

Jobs Council – Session 4 Backgrounder

Geographic Distribution and Capacity Gaps

September 11th, 2013

Roswell, New Mexico

This backgrounder is intended to help council members and future participants prepare for the fourth council session scheduled for September 11th in Roswell from 9:30am to 4pm. Each council session builds on the work of previous sessions.

In the first session, the council deliberated on and reached consensus on 10 critical elements defining purpose, scope, process, nomenclature and outcomes. The process focused on developing a framework for developing a statewide job creation agenda: the number of economic base jobs needed for full employment in 10 years, the economic sectors most likely to yield the jobs, the geographic distribution of those jobs, the major gaps in factors of production and the program and policy implications. The process, focused on economic base jobs (to the state), is comprehensive, including all economic base sectors, clinical vs. statistical, consensus driven, and focused on isolating those economic sectors that can move the needle on job creation in the next 5-7 years.

Session two focused on reaching consensus on the number of economic base jobs the state will need to generate in order to reach full employment and regain economic health by 2023 (10 years). The calculus involves adding the number of economic base jobs needed for new population expected, those needed to close the current unemployment gap and those needed to replace those jobs expected to be lost. The council reached consensus on 160,000 for “The 10 Year Number” economic base jobs. Those are jobs where the money used to pay for the goods and services produced comes from outside the state. This means the state must average 16,000 economic base jobs per year to achieve economic recovery by 2023.

Session three convened 50 plus legislators, economic developers, workforce developers, COG directors, and subject matter experts to deliberate and reach consensus on the primary economic base sectors and the number of jobs that could be potentially created in each.

Session Four

The fourth council session set in Roswell on Sept 11th will convene council members, economic developers, regional stakeholders and subject matter experts from each of the seven Council of Government Districts (COGs) in a day long deliberation on the likely geographic distribution of the 160,000 new economic base jobs needed state-wide.

Participants will also attempt to determine the average number of transactions (employer expansions, recruits, or start ups) that will be needed to reach the jobs estimated in each industry sector.

The session will conclude with deliberation on the major missing factors of production, resource gaps or competitiveness issues in each region that must be addressed in order for these jobs to materialize. Factors of production include a wide ranging list of factors needed for job creation to take place in a particular region: marketing and sales capacity, infrastructure, debt and equity capital, water, qualified workers, tax and regulatory issues, land inventory, and facilities.

Iterating the jobs that each COG district's stakeholders believe can and need to be created (by industry sector) deciding on an average number of transactions for each and major resource gaps is crucial for the work that will be conducted in the two final phases of the process.

Participant Responsibilities/Session Four Process Tasks

1. Participants in the session are asked to come to the meeting with estimates for the economic base job potential in each or any of the 14 sectors outlined in the Economic Base Sector Matrix **in their region**.
2. We ask economic development professionals to also estimate the number of transactions (definitions below) required to achieve the job number in each sector in their region.
3. We are looking for assessments from participants for major gaps in factors of production required for these jobs to get created (Formats for all three assessments can either be found attached or at the end of this document).

Please feel free to invite Subject Matter Experts that you believe can contribute to the deliberations. It is important that everyone who plans to come, RSVP to sal@marklautman.com no later than Wednesday, September 4th and identify the county in which you are located.

Session Four Organization plan

Collaboration with other planning efforts

Four different state-wide economic development planning efforts are underway at the present time; In addition to this Legislative Jobs Council process, the state economic development department is completing their department planning, State Economic Development Commission is working on the five year state-wide plan they are chartered to every five years and the state's Council of Governments or NewMarc have an EDA Grant to conduct a state-wide comprehensive economic development plan. The leadership and planning teams of each are making a concerted effort to collaborate and coordinate.

To that end the IJC proposes to conduct the remaining sessions in collaboration with the respective COG, Economic Development Commission and Department efforts to the extent they are willing and able. Session four. At this writing an offer has also been made to the New Mexico Industrial Development Assn. to coordinate and deliver the economic development professionals from around the state. The same will be done for the workforce development community.

Geographic Districts Methodology

There were several options available to the IJC for dividing or districting the state for this part of the process. Currently there are separate district configurations for the state workforce boards, economic development commission districts and Council of government Districts. While similar, the differences between the various jurisdictions make it difficult to coordinate the data and management details between them. The COGs and their district configuration were the natural choice for this effort because they have the most complete range of management responsibility, data and planning insight for understanding and sorting the gaps in factors of production and competitiveness issues into program and policy issues agenda.

Session 4 Organization

Agenda

1. Welcome and introduction - Speaker Martinez and Senate Pro Tem Papen
2. Previous session review – Conclusions – Mark Lautman & Tim Karpoff
3. Statistical check of clinical results from Session 3 - Suzan Reagan & Charles Lehman
4. Geographic distribution of new economic base jobs by region – COG directors
5. Average number of transactions needed per economic sector – Economic Developers
6. Identify critical missing factors of production – COG directors
7. Preview of Session 5 agenda – Silver City October 9th – Mark Lautman & Tim Karpoff

Statistical Validation of Session 3 Sector Estimates

After a review of the process and recap of previous sessions, the council will hear a short statistical evaluation of the predicament number and the economic sector estimates made in sessions two and three. Subject matter experts will compare the clinical work of the council with statistical data from a range of economic, demographic and occupational sources. The point of this exercise is to check for any areas where the council's estimates might be inconsistent with the available data.

Job Creation Estimates by COG Region

Session four is essentially a repeat of session three where statewide estimates for job creation across the different economic base sectors were made. Attendees in session four will be asked to convene at breakout tables by COG region and work through estimates for the number of new economic base jobs likely to be created in each economic sector. These COG level job creation estimates will be used to further refine the state-wide numbers generated in the previous session.

The room will be segmented into 7 sections (tables), one for each COG district. Each table will convene a mix of Jobs Council members, Legislative Council Services Staff, COG officials, economic and workforce developers, state economic development and workforce development representatives and invited subject matter experts from the respective COG region.

Estimating Transactions

Determining the number of transactions required to create the estimated number of jobs in each sector is another best guess exercise in which participants try to estimate the number of transactions or hiring events where an economic base employer is recruited, started up or expanded. For example, someone might expect two transactions to be needed to generate 600 jobs in the call center sector, while it might take 10 transactions to create just 100 jobs recruiting, expanding and starting up machine shops. It is important to choose an average transaction estimate for most sectors because one will be needed to scale marketing and other critical factor of production requirements later in the process.

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 job 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

Factors of Production and Competitiveness

During this part of the process, each table will be asked to deliberate on each of the major economic sectors for missing critical factors of production. Factor of production in this case are any physical, financial, organizational or regulatory elements that are missing and must be cured in order for those respective jobs to be created. A matrix of sectors and potential factors of production will be used to track these deliberations. Following is a list of factors of productions with examples of potential ways to close resource gaps:

Marketing: For example, the most common factor of production/resource gap includes a lack of adequate marketing and sales apparatus (Budget and boots on the ground). For this factor, one would estimate the percentage gap in budget and personnel required to generate the leads and work the prospective employment projects to fruition. An answer in this category could be expressed as 2-times, 4-times, or 6-times the current budget and staffing level for the Economic Development program, or even 2-,4-, or 6-times the tourism budget.

Infrastructure: The lack of adequate bandwidth, transportation and logistics depots, water, power, etc, could be expressed as a marginal increase of bandwidth that would be required along with a unit measure of capacity or a ballpark budget number. These would be the total budgets of what one might expect from the legislature.

Land and Facilities: Here one might try to estimate the number of acres and buildings that would have to be built new. One would have to be careful here not to presume that all job creation numbers estimated will require new facilities since most jobs in the calculation are required just to meet attrition, which presumes that the physical assets already exist.

Capital: Where major shortages or gaps and availability of debt and equity capital for funding the specific projects themselves (not infrastructure) are inadequate, this could be iterated as a single number prorated to the number of jobs. In this case, if one presumes that 10 transactions of 20,000 square foot facilities are required to meet the potential economic base sectors, one could make a ballpark estimate of the equity and mortgage capital required and the prevailing gap might be 30 to 40% of the investment stack (Most banks don't loan 80 to 90% LTV anymore).

Labor: If labor is known to be a major impediment to job creation, such as the oil field communities, try to estimate the number of people that will have to be educated, trained, or recruited in the next 10 years.

Housing: As is the case in many southeastern oil field communities, the ability to meet the demand for qualified workers depends on the development of adequate housing stock and the right product ranges to rent and buy.

Competitiveness: For any tax and regulatory obstacles or incentive issues, deemed to be crucial for achieving the job numbers, be realistic. For example, don't assume New Mexico becomes a right to work state. Stretch goals, not impossible ones.

Roles

Invitees to session four will include council members, advisory members, legislators, economic and workforce developers, community stakeholders and subject matter experts.

1. COG Directors as program/table leaders – A blanket email is in the process of being distributed to a master list of Council of Government personnel, Economic Development Professionals, and Subject Matter Experts.
2. State Economic Development Commissioners, State Economic Development and Tourism officials – if willing and able, we would like to invite economic development, tourism cabinet secretaries and department personnel to participate.
3. Economic development and workforce development program officers and their board members – we would ask the attending economic development professionals from each region to lead the deliberations on transactions since they would be expected to have the best insight into those estimates.
4. Subject Matter Experts- Each economic sector and factors of production areas will require special professional knowledge and insight. Each COG district should try to have subject matter experts for their most important economic base sectors. Subject matter experts will be encouraged to roam to other COG tables to help with deliberations especially for those districts that do not have subject matter experts for each area.

Other Background Information

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.

Economic Sector 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 statewide, 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 considered economic base

Sector Grouping

If you have any questions, concerns or insights about the taxonomy being used you may contact 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.

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 make a major contribution to the 160,000 state-wide job needs, but will be crucial to stabilize rural communities. 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. Generating 160,000 new economic base jobs in ten years will be difficult enough. This is not the time in the process to be qualitatively selective.

Be Optimistic About Curing Gaps

Estimates should be realistic, but on the upper end. 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 can be reasonably resolved with strategic investment in time for the jobs to be created this decade, 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.

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.

Predicament Matrix From Session 2						
	2013	2023	Calculus Used (2013)	Calculus Used (2023)	Decade Deltas (Δ)	Descriptions
Population Growth	2,091,000	2,300,100		10%	209,100	Change in New Population
Workforce Participation	993,225	1,092,548	48%	48%	99,323	Change in Jobs for Population Growth
Unemployment Rate	89,390	43,702	9%	4%	45,688	Jobs to reach Goal Unemployment Rate
Employment Rate	903,835	1,048,846	91%	96%	145,011	Total Jobs Needed at Goal Employment Rate
E-base Jobs Rate	316,342	367,096	35%	35%	50,754	E-base needed for full employment
E-base Attrition Rate		110,129		30%	110,129	To replace E-base jobs lost
Total E-base Needs					160,883	Total E-base jobs needed
Annual E-base					16088	Average needed per Year
Program Reliant						How many are procured by programs vs automatically?

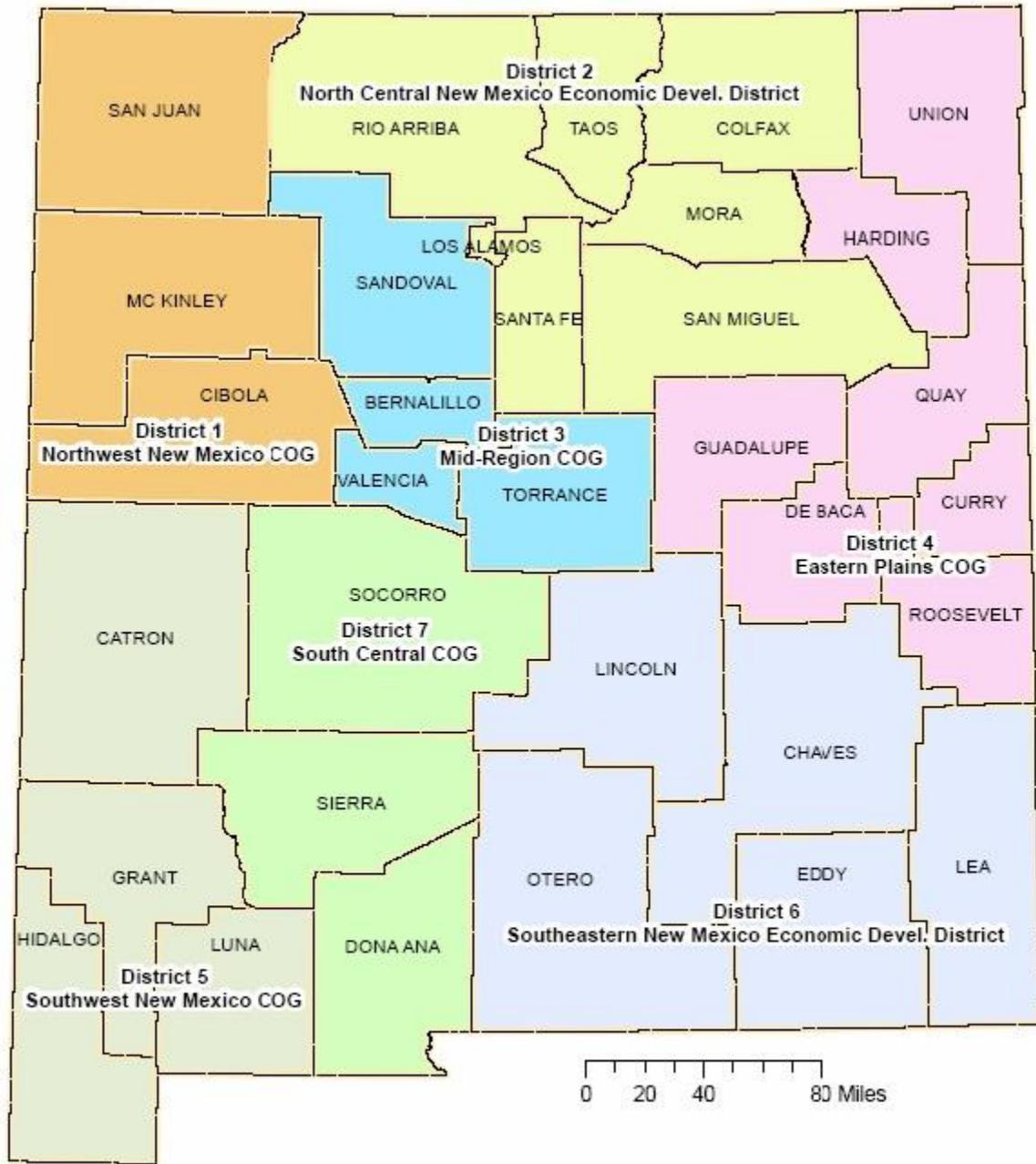
Economic Base Sectors Review

During the third session, the Council deliberated during two separate breakout sessions and posited the following numbers (the final number of jobs is located in the bottom of the Taos 2 column):

Potential Economic Base Sectors for the State				
Legislative Jobs Council Session 3 Taos, NM Aug. 8th 2013 10am				
List of General Industry Sectors:	Sub-Sectors:	Taos 1	Taos 2	Transactions
Back Office Services (Call Centers)	(Call Centers, Sales, Accounting, Procurement, and Payroll Services)	5,000	25,000	70
Exported Services	Financial Services	25,000	15,000	1,500
	Research, Writing, Editing, and Publishing			
	Exported Information Services (Broadcasters, Webmasters, Public Relations, Marketing, Social Media, Tele-Services, Online)			
	Environmental Services			
	Construction Management Services			
Solo - Independent Work	Philanthropic Services			
	(Consultants, Writers, Artists, Digital Animators, Financial Advisors, Accounting, Design Services, Medical Transcription, IT Services, etc.)	12,400	12,000	12,000
Integrated IT & Cyber (Non-Government)	(Commercial Transaction Security, Software Engineering, Server Farms, Data Storage, etc)	16,000	16,000	1600
Digital Media	(Film, TV, Video Gaming & Testing, Modeling & Simulation)	9,600	9,100	160
Visitor Driven	(Cultural, Business – Conferences and Meetings, Space, Destination Entertainment, Ecotourism, Retirement Living, Transportation, Hospitality, Gaming, Exported Art and Craft)	32,747	22,400	228
Emerging Technologies (Non-Government)	(Optics/Photonics, Sensors, Biomedical, Water and Environmental Technologies, Bio-tech, Nano-Tech, Energy, Cyber-security)	1,000	1,000	200
Manufacturing	(Construction materials, Equipment, Aircraft Manufacturing and Repair, Electronics, Micro Electronics, Energy, Optics) Transport, Warehouse, and Logistics (Export)	15,000	15,000	506
Extractives	Energy and Extraction (Energy Production Facilities, Natural Gas, Coal, Wind, Solar, Geothermal, Biomass, Nuclear, Other)	10,000	10,000	250
	Oil and Gas (Production, Transport, and Refinement)			
	Mining Uranium Processing			7
Agriculture, Food, and Forestry	(Farming and Ranching, Vineyards & Productions, Production Greenhousing, FS, Processing and Packaging, Value-added Exported Services, Water, Arid Agriculture, Genetics, Food Security)	3,000	3,000	186
Government	Federal Government (USFS, Defense, Health and Social Services, Energy, Homeland Security, Education, Interior, Transportation, Commerce, Agriculture, HUD, Treasury, Environment, Justice)	8,100	8,100	?
	Aerospace and Defense (Unmanned Aerial Vehicles, Commercial Space Flight, Aircraft Modification, Aviation)			
	Emerging Technologies (Public) (Federal Labs-related, Research and Development)			
	State Government			
	Federal Government Contract Services (Staff Augmentation, System Integrators)			
Health and Social Services	(Federal Windfall, Hospitals, Home Health Care, Assisted Living, Dentistry)	23,000	23,000	15,000
Education Services	Higher Education	2,500	2,500	25
Total		163,347	162,100	31,732
Difference	160,883	2,464	1,217	

Geographic Distribution and Capacity Gaps

During the fourth session in Roswell, the Council will use the *economic base* sector list from the third session and conduct the same exercise, except broken down at the each of state's seven planning districts.



State Planning and Development Districts
in New Mexico