

## **THE CRITICAL LINK BETWEEN WORKFORCE DEVELOPMENT & ECONOMIC DEVELOPMENT**

RCG Economics and Dr. Alan Schlottmann, economist with The University of Nevada-Las Vegas ("UNLV"), recently published a "white paper" that assesses the opportunities for the Nevada System of Higher Education ("NSHE") to increase its participation as a strategic partner in Nevada's workforce development, job training and placement efforts in order to help create occupations that lead to a sustainable Nevada economy.

The issues presented in the white paper are part of an emerging discussion in state economic development policy circles, namely the role of job training dollars to promote and improve "internal" job growth among existing state employers. Concurrently, there is also the question of what restructuring is possible at the local level to promote enhanced employment opportunities for current residents through improved training efficiencies.

This discussion is occurring at an opportune time for the State and higher education given the focus on a sector (business clusters) strategy for training to promote economic diversification.

The important links between higher education and economic diversification have been addressed in several recent reports.<sup>1</sup> Utilizing workforce training as part of these efforts broadens potential State strategies.

A focus on enhancing the skills of the work force at existing companies is a significant shift in traditional economic development policy and thinking. Historically, most economic development has been focused on "external" or "new" growth. That is, how does a state "capture" a company in another state through relocation by financial and other inducements? Developing existing businesses has, of course, always been recognized as a valuable concept in general terms, but the implementation of specific policies to promote this effort has lagged relative to traditional economic development strategies.

Thus, this white paper is focused on the notion of the "development" of existing companies in Nevada rather than economic growth per se (i.e., the relocation and attraction of out-of-state firms to Nevada). This distinction is more than semantics; it implies an attempt to utilize the strengths of the state's business community and workforce as the basis for enhancing Nevada's economic development potential.

An important shift for higher education in the new training paradigm of State workforce initiatives is the ability to use training funds within an expanded concept of on-the-job-training ("OJT"). Until now, state and federal training dollars have primarily focused on entry-level positions and basic job skills. Expanding OJT to include both technical skill enhancement and position upgrading through a "career ladder" allows higher education programs to be designed and funded as training programs directly for targeted business sectors. In general, training was traditionally in short-term training opportunities, such as basic skills required by, for example, the hospitality industry.

Given the expansion of Nevada's hospitality and construction sectors during boom times, these trainees could readily find a position. Now that an expanded concept of OJT is recognized as a "training activity", it allows the conceptualization of new ways to use OJT for more technical and professional positions in support of targeted industry sectors to enhance the State's economic development efforts. However, higher education needs to aggressively coordinate these new efforts with targeted business clusters.

<sup>1</sup> "Nevada's New Workforce for Economic Prosperity: Strategic Planning Framework, 2010-2014.", January 2010 Also see the two separate reports titled "Higher Education and Economic Development: The Necessary Foundation" and "Education and State Economic Growth: The Fundamental Linkage" at Office of the President, UNLV, <http://go.unlv.edu/budget/docs>.

Due to the current economic situation, employers are unable to invest in sophisticated training programs that provide the needed skills in engineering, health care, manufacturing techniques or management. With new avenues for OJT, higher education can now become more of an active partner in designing advanced training. Advanced skill training within an expanded OJT program is a vehicle to incentivize employers, not only to upgrade existing employees, but also to hire those individuals with skill gaps that can be trained in lieu of "experience", knowing that they will receive subsidized wages to provide firm-specific skills with a breadth and depth that has not occurred in the past.

Higher education can assist in designing these programs to assist with these initiatives. Rather than primarily investing in entry-level training opportunities which may not lead to a job, OJT, as a workforce development strategy in conjunction with higher education, can lead to relatively high wage paying jobs.

More importantly, a worker who upgrades his or her skills in engineering, health care, manufacturing techniques or management creates a "job opening" in the position that individual left. This allows another Nevada resident to fill the vacant position. In other words, training existing workers leads to a possible "two for one" employment opportunity for the State.

According to Higher education can assist in providing these opportunities in providing enhanced "training for jobs". However, this will require NSHE to develop new proposals for State and federal funding in a coordinated and more involved effort with the Workforce Investment Board. In addition, NSHE efforts may well involve program offerings that are not necessarily degree granting or traditional credit courses but an expanded role in certification.

Employers, nationwide and regionally, are having difficult times filling certain technical occupations with workers with the required skills. Fields like health care, information technology and advanced manufacturing have available jobs and solid career paths that are often not taken by members of the existing local workforce due to a lack of the necessary skills and qualifications. This highlights a positive aspect of the emerging workforce concepts for Nevada residents.

Even with high unemployment, there has always been a "Catch -22" where many people apply for jobs but without the required skills. This leads to a public policy paradox where State employers recruit new employees from out-of-state; not helping Nevada's unemployment problems. Now a mechanism exists to directly tackle the skill mismatch.

It is clear that access to both higher education and OJT has become even more critical for employees to obtain the required skills and for businesses to remain competitive.<sup>2</sup> Related to the above is the increasing interest by state public workforce agencies during the last decade in the use of cluster-based strategies for workforce development as a way to more efficiently focus their limited resources, especially during challenging economic times<sup>3</sup>.

As presented in the white paper, several cities and states have worked with existing local employers to use training dollars to upgrade local worker skills. These efforts have been of particular note in Utah and North Carolina. The implementation strategies are designed to attain the goal of creating quality job opportunities for existing members of the local labor force. Within the health care sector, some cities and regions have worked to utilize training dollars with existing employees to evolve nursing assistants into practical nurses, and then into enrollment in registered nursing degree programs at higher education institutions. This then allows the capture of the "two for one" employment change noted above.

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<sup>2</sup> U.S. Department of Labor, *Employment and Training Administration's Five-Year Pilot, Demonstration and Evaluation Strategic Plan for 2007-2012*.

<sup>3</sup> Harper-Anderson, E. *Measuring the Connection Between Workforce Development and Economic Development: Examining the Role of Sectors for Local Outcomes*. *Economic Development Quarterly*, 22 (2). May 2008, 119-135.

These efforts are experimenting with new types of training to create strong linkages and interdependencies among industry and manufacturers, technical colleges and research institutions. In a general sense, this can be accomplished in four ways. Each requires an integrated State-industry-higher education partnership:

1. If an effective industry-higher education partnership can be established with well-defined programs for targeted economic clusters, providing increased dollars directly to higher education to design and implement programs in "hands-on" internship-based curricula can include training for traditional students and those "at work" in the industry.
2. Industry sectors using training dollars to support employees with short-term educational courses developed in conjunction with higher education, or to utilize existing curriculum opportunities. Specifically, using "incumbent training waivers" for current employees allows the use of traditional training funds to provide skills for career advancement through career laddering for Nevadans in contrast to traditional training for primarily entry-level positions. This expanded OJT concept then creates new labor openings related to the vacated position.
3. Leveraging workforce investment dollars with additional U.S. Department of Labor ("DOL") grants designed to allow worker training. These include enrollment in degree programs or technical training at higher education institutions to avoid layoffs (for example, "layoff aversion") due to increased job technical skill requirements.
4. Using specialized training to overcome lack of required work experience of new job entrants that provides specialized skills unique to specific work situations.

However, all of these options require a level of stakeholder partnership and coordination that is generally much more integrated than traditional silo functions where stakeholders operated independently. The current economic situation provides an impetus to move in these directions.

The specifics of the strategic plan are then broadly implemented by the Nevada Department of Employment, Training, and Rehabilitation ("DETR"). The two major regional entities are the regional workforce investment boards in Southern Nevada and Northern Nevada. These are, respectively, known as Workforce Connections in Southern Nevada and Nevada Works in Northern Nevada. Nevada received allocated Workforce Investment Act ("WIA") dollars of approximately \$65 million over the last biennium with an ability to apply for additional DOL training dollars.

Moving forward, the expansion of Nevada's existing training programs to the four avenues identified above could include:

1. Implementation of the sector/business cluster strategy identified by the Governor's Workforce Investment Board, where higher education is included as an integrating function given the broader definition of OJT. This would allow information technology, healthcare and manufacturing, which includes selected renewable technologies, to utilize higher education as an upward "ladder" for existing employees with other Nevada residents filling in the prior position.
2. Development of higher education programs to expand in a formal manner plans for certified worker initiatives in manufacturing. These programs would implement in an aggressive manner the "Dream It, Do It" vision for Nevada manufacturing.<sup>4</sup>
3. Utilize the best of existing administrative and organizational programs that offer short elective courses to current employers or basic training seminars to develop both broad and formal training opportunities within

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<sup>4</sup> As noted at the Nevada Commission on Economic Development website ([www.diversifynevada.com](http://www.diversifynevada.com)), this envisions an Endorsed Manufacturing Skills Certification System recognized by both The Manufacturing Institute and the National Association of Manufacturers. As pointed out by Ray Bacon, Executive Director of the Nevada Manufacturers Association, the new Nevada emphasis on innovative training for manufacturing is welcome.

higher education. Examples of existing programs include the work in health care of the College of Southern Nevada and the manufacturing industry connections of NIE (Nevada Industry Excellence) efforts. These programs could potentially be integrated with degree programs at the State's research institutions.

We believe that these opportunities represent a considerable amount of new ground with respect to required planning, implementation and coordination among economic development agencies, industry, and higher education in Nevada. However, these steps have the ability to move the Nevada workforce and its businesses forward into a better future. Accordingly, they warrant the effort. Such an effort is the explicit policy outlined in the Governor's Workforce Investment Board plan in *Nevada's New Workforce for Economic Prosperity: Strategic Plan Framework 2010-2014*.<sup>5</sup>

This new emphasis in Nevada on "internal" strategies reflects the national fact that the majority of job gains are "homegrown" and occur in locally headquartered businesses<sup>6</sup>. Research from the Public Policy Institute of California shows that, nationwide, job relocations at the state level accounted for only 1.9 percent of job gains and 2.0 percent of job losses (based on the 1992-2006 data). Thus, the main sources of job creation and job destruction (contraction of establishments) occur "locally". ■

To download the entire white paper click here:  
<http://www.rcg1.com/publications-presentations/>

White Paper #5 will also be posted soon on the UNLV site at:  
<http://go.unlv.edu/budget/docs>

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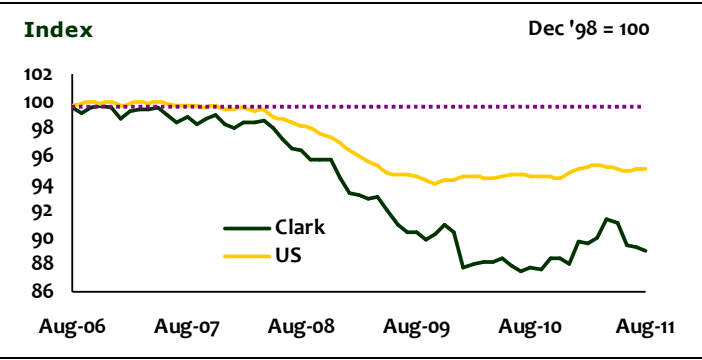
<sup>5</sup> [http://detr.state.nv.us/PDFS/StrategicPlanFramework\\_FINAL\\_052610.pdf](http://detr.state.nv.us/PDFS/StrategicPlanFramework_FINAL_052610.pdf)

<sup>6</sup> Kolko, J. "Business Relocation and Homegrown Jobs, 1992-2006". Public Policy Institute of California. September 2010.

Indicator	Region	Date	Value	Chart
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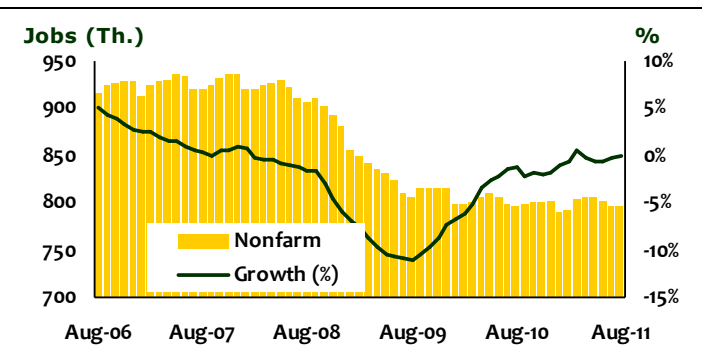
<b>RCG Employment Index</b>	Clark County United States	8/2011 8/2011	89.0 95.0
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**Comment:** RCG's Employment Index is based on the total employment to workforce ratio. We use a base-period of December 1998 = 100. The Index indicates that the Clark County job market may be stabilizing, but it's more of a function of a declining labor force than a ramp up of jobs, which has improved the Index. We continue to believe that firms, nationally and locally, will not begin hiring in large numbers for sometime.



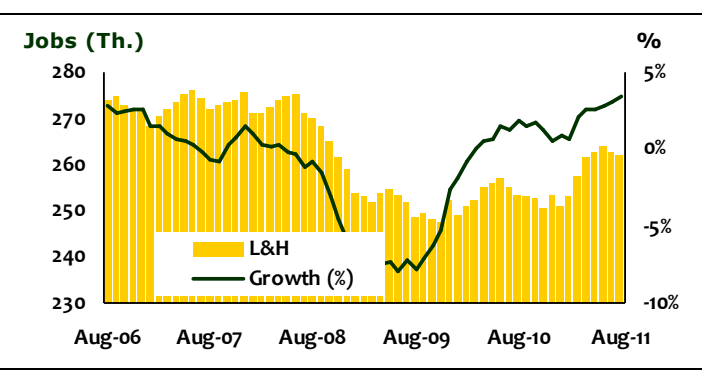
<b>Non-farm Jobs</b>	Clark County	8/2011	797.3K 0.0%
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**Comment:** Total non-farm employment (employer survey based) totaled 797,300 in August, virtually unchanged over the prior year. Private employment saw a slight increase (0.2%) from last year, totaling 709,000 in August.



<b>Leisure/Hospitality Jobs</b>	Clark County	8/2011	262.0K +3.4%
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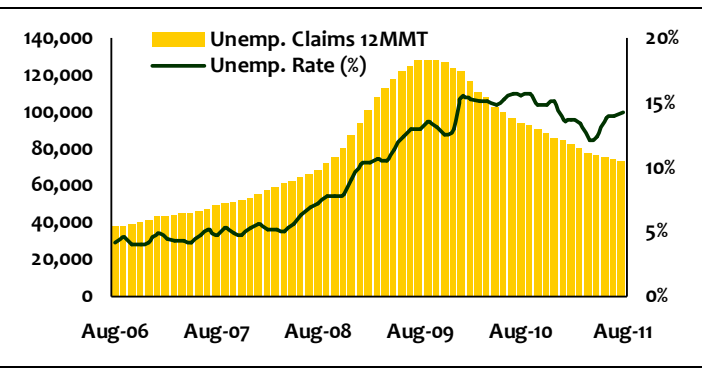
**Comment:** On the upside, Clark County's "export industry"—Leisure & Hospitality—recorded 262,000 jobs in August. This was an increase of 3.4% (8,600 jobs) over August 2010, and marking the 18<sup>th</sup> consecutive month of positive year-over-year growth for this industry.



<b>Unemployment Rate</b>	Clark County	8/2011	14.2%
<b>Unemployment Claims</b>	Clark County	8/2011	73.8K

**Comment:** The unemployment rate rose for the 4<sup>th</sup> straight month to 14.2% in August, but is still 1.5 percentage points below the 15.7% rate recorded last August.

73,805 approved unemployment claim filings (first payments) were recorded during the 12 months ending in August. This is the 14<sup>th</sup> month annual claims were below 100k. The downward trend is indicative the recovery is taking hold in Southern Nevada (*Note: 12MMT = 12 month moving total*).

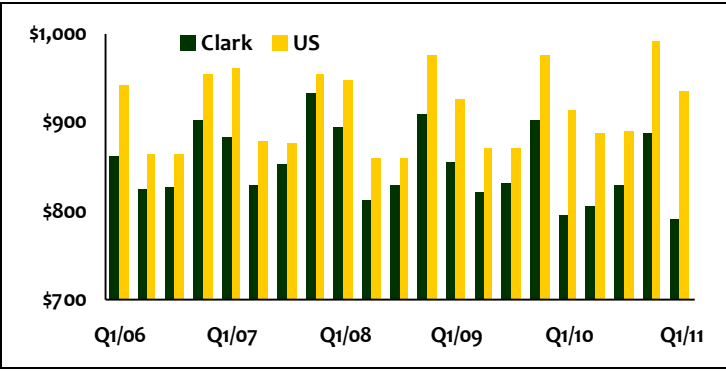


Indicator	Region	Date	Value	Chart
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<b>Average Weekly Wages</b> (in 2011 \$)	Clark County	Q1/11	\$790
	United States	Q1/11	\$935

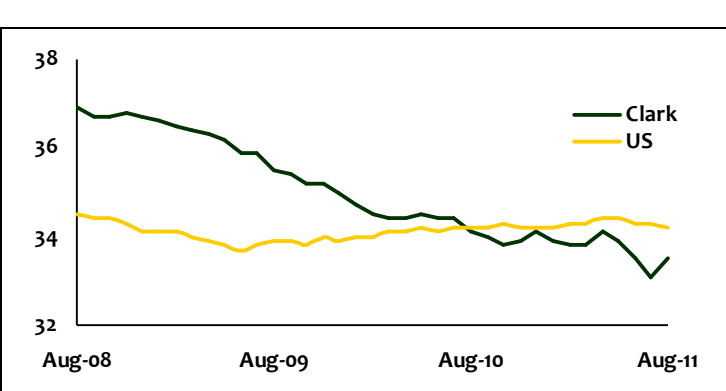
**Comment:** The average weekly wage for the U.S. is improving and will help improve consumer confidence regarding spending, especially on discretionary products and services.

In Southern Nevada, average weekly wages is slightly down from last year's adjusted \$796.



<b>Average Weekly Hours Worked</b>	Clark County	8/2011	33.5 hrs.
	United States	8/2011	34.2 hrs.

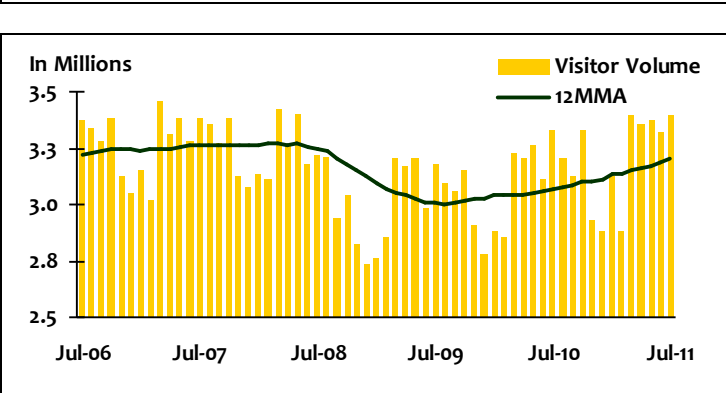
**Comment:** Average weekly hours worked at the national level appears to have stabilized, but continues to fall in Clark County. Firms will not be hiring significantly in the near future— since they are not currently “over working” their employees.



<b>Visitor Volume</b>	Las Vegas Valley	7/2011	3.473M
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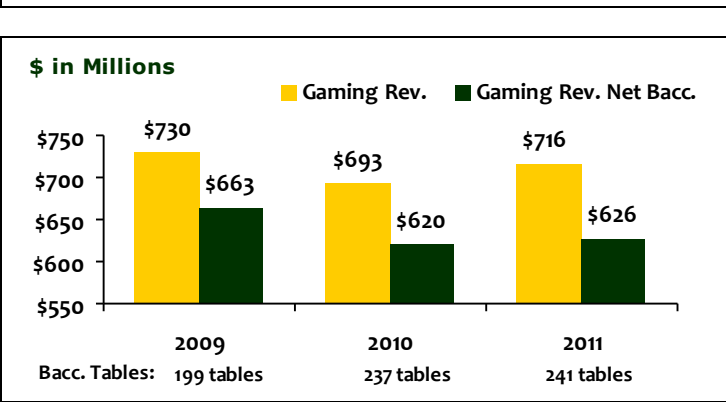
**Comment:** There were 3,472,861 visitors to the Las Vegas Valley in July, a rise of 4.3% relative to July 2010. On a 12MMA basis, 3,201,217 visitors came to Las Vegas, marking the 17<sup>th</sup> consecutive Y-O-Y increase. Visitors are coming, but an important consideration is whether they are spending at the levels needed to spur the region's recovery.

(Note: 12MMA = 12 month moving average).



<b>Gaming Revenue</b>	Clark County	7/2011	\$715.5M
<b>Gam. Rev. Net Baccarat</b>		7/2011	\$626.4M

**Comment:** Gaming revenues rose 3.2% over last year, totaling \$717.5 million for July 2011. This was helped by the month ending on a weekend and capturing higher play activity.

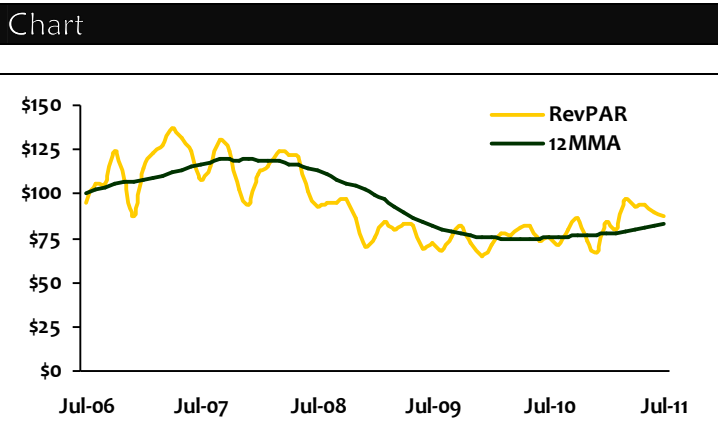


Indicator	Region	Date	Value
<b>Hotel Revenue Per Available Room</b>	Las Vegas Valley	7/2011	\$87.68
		7/2011 (12MMA)	\$83.51

**Comment:** Hotel revenue per available room (RevPAR) in the Las Vegas Valley was \$93.39 in June, continuing a slow, though gradual, upward trend.

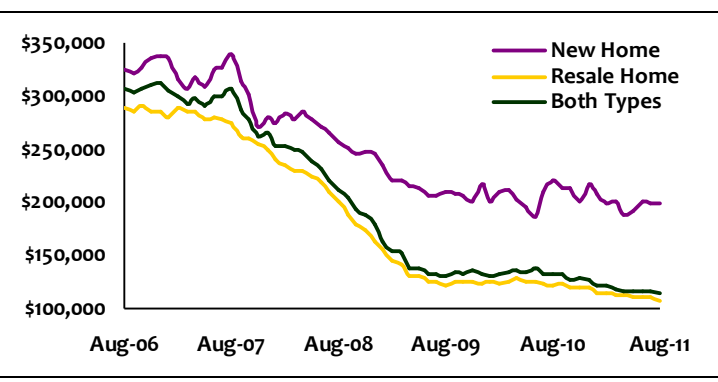
As the national recovery solidifies, increases in occupancy are driving average daily room rates upward, which in turn, will improve RevPAR.

(Note: 12MMA = 12 month moving average).



Indicator	Region	Date	Value
<b>Median Home Price</b>	Clark County	08/2011	New: \$198.6K
		08/2011	Resale: \$107.0K

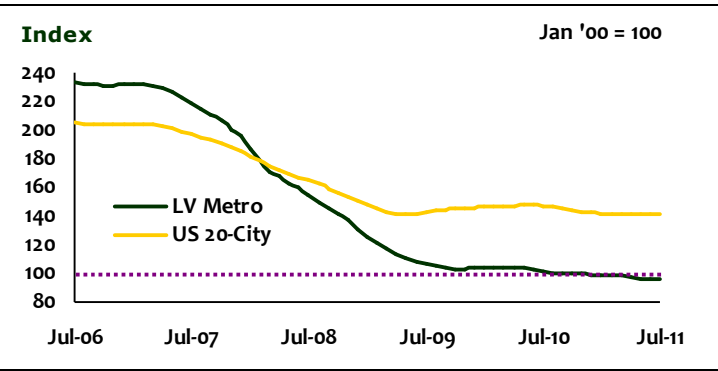
**Comment:** According to Home Builders Research ("HBR") data, when comparing July 2011 to July 2010, the median price for new homes dropped 5.6% Y-O-Y, from \$210,360 to \$198,518. Median resale home price continued to plummet, reaching \$109,900 in July, a -10.9% Y-O-Y drop from \$123,400. The weighted median price of new and resales, combined, was \$116,643 in July, an overall decrease of 11.8% relative to last year.



Indicator	Region	Date	Value
<b>Case-Shiller Housing Price Index</b>	Las Vegas MSA	7/2011	95.59
	United States	7/2011	141.01

**Comment:** The Case-Shiller Index (January 2000 = 100) for the Las Vegas area showed a new index low in June 2011 at 96.3, 0.4 percent less than May's index. Average home prices in the Las Vegas market are now lower than they were 11 years ago.

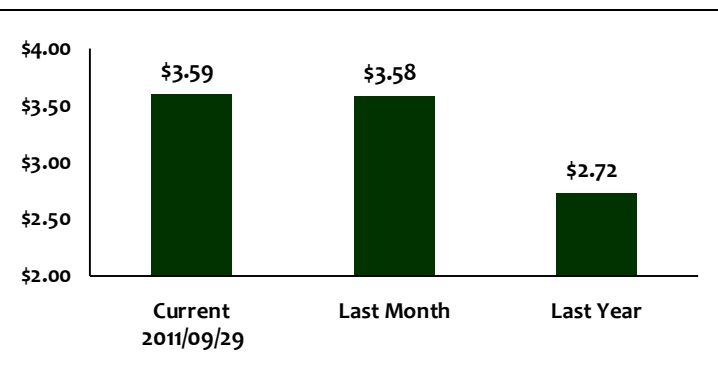
The 20-City Composite showed a monthly increase in prices in April versus March (from 141.05 to 140.93) for the first time in eight months. It rose in May and again in June to 140.76.



Indicator	Region	Date	Value
<b>Average Gas Price</b>	Las Vegas Valley	09/30/2011	\$3.59/gal.
		09/30/2010	\$2.72/gal.

**Comment:** The average price of a gallon of regular gas was \$3.51 at the last week of August, up 25% compared to the \$2.81/ gallon recorded last year.

Relatively high gasoline and commodity prices are another recovery drag that we are concerned about. While not impacting the rate of recovery like some other indicators, like job growth and consumer spending, gas and commodity prices warrant watching.



## SOURCES

- **Nevada Department of Employment, Training & Rehabilitation:** *Nonfarm Jobs, Leisure & Hospitality Jobs, Employment (indexed by RCG), Unemployment Rate, Unemployment Claims, Average Weekly Wages, & Average Weekly Hours Worked.*
- **Las Vegas Convention & Visitors Authority:** *Visitor Volume, Hotel Occupancy, Average Daily Room Rate.*
- **Nevada Gaming Control Board:** *Gaming Revenue.*
- **Home Builder's Research:** *Median New Home Price.*
- **Greater Las Vegas Association of Realtors:** *Median Resale Home Price.*
- **Standard & Poors (S&P):** *Case-Shiller Housing Price Index.*
- **AAA's Daily Fuel Gauge Report:** *Gas Price.*

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## RCG Economics LLC

RCG Economics LLC is the most established & prominent Nevada-based urban economics, public policy & real estate consulting firm in the state. John Restrepo, principal of the firm, has been providing socio-economic, real estate market & public policy research services research in Nevada since 1988. RCG advises a variety of public & private organizations. The firm uses its deep expertise in regional economics & demographic modeling, market analysis & database management to assist its clients. RCG has prepared over 500 demographic & economic forecasts, highest & best use studies, market analyses, public policy & regional economic reports.

The firm's other services lines include financial advisory services, strategic planning & hospitality industry consulting. The firm is sought after by many of Nevada's most prominent companies & public agencies. RCG has offices at 3980 Howard Hughes Parkway, Suite 290 89169. We can be reached at 702-967-3188. RCG's website can be accessed at: [www.rcg1.com](http://www.rcg1.com).

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