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Indiana Economic Development Association

Workforce preparedness has emerged as one of the major drivers of economic development. Each fall a group of site selectors converge on Indianapolis to share their impressions of Indiana and its competitiveness as a potential location for expanding and relocating businesses. In recent years, they have offered praise for Indiana's favorable business climate, its low tax burden, and positive regulatory environment. But, the site selectors have repeatedly warned that Indiana lags far behind other states in workforce training and preparedness and that factor often eliminates the Hoosier state from consideration for new business investment.

The Indiana Economic Development Corporation (IEDC) has one tool in its toolbox to support Indiana's workforce: the Skills Enhancement Fund (SEF). SEF covers 50% of the cost of workplace education paid for by employers that directly benefits employees. SEF is not a corporate handout: workers gain and retain job skills whether staying with the same employer or eventually switching jobs. SEF does assist businesses by cutting labor costs, but it does so by offsetting and incentivizing training provided directly to the worker being trained – not corporate executives.

What would a bigger SEF budget allow companies to do? Invest more in training existing Hoosier workers, be more aggressive in bridging the skills gap for high-wage new hires, and to ultimately grow job opportunities in Indiana communities. And, much of the training that SEF supports and encourages is transferable, allowing Hoosier workers to remain highly competitive in an increasingly globalized labor market.

Paradoxically, while the demand for an increasingly skilled workforce is skyrocketing, SEF funding remains stagnant. In a state with low unemployment but wage levels below the national average, incentives like SEF promote better skills that lead to better wages. Our workforce needs are rapidly changing while our support for training is not.

In recent weeks, Indiana leaders from House Speaker Brian Bosma to Indiana Chamber President Kevin Brinegar have expressed the need to streamline and improve the state's workforce support mechanisms and ensure that workforce tools are aimed directly at supporting private sector employee training. Few tools in the state are as elegant or industry-growing as SEF.

While 'high tech' jobs get a lot of attention in the media as the growth sector of tomorrow, Indiana is still the most manufacturing-intensive state in the US. And while we think of 'high tech' as being concentrated exclusively in the software and computer sectors, manufacturing has experienced its own technology revolution. And this revolution has a significant impact on the manufacturing workforce.

According to site selection firm KSM Location Advisors' CEO Tim Cook, "What employers want from their workforce nowadays is changing before our very eyes. And this applies across all industries." In fact, Cook has noted a shift for some projects from "traditional" capital-intensive operations toward a more skilled labor-focus. What this means for many Hoosier businesses is that the ratio of their training budgets relative to their capital budgets is increasing, and increasing fast. These businesses are aggressively investing in people.

This trend is not going to slow down – good news for proponents of jobs paying higher wages. SEF is needed now more than ever to nurture this momentum.

At its current funding level, the IEDC has $12.5 million each year to help businesses offset training costs for existing and new employees. Although $12.5 million sounds like a big number on paper, it goes fast when used to cover an entire state encompassing nearly 2.7 million (and growing) private sector jobs.

Right now Indiana is spending less than one-half of one-tenth of 1% of its annual budget on SEF. Thanks to prudent governance, the state's budget surplus is now in excess of $2.2 billion. To put that in further perspective, Indiana could take 0.5% of any *interest* it theoretically earned on this surplus and have a fully funded *doubling* of the SEF budget in the first year.

The Regional Cities Initiative is a good example of the government investing in the basics of economic development. Regional Cities' purpose is to "create a quality of place that attracts and retains future generations of Hoosiers." SEF builds on the premise of the Regional Cities Initiative - that our population and labor force should and will grow. To support this growth, workforce funding is not a luxury but a necessity.

Increasing SEF funding is not a 'cost', but an investment in Hoosier workers that will yield new economic opportunities for those workers, the communities they live in and for the state of Indiana: hopefully this is an investment the Indiana General Assembly and incoming Governor Holcomb are ready to make.

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The Indiana Economic Development Association defines economic development as the facilitation of investment that leads to long-term community prosperity.