

SELLING YOUR WORKFORCE STORY IN A TIGHT LABOR MARKET

TENNESSEE CERTIFIED ECONOMIC DEVELOPER CAPSTONE PROJECT

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Introduction

The workforce is a major economic driver, and it's also the biggest asset to a company. Without productive labor, the economy could not thrive and prosper. Current labor force statistics point to full employment and regions must differentiate themselves from other sites to win projects and support the retention and expansion of existing businesses in the community. So, how can the workforce story be sold in an historically tight labor market?

This report entitled Selling Your Workforce Story in a Tight Labor Market will explore ways to emphasize the unique qualities of the local workforce, and highlight partnerships designed to deliver a skilled workforce. The messaging should demonstrate clear alignment between workforce development and economic development to support economic growth, employment stability, and thriving wage opportunities for workers.

Background

As of July 2023, Tennessee was at an historic 3.1 percent unemployment rate, the lowest rate recorded since the statistic was introduced in 1976 and beating the previous month's record low of 3.2 percentⁱ. Tennessee holds the number one position in the U.S. for advanced industry job growth and is a leading state in marketing and attraction due to the favorable business climate.

Southeast Tennessee is a local workforce development area made up of ten counties, with two metropolitan areas in Chattanooga and Cleveland, with unemployment rates of 3.2 and 3.5 percent respectively. The labor shed consists of surrounding communities which include parts of Northwest Georgia and Northwest Alabama. Many employers in Southeast Tennessee, much like the rest of the state, report it is more challenging than ever to source talent.

Information on Community

There is a strong manufacturing economy in Southeast Tennessee, including an automotive manufacturing cluster surrounding the Volkswagen assembly plant in Chattanooga, which includes employers such as Gestamp, Denso, Nokian Tyre, and other suppliers. This represents one of four major automotive operations in Tennessee, a state that ranks 1st in automotive employmentⁱⁱ.

The workforce is largely non-union, making it a favorable business environment for auto makers and other manufacturers. Although labor union membership rebounded in 2022 following a brief decline, only 5.5 percent of all workers in Tennessee are union members, representing approximately 163,000 workersⁱⁱⁱ.

There are two community colleges, two technical colleges, five universities, and multiple accredited higher education institutes in the region. There are 13 school districts and many high schools. Career and Technical Education programs are growing in popularity and producing industry recognized credentials along with high school diplomas.

While high school graduation rates are strong in Southeast Tennessee, the college going rate is declining. There are growing needs for alternative pathways to high-skill, high-wage jobs, such as registered apprenticeships.

Description of Need

Until the onset of the COVID-19 pandemic, the U.S. economy experienced the longest expansion on record, reaching a total of 128 months before declining in February 2020.^{iv} As unexpected shutdowns rolled out nationwide, monetary resources were provided to American families to keep the economy running. The response was historic, and the U.S. experienced the

shortest period of recession in recorded history, lasting only two months. Demand for product soared, supply chains were disrupted, and inflation increased.

The ongoing health crisis sent many aging workers into early retirement, others home to support family, and tragically resulted in a loss of life for many prime age workers. This unexpected shift triggered an historically tight labor market. And despite efforts to cool the economy and rising inflation, the U.S. surprisingly continues to experience job growth.

The growing number of jobs requires a growing number of workers. The workforce is the number one priority for a prospect, and for existing businesses. It is more important than ever to have alignment between economic development and workforce development to sell the workforce story through aligned strategies and partnerships.

Applicable TCED Coursework

The University of Tennessee Center for Industrial Services (UT CIS) TN Workforce Development and TN Marketing and Attraction courses provided practical guidance and tools to demonstrate the strategies in this project through the Tennessee Certified Economic Developer Program.

State and National Trends

Across the U.S., labor force participation has been in decline since 2000, citing retirement, attending school, and disability as the reason for nonparticipation. According to the Philadelphia Fed, the U.S. decline in labor force participation since 2010 has primarily been due to retirement.^v

Since the onset of the pandemic, an increasing number of workers have retired or left their jobs, leaving open positions that are challenging to fill. A period known as the Great Resignation followed, increasing the number of job openings, some in critical areas like

healthcare and education. As the competition for talent increased so did wages, and workers began to demand more flexibility, and preferred remote work.

The growing rate of turnover contributes to the challenges in today's labor market. The cost of turnover is impactful to businesses, and is measured in lost productivity, recruiting, and onboarding. Costs that are not easy to quantify include loss of institutional knowledge, business relationships, and employee morale. Research indicates that employee turnover can cost from one half to two times the employee's salary, depending on the individual's technical expertise.^{vi} These costs further impact the labor market and overall economy, and will continue to be an increasing concern for the business community.

A positive trend to combat the tight labor market is an increase in Registered Apprenticeship Programs. Apprenticeships are an effective workforce development strategy that allows employers to bridge the labor gap by combining training and instruction with on-the-job learning, providing increased rewards as skills progress, and resulting in a national credential. This model helps stabilize the economy because individuals earn wages while learning valuable skills, and provides another pathway to high-skill, high-wages jobs. These programs provide an opportunity for skilled workers to transfer knowledge to incoming workers, which often builds morale. The U.S. Apprenticeship office, who tracks apprenticeship data, reports a 90 percent employee retention rate for apprenticeship graduates.

Apprenticeships also have a strong return on investment, with an estimated \$1.46 in return for every \$1.00 invested^{vii}. Tennessee is strategically investing in apprenticeship programs, creating an Office of Apprenticeship in 2018 and attaining State Apprenticeship Agency designation in 2022.

Pre-apprenticeships help individuals prepare for success in an apprenticeship program while providing a direct pathway for participants to enter a registered apprenticeship program. Pre-apprenticeships are an effective strategy for individuals who face barriers to employment and education may be developed with a variety of partners to help address talent development challenges that employers face today. Target partners for pre-apprenticeships are high schools, colleges, adult education programs, corrections, non-profit and community-based programs, and other third-party partners. Pre-apprenticeships provide access to talent pipeline creating pathways to registered apprenticeship programs.

Pre-apprenticeships are a growing strategy in across Tennessee, with local employers such as Valmont Industries, Komatsu, and Mueller Water Products partnering with Career and Technical Education programs in Marion County, Hamilton County, and Sequatchie County school systems. The schools have a written agreement with the employer and registered apprenticeship programs sponsored by Chattanooga State Community College, providing high schools a direct pathway to viable manufacturing careers.

Project Description

Selling Your Workforce Story in a Tight Labor Market explores ways to highlight an available workforce when sourcing talent is increasingly more difficult. Research on workforce data prepares you to work with prospects and overcome concerns about workforce availability.

The community is the product, and knowledge of the local economy and labor resources is the basis of effective marketing. Demonstrated knowledge of local and regional labor resources helps to build credibility and relationships that are often determining factors for prospects.

Knowing the qualities and capabilities of the workforce starts by analyzing data and presenting information that differentiates a community from the competition.

1. **Collect Data:** Gather workforce data relevant to the project, including demographics, educational attainment, and availability of skills in the labor shed, typically within a 45-minute drive time. It is helpful to understand commuting patterns to demonstrate areas for recruitment, indicating the number of people who commute in for work and those who commute out.
2. **Analyze Workforce Availability:** Compare the skills of the current workforce to the workforce needs of the employer to demonstrate the availability of a qualified workforce. Take into consideration training programs that are producing qualified candidates to build the pipeline.
3. **Identify Skills Gaps:** Compare the skills of the current workforce to the workforce needs of the employer to identify any skills gaps that need to be addressed through training and development, considering the startup timeline.
4. **Highlight Training Opportunities:** Point out the educational institutions that can provide short-term and long-term trainings to support the goals of the organization, including registered apprenticeship programs that can help businesses grow their own talent, producing highly skilled workers. This is an especially attractive model when talent resources are challenging. Programs may also be college sponsored, fostering public-private partnerships.
5. **Promote Workforce Development Strategies:** Share strategies that provide access to hidden talent pipelines, including youth pre-apprenticeships, internships, and other

work-based learning models, reentry and recovery programs, and upskilling opportunities for older workers and those with lower skill levels.

Highlighting an available, qualified workforce requires ongoing partnerships and regular communication. Economic and workforce development are not meant to be siloed efforts. Alignment results in more holistic services to the business community, for both prospects and existing industry partners.

The collective approach to selling the workforce story gives the prospect a sense of community and demonstrates partnerships that work together to further workforce development initiatives, and the unique qualities that data alone cannot convey.

Who Is Involved

In Southeast Tennessee aligned partnerships exist between Regional Director of Economic and Community Development, the Southeast Tennessee Development District, Southeast Tennessee Local Workforce Development Board Director, Regional Director of the Department of Labor and Workforce Development, the Southeast Industrial Development Association, Chattanooga and Cleveland Chambers of Commerce, McMinn Economic Development Association, and Rhea Economic and Tourism Council.

These groups meet quarterly to discuss available sites, workforce data and initiatives, skills and training needs, and updates on projects. This regular communication fosters the integration and alignment needed to move projects forward meet needs of business and industry.

Goals and Objectives

Strategic alignment of economic development and workforce development is outlined in Tennessee's Combined State Plan, with goals to integrate the management of projects and the incentive process. This is further supported by the strategic plan of the Southeast Tennessee

Workforce Development Board with efforts to align and integrate business services among state agency and core systems partners.

Local planning strategies include professional development of staff performing business services. It also includes the advancement of multi-agency coordination of business services, to ensure an integrated service delivery, utilizing the single point of contact approach to streamline processes.

Tennessee Governor Bill Lee seeks to increase labor force participation to 65 percent by 2025, making it a super priority for the public workforce system. The labor force participation rate includes the number of employed individuals and those who are not currently employed, but looking for work, divided by the civilian population. Individuals who are serving in armed forces and those who are institutionalized are not counted. The labor force participation rate has been declining nationally for two decades^{viii}, to a great extent through the retirement of aging workers.

Uncovering hidden or underutilized labor resources can increase labor force participation by targeting individuals who are out of the labor force but could be enticed back. This includes older workers, women with children, and the emerging youth workforce. It also includes eager workforce resources such as those with reentry and recovery barriers.

Rural development strategies are also an approach to increasing the labor force. Tennessee has emphasized preparation and marketing of rural sites, expanded broadband access, and training accessibility.

Timeline

Tennessee's super priority is to achieve a 65 percent labor force participation rate within two years. This goal cannot be achieved without strategies to improve participation in rural communities who are tasked with improving by 2 percentage points within the time frame.

In Southeast Tennessee, announcements have been made to expand the footprint of the Tennessee College of Applied Technology to Rhea and Polk Counties. The Marion County Institute of Higher Education is completing the buildout of additional space for Nursing and Allied Health that will be programmed by Chattanooga State Community College. Increasing accessibility will provide access to good paying jobs and promote retention of talent in the community and strengthening the rural economy.

Workforce development planning at the state, regional, and local level occurs every four years, with modifications every two years. The next planning cycle begins in 2024, with the Tennessee Combined State Plan, then alignment from the grand regions and local areas.

Obstacles Faced

Selling the workforce story can be challenging due to several obstacles that can limit availability of workers. Alignment between economic and workforce development can lead to strategies to address obstacles.

- **Lack of Affordable Transportation:** Transportation barriers limit individuals from participating in the workforce, especially in rural communities. In urban areas, public transportation is often challenging for daily commutes due to the amount of time it takes to get from point to point. Transportation can also hinder educational attainment because of a lack of accessibility.
- **Lack of Affordable and Accessible Childcare:** Options can prevent parents from joining the workforce. It is also challenging to find childcare workers due to the low wages. Public-private partnerships are needed to address this issue.

- **Lack of Affordable Accessible Education:** Educational barriers can limit the qualifications and availability of the local workforce. Lack of accessible education prevents individuals from qualifying for sustaining wage jobs.
- **Stigma:** Shame and guilt can prevent individuals with substance use disorders and justice involvement from participating in the labor force, and there is a stigma from employers and workers that exist in our society. Meaningful work is recognized as a solution to prevent relapse and recidivism, so there is work to be done to combat that stigma.

Results

The right messaging for business prospects can differentiate a community from the competition, and this takes a team of partners from economic and workforce development coordinating and aligning strategies. Alignment benefits the local economy in the following ways:

- **Improved Skills Match:** When workforce development efforts are aligned with the needs of business and industry, it reduces skills gaps and ensure the needs of business and industry are met, which should be evident in the workforce data.
- **Attraction:** When workforce development is aligned with economic development, it attracts investment, creating jobs and strengthening the local economy and families.
- **Business Expansion:** Alignment supports existing businesses in the community and ensures that they can sustain or grow their business, remain competitive, and expand for added economic growth.
- **Stabilized employment:** When individuals have in-demand skills and access to meaningful employment opportunities, employment is stable, resulting in lower rates of unemployment and a more resilient economy.

- **Retention:** Areas with strong alignment between workforce development and economic development are more likely to retain talent and businesses. Workers have local employment opportunities and employers have a qualified workforce.
- **Diversification:** Alignment between economic and workforce development can advance industry diversification by easily adapting to emerging industries, reducing dependency on a single sector, and increasing economic resiliency.
- **Collaboration and Partnership:** Alignment fosters integration between business and industry, secondary and post-secondary education, government agencies, and community-based partners who can collectively influence economic growth.
- **Planning:** A well-aligned strategy enables system partners to meet current industry needs and plan for changing industry needs. Appropriate and effective planning informs system partners on the skills and training required to adapt to emerging trends, increasing the competitiveness of the region, and the ability to diversify. It also sustains the partnership, keeping partners on mission.

Lessons Learned

Developers can assemble a team of economic and workforce partners to demonstrate workforce qualifications and highlight the partnerships that further workforce development in the area. This was demonstrated successfully in Southeast Tennessee by the Bradley Cleveland Chamber of Commerce's Doug Berry, who assembled a team of economic and workforce partners for a site visit with SK Foods, a leading custom food manufacturer.

The final site visit took place at the PIE Innovation Center, a first-of-its-kind public-private partnership, where businesses co-locate with secondary school career and technical education programs. Each business is committed to offering work-based learning for students as

an effective workforce development model that eliminates time and transportation barriers. The innovative space also offers dual-enrollment courses onsite, as well as training for adult learners.

The agenda included presentations from hosts, Bradley County Schools, Cleveland State Community College, and the Southeast Tennessee Local Workforce Development Board. Each partner provided information on local workforce development strategies and data. After presentations, the meeting concluded with a tour of the PIE Innovation Center to experience the innovative partnerships that brought industry and education together in one facility.

Shortly after, SK Foods announced a \$205 million investment in a new production facility in the Spring Branch Industrial Park in Cleveland, Tennessee, creating 840 new jobs, citing the PIE Innovation Center as an effective solution to meeting workforce needs.

Conclusion

The workforce is the number one cost of doing business, and the biggest asset to a business who depends on labor for productivity. To win economic development projects and retain existing businesses in the community, economic and workforce development must be aligned to demonstrate availability of a skilled workforce.

Highlighting an available, qualified workforce depends on ongoing partnerships and regular communication. Economic and workforce development are not meant to be siloed efforts. Alignment results in more holistic services to the business community, for both prospects and existing industry partners.

The right messaging for business prospects can differentiate a location from the competition. The partners that are at the table need to tell the story well, demonstrating the clear integration between the teams that will work to get them there and keep there by meeting their need for a qualified workforce.

Resources

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