skilled workforce availability and the [lack of] population growth, especially among young residents not yet in the workforce, suggests that Iowa has both a near-term and longer-term problem with generating the needed skilled workforce.

A close look at recent population dynamics suggests some glimmer of hope in population migration...

In recent years, Iowa has had a positive net in-migration from other states . . ."

While I still have some information I will be sharing with you, I want to conclude my references to the Battelle Study with this final quote.

"Iowa cannot afford to be complacent about its economic development prospects going forward."

The Des Moines Register recently reported on the number of students enrolled in public schools. "Data shows that 480,772 kindergarten through 12th grade students are enrolled in Iowa's 338 public school districts. That represents an increase of 0.4 percent, or 1,851 students from the 2013-2014 school year. Iowa's peak enrollment was 645,000 students in the 1972-1973 school year . . . 52% of the State's districts saw enrollment declines from the previous year."

Another Des Moines Register article reported on U.S. Census Bureau information that shows, “Iowa’s population growth rate ranks 30th in the U.S. when put next to other states. The State has lost congressional seats as other states have gained people faster than Iowa. . . . Iowa’s congressional delegation dropped to four U.S. House seats in 2010. A seat was also lost following the 1990 census.”

The State Legislature and the Board of Regents need to focus on how do we grow the State’s workforce. The most recent membership survey of the Iowa Association of Independent Colleges and Universities shows that 70% of all graduates stayed in the State following graduation. The University of Iowa reports 40% of their non-resident students take their first job in Iowa.

There is an impending national workforce crisis. Georgetown University just completed a study that the United States will face a shortage of 5 million workers with the necessary education and training by 2020.

In a recent presentation by a human resources professional from Rockwell Collins, she said that U.S. companies will have the need for 30 million college graduates in the next 10 years. The problem is U.S. universities will only graduate 20 million in that time frame.

The U.S. Bureau of Labor Statistics says that total employment in the United States is projected to increase by 15.6 million over the next 10 years.

Dubuque is the canary in the coal mine on this workforce issue. Dubuque has had tremendous success in the area of economic development.

In December 2014 there were 61,700 people working in Dubuque County with a 3.9% unemployment rate. This is 1,800 net new jobs over December 2013, over 3% growth. When you compare this to the lows of the 1980s, over 24% unemployment, 37,700 people working in Dubuque County, you can tell how much work has gone into achieving these results. With just 3% of Iowa’s population, Dubuque County accounted for nearly 11% of the state’s net job growth from December 2013 to December 2014. From 2009-2013, Dubuque County achieved 8.1% of the state’s job growth.

The City is partnering with key organizations and businesses to spur job growth. The City is also partnering to create the kind of community with the quality of life that will retain and attract a quality workforce so local companies can continue to thrive and expand and new companies will want to call Dubuque home.

Sarah Harris is the Greater Dubuque Development Corporation Vice-President for Workforce Solutions and is responsible for many innovative workforce development

activities and programs. She will tell you what we have learned from an annual interview of 300 local company CEO's and through a recent Skills Gap Analysis.

Harris Remarks:

Mr. Chairman and members of the committee, thank you for hosting us today. As Mike mentioned my name is Sarah Harris and I am the Vice President of Workforce Solutions for Greater Dubuque Development Corporation in Dubuque, IA.

I have some prepared remarks I would like to share with you regarding workforce as a critical component to economic development success not only in our local Greater Dubuque area but also the state of Iowa.

Workforce is the new economic incentive for business. As the fight for qualified talent becomes more and more intense, communities must become more proactive in an effort to attract, relocate, train and retain talent.

Economic development leaders across the state understand that the most important driver for economic growth is the existing business within each Iowa community. In Dubuque, they are our #1 customer. We want to know what is going on in their world to be sure that they are successful in our community and have the resources they need to grow.

Each year, our office conducts 300 interviews with local business owners, CEO's and top managers through a program we call InfoAction. This allows us to gain a street-level view and full perspective of the local economy. All of the data is entered into a state-wide database called Synchronist, and from it we produce a real-time snapshot of our existing business base. A re-occurring challenge has been and continues to be workforce.

This past year (in 2014), 63% of Dubuque businesses interviewed expressed a challenge with workforce recruitment, just above Iowa peers at 56%.

The ability to attract and retain talent is what will set Dubuque and the state of Iowa apart from our competitors across the county. Workforce is not something that can be taken lightly, it is *critical* to our economic success.

Back in 1997 when we started discussing our workforce strategy, we used to talk about simple demographics that we referred to as "The Perfect Storm":

Iowa is the 4th oldest state in the Country. Dubuque had the oldest population in Iowa. Dubuque also had the lowest % of population under the age of 18 than any other metro in Iowa, and we had close to 0% population growth

Our community understood and embraced the fact that our demographics, paired with the looming retirement of the baby boomer generation, would cause us to experience a talent shortage. The recession may have delayed the inevitable for a time as the financial crisis wiped away retirement savings and forced many to work longer than planned.

Fast Forward to today. 2015. The *Storm* is here. Every month, more than a quarter-million Americans turn 65. That's a trend with profound economic consequences.

As our workforce continues to age and retire, we're going to be challenged to put more talent into the bucket than we're losing. It is important that we not only have qualitative data around workforce issues but also current quantitative data to confirm and support what we hear on the street.

We've been spending some time researching data and data sources to figure out how we can gather the best and most current labor market information to help better inform our own decisions regarding workforce solutions. This past November, we retained the Smart Solutions Group out of Cedar Rapids to mine some more specific workforce data for Dubuque and all 6 contiguous counties which include: Clayton, Delaware, Jackson, Jones, Jo Davies in Illinois, and Grant in Wisconsin.

You will see a snapshot of the data I will be referring to in the handouts provided.

The data used to compile this information is from the 2014 3rd quarter data release from EMSI, which is short for Economic Modeling Specialists International. EMSI pulls data from over 90 different public and private sources including the Bureau of Labor Statistics as well as IPEDS(which is used by colleges to report degrees earned).

As you can see, the projected increase in Employment (The blue line) and the decrease in Working Age Population (in red) will yield increasing workforce shortages in our Region over the next 10 years.

Employment in the seven-county Greater Dubuque Region is projected by EMSI to grow by 11.3% over the next ten years, which is at a rate somewhat below the projected growth for the State of Iowa and the Nation

The Region's Working Age Population (ages 20 to 69) is projected to decline by nearly 4% over the next ten years while Iowa is projected to decline at a lower rate and the U.S. is projected to have modest growth

If you take a look at the current unemployment rate throughout the state and in our Region, our seven counties are below the U.S. unemployment rate and technically considered at "full employment".

In addition to the baseline data you see on the handout, we also did a comprehensive skills gap analysis for Dubuque and all 6 contiguous counties which highlighted our

communities Top 50 Occupations (paying over \$17.00 per hour) with the highest projected skills gaps over the next 10 years.

The skills gap is calculated by taking job growth (or the change in number of jobs from 2014-2024) and adding that to the number of projected replacements (which includes retirements, relocation outside of the labor market, or occupation changes). Job growth added to replacements gives us the total number of openings in our market over a 10 year projection. The skills gap is then calculated by subtracting the number of completions (or number of students that completed a degree, certificate or diploma programs at post-secondary institutions within our labor market.

Here's the Challenge: (and keep in mind *we only looked at 50* out of 840 occupation classifications that could potentially exist in our market)....the report showed that we will have a projected gap of *7,471* openings in the Dubuque Region over the next 10 years in positions and fields that require post-secondary education and training. This is what we are up against in our own community, so you can only imagine what we are up against as a state. This is the gap we need to fill and we need to work together state-wide to creatively recruit talent. We *have* to reach outside the borders of our state to be successful.

We've been talking about workforce shortages for a long time. It's a reality nation-wide, state-wide, and is only magnified in small to mid-size communities like Dubuque.

We must be consistently engaged with all college students that live and study throughout the state of Iowa and at the same time must be constantly recruiting potential students from around the world to Iowa for education. Most importantly, if we are not actively making our state a place where millennials want to live first and work second –WE NEED TO BE. They are our future.

The funding initiative of the Regents is counter-intuitive when we are trying to and MUST bring more people to the state to address workforce shortages.

Talent comes in many stripes our ability to attract, retain and welcome talent from around the world to Iowa may be the most important mission we have in front of us. One unintended consequence of Performance Based funding in my opinion is its effect on inclusiveness. How will we bring more talents and diversity to Iowa when the focus appears to be solely Iowans?

At a time when we have a shortage of skilled workforce projected over the next 10 years and a decline in Iowans of working age, the proposed funding model does not help in recruiting out-of-state students to be educated and hopefully employed in Iowa. We may see existing businesses choosing to expand in other states and potential businesses electing not to come to Iowa if we fail to solve this workforce equation.

The implication on economic development cannot be understated. I urge you to take a look at the state-wide and long term implications. It is not just about funding, it impacts economic development and community vitality.

Thank you for your time, and we would be happy to answer any questions.