

**AWIB**

**Policy and Planning Committee**

**DRAFT**

**Work Plan for the Evaluation**

**of**

**Priority Industries**

**October 12, 2012**

# AWIB Policy and Planning (P&P) Committee

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## *A Draft Work Plan for the Evaluation of Priority Industries 10/12/2012*

### **Purpose:**

The purpose of this Draft Work Plan is to guide the AWIB P&P committee's efforts to review current priority industries and make recommendations to the AWIB ExCo for a rational and quantitative process to use in future industry sector prioritization discussions.

### **Background:**

At the May AWIB meeting, Mike Shiffer provided a presentation on the History of Priority Industries, and Dan Robinson presented on Priority Industries. (See attachments.)

The History document acknowledges that in February 2004, the AWIB board took action on priority industries, which included:

1. Health care
2. Construction
3. Information Technology
4. Transportation.

A second level of priority industries was adopted based on high non-resident hire rates, including:

5. Seafood,
6. Hospitality
7. Education,
8. Resource Development (includes oil, gas, and mining)

These eight industry sectors are statewide priorities selected due to either: 1) the sheer quantity of jobs produced; or 2) high non-resident hire rates. Discussions by Board members at the May AWIB and ExCo meetings suggested that there is interest in developing criteria to assist the AWIB to evaluate "employment quality" generated via regional public and private economic development investments or critical social service sectors. This approach is consistent with the Principles of a Re-Authorized WIA Act, as described in the attached National Association of Workforce Investment Boards (NAWB) Legislative Brief. Other discussions of recommendations for the WIA reauthorization include the National Skills Coalition recommendations and draft legislation found at <http://www.nationalskillscoalition.org/federal-policies/workforce-investment-act/>.

## **Considering Employment Quality:**

Recent economic cluster analysis in Alaska has considered “employment quality” factors which could be developed into criteria for use in analyzing and prioritizing strategic economic and workforce development investments.

Development and use of investment criteria, such as those outlined in the rubric-based process below, would increase sensitivity to local and regional workforce demand, and help assure that workforce investment target employment opportunities in high growth, high wage sectors which will generate legacy careers for Alaskans. Legacy careers are generated by the operation and maintenance of the plant and equipment supporting economic and human service enterprises.

## **Additional Considerations: Human Service Sectors**

Human Service Sectors (such as education and health care) are more rooted in physical geography than other sectors, and are not driven purely by market or economic development considerations. Policy decisions must be made to address growing workforce demand in human service sectors that are critical to maintaining a stable and productive society. Use of this approach in identifying priority industries may require additional or alternate evaluation factors for the human services sector. The P&P committee will ensure subject matter experts from this sector have reviewed and provided input into the rubric.

## **Additional Considerations: Non-Resident Hire**

The issue of non-resident hire rates can also be addressed by qualitative criteria. Rather than focus purely on numbers of non-resident hires, qualitative analysis of employment opportunities may show that allowing short term growth in non-resident hire for certain short term activities may be acceptable if Alaska hire rates can be increased in careers that are stable, year round, and add value to core sectors. A successful outcome would be more Alaskans employed in the long term operation, maintenance, and support of regional economic enterprises, resulting in high wage careers as opposed to short term jobs.

## **Work Plan**

At this point, Policy and Planning Committee (P&P) has little information regarding criteria used to select the eight existing priority industries. P&P is recommending that work continue on this work plan to develop qualitative criteria for use in establishing AWIB priorities.

In the History of Priority Industries, staff has noted two future requirements for Industry Priorities:

1. The Alaska Workforce Investment Board, functioning on behalf of the local workforce investment board, must develop appropriate local area workforce development plans, and define and periodically update the definition of demand occupations.

2. The state's workforce investment plan is due to the Employment and Training Administration on **September 15<sup>th</sup>, 2012**. Within the planning guidance are instructions regarding state **adoption of local workforce plans and defining demand occupations**. P&P will evaluate the planning guidance in the context of qualitative criteria discussed below, and in anticipation of recommendations for reauthorization of WIA.

P&P also notes that the WREP Committee is working on the issue of Regional Advisory Councils (RACs) and will coordinate AWIB prioritization work with the WREP committee to address local area workforce development plans.

P&P acknowledges that the basis for workforce investment decisions and policy must focus on meeting the needs of business' diverse labor requirements (see NAWB Legislative Brief as attached). In evaluating strategies and criteria to address this principle, P&P will work with Division of Research and Analysis (R&A) to review how criteria described in this work plan will influence prioritization of industry sectors, industries, and occupations in keeping with the statement; "Generally, companies are categorized in industries and individual workers are categorized in occupations." Complex, multi-faceted industry sectors that draw on a broad range of physical and human inputs organize the workforce around the functional processes required to perform work. Building maintenance is an example of this approach.

# Alaska Industry & Investment Prioritization Rubric

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## Why Use a Rubric?

A rubric model allows for assignment of quantitative scores as descriptive factors to the qualitative properties of industries, helping to facilitate more objective analysis, comparison, and prioritization of industries with divergent and complex qualities. Quantitative factors (ex: wages, gross receipts, # of employees) can also be "scored" within the rubric, allowing for comparison and inclusion vis-à-vis qualitative factors.

## How to Use a Rubric:

Industries sectors are examined independently and "scored" based upon their similarity to descriptive narratives contained within 11 rubric categories.

Each category contains a spectrum of possible results, ranging from a “high case” to “low case” scenario.

A committee of reviewers can work collectively to “score” and prioritize industries, either by collaborating to complete a single score sheet for each industry, or completing independent score sheets, and tallying and averaging results.

## Establishing a Rubric:

- Determine scoring categories
- Determine spectrum of possible results within each scoring category
  - Determine narrative descriptions
  - Set score for corresponding results

## Sample Scoring Categories:

### 1. Demand

**High Case:** “Demand Driven” – Productivity and profitability are driven by strong, existing market demand for the resource, product or service in question. The industry may be challenged to respond to existing demand, or anticipates significant growth in demand.

**Low Case:** “Supply Driven” – Industry is driven by an abundant supply of a resource, product or service for which there is little existing demand. The industry may be challenged to create a market for this product or service, or otherwise induce demand.

### 2. Trade

**High Case:** “Traded” – Industry produces goods and services which are exported to markets outside of their physical geographies, resulting in inflows of new, outside money to regional economies. External market demand adds and sustains jobs within regions which export goods/services.

**Low Case:** “Local” – Industry produce goods and services exclusively for markets located within their own physical geographies. The result does not “grow” the regional economy; rather, it recycles money which is already present, and relies upon other industries to maintain a positive trade balance.

### 3. Maturity

**High Case:** “Emerging” – Industry displays substantial room for growth in wages, employment, and demand for products/services.

**Low Case:** “Mature” – Industry has already realized maximum demand, growth, wage, and employment potential.

### 4. Cross-Cutting

**High Case:** “Cross-Cutting” – Industry has substantial synergistic and/or overlapping relationships with other industry types, and/or is required to support the success of other industries.

**Low Case:** “Insular” – Industry has little/no relationship to other industries. The success or failure of an “insular” industry has no impacts upon other industries.

Some industry sectors have synergistic and/or overlapping relationships with other industry types, are traded by other industries, or may even be required to support the success of other industry types. Investment in these “cross-cutting” industry types have more enduring, wide-spread impacts upon the economics of a region than investment in “stranded” or self-contained industries, which do not support, trade with, or add value to other industries. Growth of “cross-cutting” industries can help improve a region’s overall economic ecosystem, resulting in attraction of new investment, new business start-ups, and emergence of new industry types. By contrast, “insular” industries contribute less to enhancing the region’s overall economic ecosystem.

### 5. Direct / Induced

**High Case:** “Direct” industries produce traded goods or services in response to strong free market demand. For example, manufacturing of wind turbines.

**Mid Case:** “Indirect” industries provide goods and services supporting production in direct industries. For example, sale of steel to turbine manufactures.

**Low Case:** “Induced” activities respond to incidental needs created by the presence of direct and indirect production. For example, demand for food and housing by wind turbine producers.

## 6. Value-Added

**High Case:** “Value-Adding (Major)” – Industry activity leverages human knowledge, skills, and experience; technology; and/or other resources to perform activities which significantly increase the difference between sales price and production cost of a product or service, and/or significantly increase the value of a product by altering its form.

**Low Case:** “Non Value-Adding” – Industry activity contains few/no activities which increase the difference between the sales price and production cost (including wages) of a product or service.

An example of a major value-adding business would be an automotive manufacturing company which uses robotics and human workers to assemble vehicles from a variety of parts and raw materials.

An example of a non-value-adding business would be a retail sales company which acquires goods from manufacturers and resells them in unchanged condition to consumers.

## 7. Innovation

**High Case:** “Produces Innovation” – Industry activity produces a new product, service, technology, or process which can be used by other industries to outperform competitors.

**Mid Case:** “Leverages existing innovation / tech extensively” – Industry activity utilizes new, innovative products, services, STEM skills, technology, or processes to outperform competitors.

**Low Case:** “Obsolete” – Industry activity relies upon out-of-date technology, products, or processes, and may suffer from declining sales or demand.

As an example, a tech business which designs and manufactures new, more efficient superconductors for use in electronic devices “produces innovation.” An electronics company which uses this new, latest superconductor in their products “leverages existing innovation / tech extensively.” A company which has been producing notepads and pencils for the last 100 years could be seen as “obsolete.”

## 8. Dependency

**High Case:** “Depended Upon” – Other industry sectors are reliant upon the success and vitality of the industry being considered.



**Mid Case:** “Independent” – Demand for the industry’s good or service is not reliant upon the success or failure of any other industry.

**Low Case:** “Dependent” – Success of the industry is dependent upon the success or failure of another industry.

## 9. Benchmarks

**High Case:** “Comparable or Better than Nominal GDP of Benchmark Nations” – Industry wages result in per capita wealth equal to or higher than that of other, wealthier successful nations selected as “benchmarks” (ex: Norway, Switzerland, Denmark, etc.)

**Mid Case:** “Better than State Median Household Income” -- Industry wages are higher than the State’s median household income levels (the average household income being used to support an average-sized family).

**Low Case:** “Equal to or lower than per capita income” – Wages tend to be lower than the local per capita income level (total income divided by total residents).

## 10. Competitiveness

**High Case:** “Competes nationally and internationally” – Industry is capable of outperforming competitors across the US, and world, providing the best product or service at the best possible price.

**Mid Case:** “Competes nationally” – Industry competes favorably with competitors across the US.

**Low Case:** “Competes Locally” – Industry provides a product or service which competes for local dollars with products/services which are currently imported to the community.

## 11. Subsidization

**High Case:** “Productivity and success independent of government involvement / intervention”

**Low Case:** “Significant government intervention, involvement, or subsidization required.” (Includes industries which are grant-driven or grant-reliant.)





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## LEGISLATIVE BRIEF

# Principles of a Re-Authorized Act

The National Association of Workforce Boards (NAWB) believes that Congress should develop guiding principles for the re-authorization of federal engagement in workforce development, similar to its actions with respect to the Workforce Investment Act of 1998.

## NAWB believes that the workforce development system should be:

- Governed by effective business-led workforce investment boards (WIBs) that make data-driven decisions.
- Focused on the market needs of its business & job seeker customers.
- Administered and managed in close proximity to its customers with local operations.
- Marked by private sector continuous improvement processes that achieve innovation and growth.
- Funded sufficiently to address the most pressing labor market issues with broad-based solutions.
- Measured via outcomes that are relevant to both customers and investors/taxpayers.

## What defines these principles?

### Customer Focus:

- System design serves customers in an efficient manner with relevant services and convenient service delivery processes.
- WIBs are responsible for determining how services are delivered and what organizations and/or partners deliver them.
- The U.S. Department of Labor can waive mandates for a physical One-Stop, if there is insufficient funding and if local WIB strategic plans allow for sufficient access to services.

### Administration:

- Programs are structured in a manner that maximizes resources for customers.
- WIBs design programs and govern the investment of funds to maximize responses to local labor markets.
- The basis for decisions and policy focus on meeting the needs of business' diverse labor supply.

### Accountability:

- Outcomes reflect that investment strategies meet customer needs.
- Outcomes must measure the WIBs impact in meeting the regional labor market needs.
- Consumer information reports detail the relationship of WIB strategies and labor market successes.
- Given current fiscal constraints, a "current services" federal funding level for WIA is maintained.
- All partner programs are required to contribute to a separate shared One-Stop infrastructure fund to support local operations.

*NAWB represents business-led Workforce Investment Boards (WIBs) that coordinate and leverage workforce strategies with education and economic development stakeholders within their local communities, to ensure that state and local workforce development and job training programs meet the needs of employers. These investments in workforce development create a comprehensive system to provide America with a highly skilled workforce that competes in the global economy. For more information, go to [www.NAWB.org](http://www.NAWB.org), and for workforce investment system customer successes and innovations, go to [www.WorkforceInvestmentWorks.com](http://www.WorkforceInvestmentWorks.com)*