

NMJC THEATER PROFILE: Employer

THEATER OVERVIEW: EMPLOYER

Introduction: This is a profile prepared by an expert advance team on the Employer theater of economic base job creation. The advance team was comprised of industry association representatives, local economic development professionals and other energy and extractives experts. They reached the following conclusions through a consensus process administrated by the Jobs Council contract team.

1.Theater Definition

How is the employer theater defined?

The Employer Theater is focused on procuring economic base jobs by 1.) attracting new private sector economic base employers, 2.) retaining them, 3.) expanding them and converting non-economic base employers to economic base by pivoting their production to out of state markets. Jobs in this theater are predominantly W2 hires doing their work in centralized work in commercial office and industrial facilities.

Note that this theater excludes job creation program strategies for federal government economic base activity, retirement, tourism, agriculture, the energy and extractive industries startups, solo workers.

Transaction Definition

How is an economic base job creation transaction defined for this theater?

A transaction occurs when a new economic base employer executes a contract that results in a location, expansion, or conversion project that creates new full time economic base jobs in New Mexico. NM economic base employers that are induced by state and local agents to retain employees instead of automating or leaving or shutting down could also qualify.

In this theater, economic base employers are private sector corporations, posses a NM Tax ID number with employees and is located in the state enterprises that have multiple full-time employees and derive more than 51% of their operating revenues from sources outside the

state. This includes local companies selling goods and services out of state as well as operations in which salaries are paid by an external source.

Program Approaches

What are the different ways that programs in this theater procure or preserve economic base jobs?

- **Recruiting:** Attracting new employers from out of state
- **Expansion:** Finding and helping existing economic base employers to expand and hire more people
- **Retention:** Preventing existing economic base employers from downsizing, going out of business or leaving
- **Conversion;** Converting non economic base employers into economic base by helping them find out of state markets that put them past the 51% economic base threshold. It should be noted that if such a conversion entails a fundamental reinvention of the core business or introduction of new technology, products, or materials, this activity would fall under the scope of the Start up theater.

Key Metrics

What metrics should be used to measure the production and return on investment of procuring programs in the theater?

See sections on Player matrix and Accountability Act

- Transactions closed; locates, expansions
- Jobs announced-projected
- Jobs Created - Longitudinal accounting per transaction
- Job Quality/Income Level
- Attribution accounting
- Total number of cases in the pipeline over time
- Marketing effort contacts/relationships maintained per lead generated
- Marketing cost per lead
- Conversion rate (i.e., 50 leads to develop one deal)

- Average professional sales caseload

Attributes and Insights

What important attributes, distinctions and insights are important to understanding the nature and capacity of this theater?

- Unlike some other theaters where jobs are created one at a time, job creation transactions in this theater often yield larger quantities of jobs per transaction, making it one of the most effective and timely ways for communities to restore and grow the economic base.
- Unlike other theaters, such as film and visitors, which must overcome extremely high attrition every year, transactions in this theater result in jobs that typically last for many years or even decades.
- Shorter life cycles of employers, the elimination of jobs by automation/AI and the shift from W2 to freelance work means the attrition is likely to continue rising in the decade ahead further reducing the return on investment of program efforts in this theater.
- The life cycle of economic base employers is being shortened by global competition and technological and business model innovation.
- Accelerating advances in automation and artificial intelligence will add to the attrition rate by continuing to erode head count among economic base employers.
- The current shift from W2 employment to solo or freelance work is raising future attrition rates for the Employer Theater while dramatically increasing the new job creation potential for the Solo-work and the Start up Theaters.
- Recruiting is increasingly considered old school and inefficient by critics.
- A slower growing economy means fewer footloose employers in the market driving higher marketing costs, more competition and higher incentive packages and closing costs.
- Despite the rising costs and falling return on investment of Employer Theater program efforts and a growing sentiment that they are Old School, for regions with the assets and competitive position to compete it is still the fastest most productive way to add significant numbers of new economic base jobs.
- Of all the potential program theaters in play in New Mexico the Employer carries the biggest share of new economic base jobs to be created – approx. 30%
- Over the last two decades, financial support for marketing, sales and completion for traditional economic development programs has fallen dramatically.
- New Mexico has fewer professional economic developers in the field than in decades past.

- There is no current system for measuring the performance or return on investment of this Theater's program efforts at the state or local level.
- There is no way currently to compare the effectiveness or the market share of this theater's program efforts to the others.

2. Players/Procuring Agents

What organizations and institutions are formally missioned, funded and staffed to create economic base jobs in this theater?

Insert definition of EDO procuring agent

The largest share of the 139,690 economic base jobs that the state needs will need to be met by state and local program efforts. This implies that properly missioned, funded and professionally run program efforts will be required to manage the research, marketing, site selection, deal structuring, completion services and capacity building. These services are traditionally funded and managed through a combination of state, regional and local public-economic development organizations (EDOs).

- State Economic Development Department
- New Mexico Economic Development Partnership
- Economic development organizations
- Chambers of Commerce
- Mater-planned community developers
- Local government
- SBDCs

Constituents/Factor of Production Allies

Which organizations and institutions play a supporting role and are considered constituents for creating jobs in this theater?

- Elected officials: Governor, mayors, legislators, city councilors
- State and local regulatory and compliance professionals
- Commercial real estate brokers and developers
- Banks, bond counsel, accounting firms
- Architecture, engineering and construction firms
- Universities and community colleges

- Private investors

3. Economic Sectors

Which economic base sectors are the primary focus of this theater?

- Back Office
- Exported Services
- Integrated IT & Cyber
- Manufacturing

In many small and medium sized markets the local EDO will not focus exclusively on Employer theater activity but will end up with responsibility to perform recruiting, retention and expansion work for certain projects or initiatives in the Energy, Extractive and Agriculture sectors.

4. Jobs/Goals

How many new (gross) economic base jobs are estimated to be created in each sector?

The following jobs figures represent the current aggregate of estimates made by each county and region of the state for the period beginning 2014 and ending in 2015.

Back Office:	13,893 Jobs
Exported Services:	9,968 Jobs
Integrated IT & Cyber:	6,120 Jobs
<u>Manufacturing:</u>	<u>19,653 Jobs</u>
Total	49,744 Jobs

5. Program Reliant

How many of the jobs in these sectors are to be directly caused or procured by the organizations specifically missioned, funded and staffed to generate economic base transactions in this theater?

How many are expected to be generated organically?

It is estimated that 85% or 42,282 of all potential economic base jobs to be created in this theater will rely on critical assistance from a program to be procured. The remaining 15% are expected to come about organically, without program assistance.

FACTORS OF PRODUCTION

What factor of production gaps must be cured if the economic base jobs in this theater are to be created?

6. Marketing and Sales

Is the marketing, sales and completion apparatus in place and at scale to generate the necessary interest, manage the pipeline of prospects, and complete transactions?

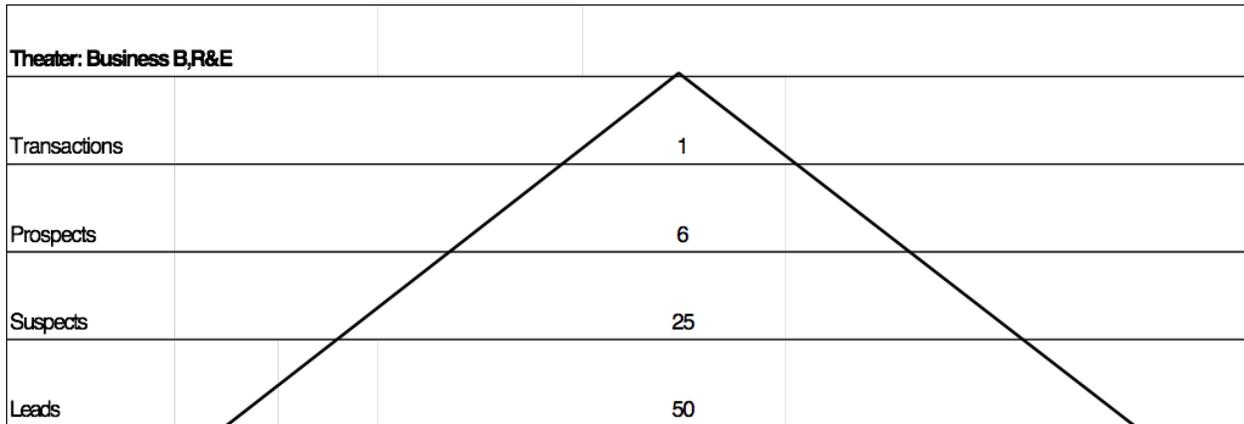
What is the current marketing and sales gap and how will it need to scale over the next decade to meet the ten year transaction goals for this theater?

Both recruiting and local business retention and expansion program efforts are conducted using similar operational frameworks for the sales process and tracking production.

1. Research: Develop market research and value proposition. This includes selection of target markets, analysis of competitive advantage, database development and program planning.
2. Marketing: Generate and qualify sales leads. This is even more important currently, given the dramatically smaller pool of employers considering expansion and the increasing competition from other communities. Lead generation for recruiting usually involves a mix of approaches including; collaboration with state and regional marketing allies, building relationships with national site-selection consultants and regional commercial real estate brokers and developers, direct corporate management relationship campaigns, website content driven social media campaigns, referral networking and working trade shows. For local retention and expansion programs leads are generated by systematically visiting the community's current economic base employers.
3. Sales: After a qualified lead has been generated, a economic development professional begins managing the site selection process. Responsibilities include deal structuring and relationship building between client and community team members. The process has four levels:
 - Deal: The final decision is made to locate. Contracts are executed, site development is completed, the project is in design, financial deal structure is finalized and closed, regulatory approvals are in hand, ground is broken and the project has being announced.
 - Prospect: The company has made one or more site visits. A detailed formal proposal has been made to the employer. Credit analysis is underway and the deal structure and incentives are being negotiated. The community and site or facility is short listed.
 - Suspect: The employer has a site selection process underway for a project with a general profile of what kind of real estate, workforce, tax climate etc. driving the site selection process. A preliminary proposal has been made. The employer has yet to

narrow it list of potential sites or it has but the decision commit is contingent on a contract or other factor. Timing under 2 years

- Lead: The sales team receives an inquiry or lead from one of the marketing program sources. A sales professional interviews and researches the potential employer to qualify that they are a viable company and that they are a viable enterprise, with a project in mind for some time in the future and that they have a minimum level of interest in the community.
4. Completion; At some point during the prospect phase of the sales cycle and after the transaction is signed there are long list of local, state and sometimes federal regulatory functions that must be fulfilled. These include many deal structuring, permits, governing body approvals and functions and compliance involved. In small communities with occasional deal flow the same person may be responsible for the marketing, sales and completion in addition to the curing the major factors of production. In places where more than one transaction per year is expected these duties are divided among specialists.



The sales process can be visualized as a pyramid with a broad base of leads at the bottom, completed deals at the top and the intermediate suspect and prospect steps in between.

Programs that run both recruiting and retention and expansion under one program should track the process on the same tracking framework.

Retention and expansion program developers survey as many economic base companies within the community as possible. Use the data collected to:

- forecast possible growth or contraction,
- analyze the strengths and weaknesses of the community
- receive feedback on workforce development
- aid in new business recruitment efforts by identifying vendor-supplier connections
- provide timely assistance if required



- develop a business plan for future operations and
- compare current data to historical benchmarks.

Gaps:

- Recent corporate tax reforms and a \$50,000,000 LEDA program have dramatically improved the state's ability to win employment projects that get to the goal line. However the state-wide marketing and sales apparatus required to load and manage the sales pipeline has yet to be funded and staffed.
- The state lacks the framework, planning and reporting system needed to manage the systematic escalation of the marketing and sales assets needed to meet the ten year job creation estimates of this theater.
- The state and most of its communities lack the marketing resources and program apparatus needed to fill the sales pipeline with enough potential projects to reach the ten year job goals.
- The state and most of its communities lack the professional staffing to manage the sales caseload needed to close enough transactions to meet the ten year job creation goals.

Solutions:

- A comprehensive accountability system must be developed to track the theater's program operations, job creation performance and return on investment. This system must measure sales pipeline capacity, budget allocation, factor of production gaps, and the funding received for each individual organization. Such a system would be set up to populate the Player Matrix Report (see appendix).
- A plan should be developed for scaling the state's marketing and sales apparatus. The plan should be calibrated to the state and regional job creation estimates of the state's primary EDOs.
- The state should establish a coop marketing program to help plan a ten year state-wide scaling strategy for building the marketing and sales capacity needed to meet the state's goals. This would include developing a marketing plan, branding strategy, and a financial compensation program that rewards local and regional program for generating their own project leads.
- The state should implement the staff augmentation matching fund program that was passed and signed into law in 2014, but never funded. The fund should be scaled to create 30 new economic development sales staff positions over the next three years. Qualifying local programs would provide a local public/private match.

7. Real Estate, Infrastructure and Capital

Does the region have the land, buildings, infrastructure, utility capacity and capital resources to fulfill the transactions envisioned for the theater over the next ten years?

Gaps:

- Most places in the state lack the real estate assets required to fulfill the economic base transactions contemplated for full employment in 10 years. The NM Partnership reports that over 40% of their job creation projects are lost for lack of appropriate existing real estate inventory. Where office and industrial real estate assets are present in the community, those assets are rarely modern enough, in the right location, under local control or priced for an economic development project.
- Many suitable facilities are converted to local government use or non-economic base commercial use before they can be marketed to a replacement economic base employer.
- It's cheaper to build in Texas because subcontractors operate under the general contractor's license and don't need a separate license.

Solutions:

- A time-based property tax abatement could serve to make real estate more affordable.
- Rural communities with local LEDA ordinances are constrained in using their local funding for such needs as broadband, housing and retail. Amend local LEDA to allow more freedom for local economic development to use their own funding on infrastructure.
- The communities that are constrained by lack of industrial real estate assets need to assess the specific gaps for each impacted target industry in their economic growth strategy and design a solution before there is anything to bring to legislation. Legislation should request details from each community on what buildings and land are needed and where and how this will impact their economy.

8. Workforce, Housing and Community Quality

Does the region have the qualified workforce, workforce housing and community quality necessary to grow, attract and retain the workers needed over the next ten years?

Gaps:

- There is a shortage of housing in the Southeast region of the state. Workers are commuting from Texas and from neighboring communities rather than setting up permanent residence. Past patterns show that houses are occupied as fast as they can be built.

Solutions:

- Petition the governor to focus the state's housing and finance authorities on the design of a program solution.
- Amend LEDA to allow rural communities with local LEDA ordinances to use their funding for such needs as broadband, housing and retail if a direct causal connection can be made to the creation of new economic base jobs.
- Set up a licensing agreement allowing Texas contractors to operate in the communities most affected by the lack of housing.

9. Leadership, Organization and Business Climate

Does the region have the leadership, organizational assets, planning and the business climate needed to compete for the theater's targets?

Gaps:

- Counties and communities across the state lack the assessment, planning and reporting metrics needed to cure the major factor of production gaps jeopardizing the creation of jobs in this theater.
- Most also lack actionable, measureable plans for the theaters they are focused on.
- Business and community leaders are unable to devote enough time, energy and priority to long range planning.
- Employment numbers are inaccessible, which inhibits effective accounting.
- The current lack of a metrics and accountability system hurts the credibility of job creation efforts and ultimately limits the ability of the state and local communities to adequately fund program efforts and the factor of production gaps.

Solutions:

- A more comprehensive and rigorous and accountability system for planning and managing local job creation efforts will help motivate local state and local stakeholders and sponsors to do the planning, make the investments and manage implementation at the levels required.
- A recurring, long range state-wide education, assessment and planning process should be implemented and administrated at the county level.

10. Action Taken

- Fund the EDO Staff Augmentation bill at \$4.5M
- Rewrite and fund Co-op Marketing bill at \$2M
- Fund NM Partnership at \$2M
- Fund JTIP at \$10M
- Design and pass Metrics and Accountability at \$150K

Advance Team Members

- Pat Vanderpool, *Tucumcari EDC*
- Melinda Allen, *EDC of Lea County*
- John Mulcahy, *Chaves County EDC*
- Steve Vierck, *NM Economic Development Partnership*
- Debra Inman, *Albuquerque Economic Development*
- Jami Grindatto, *Sandoval Economic Alliance*
- Eileen Yarborough, *Cibola County EDC*