

IJC Session 3 Backgrounder

Economic Sector Selection

August 8th, 2013

Taos, New Mexico

This backgrounder is intended to help council members and future participants prepare for the third Council session scheduled for August 8th in Taos from 10am to 4pm. In this process, we will be focused on selecting the most promising *economic base* sectors for growing the state-wide economy.

This process is designed to create a consensus framework for a state-wide job creation agenda and involves five steps:

1. Agree on the process, scope, nomenclature and outcomes
2. Determine a target number of *economic base* jobs and transactions needed to achieve full employment in the state of New Mexico in the next decade
3. Identify economic sectors with the greatest potential for creating the jobs needed, estimate the number of *economic base* jobs for each, and determine the average number of transactions required
4. Determine the likely geographic distribution of *economic base* jobs by region of the state and major critical gaps in the factors of production that must be cured. (i.e. workforce, capital, etc)
5. Outline the requisite programs, initiatives and policy changes

In the first meeting in June, the Council deliberated on and reached consensus on 10 important decisions that set the scope, nomenclature, and outcomes for the process. These are explained in the Session 1 backgrounder and minutes, posted online at:

http://www.nmlegis.gov/lcs/committee_detail.aspx?CommitteeCode=JOBS.

In this previous meeting on July 19th in Albuquerque, the Council focused on determining how many *economic base* jobs would be required to bring the state to full employment by the end of 2023. The Council's first cut on the ten year number ranged between 150,000 and 170,000. The Council will attempt to refine a consensus target number at the beginning of the August meeting in Taos.

The balance of the meeting will focus on developing a hierarchical list of the most promising *economic base* sectors with estimates of the potential number of *economic base* jobs and the average number of transactions required in each sector. To clarify, transactions are a hiring event that involves the startup, expansion, and recruitment of an employer resulting in the creation of new *economic base* jobs.

Looking forward to September's meeting, the Council will try to reach consensus on relative geographic distribution of these jobs and transactions and begin identifying critical gaps in the factors of production. If this work can get done, October and November's meeting will begin outlining the policies, programs, and initiatives needed to procure these new jobs.

***Economic base* Sector Selection Process Guidelines**

The ultimate objective of this process is to develop a ranked menu of the most promising sectors, their job producing potential and the estimated number of transactions or hiring events needed to produce jobs in that sector over the ten year time frame.

In this session, we are attempting to identify the most promising economic sectors, which are *economic base* to the state, for achieving the 170,000 job number defined in the previous session.

State vs Local *Economic Base* Differentiation

For this process, it is important to differentiate state *economic base* jobs apart from those that may be *economic base* for a region or a community. Many *economic base* job targets set by local and regional economic development groups include economic activity that is *economic base* activity to their region, but not to the state at large. For example, a small employer in Socorro, that designs websites and provides social media services, would be a state *economic base* employer if the majority of their customers based out of state. If the majority of their customers are in Albuquerque, it is not *economic base* employment for the state, but could be considered *economic base* for the community of Socorro since the firm is pulling its revenue from outside the community. It's important in this exercise to adjust *economic base* sector estimates for their ability to grow the *economic base* of the state.

Taxonomy Issues

In this part of the process, we will work through a taxonomy of potential *economic base* sectors asking respondents and the Jobs Council to come up with best guess estimates on the number of jobs they think could be created in that industry state-wide, if certain factors of production gaps could be cured in the near future.

In order to simplify this part of the process and make it easier to develop an efficient and comprehensive architecture covering a wide range of strategies and program, three initiatives must be identified. The taxonomy used to identify promising economic sectors includes:

- 1.) An unorthodox mix of formal industry categories, such as back office and manufacturing
- 2.) Occupation modalities, such as independent work
- 3.) Outlier *economic base* sectors, such as tourism and agriculture
4. New categories, such as health and social services, which are usually not economic base

One of the most difficult transitions to make in an economic development planning process is to move from discussions and descriptions of promising economic base sectors to broad groupings such as technology, manufacturing, and tourism, then, ultimately to program and policy implications. In order to minimize the tedious reparsing, we may resort to an unorthodox mix of formal industry sectors and modalities of work.

Sector Grouping

Please critique the attached economic sector taxonomy and submit any edits, concerns or insights to sal@marklautman.com or call Mark Lautman directly.

Sectors will eventually have to be grouped to make the process manageable. For example, we have separated economic activities funded primarily by the federal government from similar products and services sold into the private sector economy: *government funded research and production of unmanned drones versus aircraft manufacturing in the private sector.*

Estimating the Average Number of Transactions

Another task required at this point in the process is a best guess estimate of the number of economic development transactions, and the number of employers recruited, expanded, or started needed to generate the projected number of jobs. For example, one might expect two transactions to generate 600 jobs in the call center industry, while it could take ten transactions to create just 100 jobs recruiting, expanding and starting up machine shops.

It is important to scale job creation to the number of transactions because program efforts focused on the creation of jobs must be scaled to the number of transactions, not necessarily the number of jobs. For example, when calculating the number of marketing, investment, number of staff, sales and deal structuring personnel, provision and some of the other factors of production, the program will most often scale to the number of transactions, not to the number of jobs.

Dealing with Independent or Solo Work

Independent or Solo Work will be treated as its own sector in this exercise, even though it is not a true economic sector. It is a different modality of work and will be important to differentiate from employer driven *economic base* jobs sources later in the process. The number of transactions required to create 100 independent *economic base* jobs might require 100 transactions since starting, expanding or recruiting them will happen one at a time

***Economic base* sectors that can move the needle in the next 5 years**

We are especially interested in *economic base* sectors that can move the job creation needle statewide in 3-5 years.

Special Cases

We also want to identify *economic base* sectors that may not have enough potential to move the state numbers, but will be crucial to stabilize a particular region or community. For example, agriculture, tourism, and independent work might not move the needle on gross

numbers at the state level, but will be crucial in many impacted rural communities, so they will thrive and prosper.

We are looking for Quantity not Quality

At this point in the process, we are looking for *any* sectors capable of generating a significant number of *economic base* jobs. Also, try not to be too discerning about the quality or desirability of candidate sectors at this point. For example, do not discount lower paying call center or agriculture job sectors. Whether the ten year *economic base* job creation target turns out to be 140,000 or 170,000, finding enough sectors to meet these numbers will be difficult enough. There will be plenty of time to be selective later in the process.

Be Optimistic About Curing Gaps

Try to resist hedging the job creation potential of any particular sector because of resource gaps that may be known to you. If the gaps or barriers to job creation in a particular sector could be reasonably resolved with strategic investment, in time for the jobs to be created this decade, try to include them. We will identify the major barriers in the next step and try to translate the respective remedies into the programs and policies at the end of the process.

Begin Thinking about Regional Distribution

During this process, we ask you to not only project the number of jobs the state can provide, but also the number of jobs that can be provided in your region.

If you are a person with a statewide outlook, such as an oil and gas expert or state government workforce solutions data analyst, please estimate which types of jobs will be created in each region. We will need to begin sorting these economic base jobs and where they will be created.

If you are a local or regional economic development professional, local government or COG official, or your knowledge and expertise is limited to a certain region, program area or industry sector, you may want to make your estimates regional, in which case we will aggregate them. After this statewide economic base job creation projection by economic sector is made, we will begin looking at geographical distribution of the jobs.

WAG

Normally, the selection of target industry sectors for an economic development plan is an expensive and highly technical process that leaves the strategist (and the reader) with a needlessly long and tedious task of developing a triple helix to sort and scale a hierarchy of promising industry sectors to a diverse set of locations that later tries to allocate their execution to one of many potential program approaches or organizations.

What we are asking respondents and council members to do is come up with a ballpark number for each sector and in addition, a regional sector number. We would also ask that you reference any research or data that might help defend your projection, although this is not needed. Ultimately, this process relies on WAG's by local subject matter experts and economic development professionals in place of exhaustive formal research.