

Phoenix Organization Teams with IBM to Expand Future Labor Force

BRIDGING THE SKILLS GAP THROUGH GOVERNMENT INCENTIVES
AND HOW REAL ESTATE PROFESSIONALS CAN BENEFIT

BY RODRIC J. BRADFORD • EIAG & IBM GOOD FOR ARIZONA

As we enter a new year, Arizona's labor force and economy faces its steepest competition not only from international rivals who have been the recipients of the outsourcing trend of the last decade, but also from domestic large and mid-sized metropolitan areas that are using economic incentives and training grant programs for their benefit to lure businesses and encourage expansion.

One group serving as a valuable resource for Arizona in this competition is the Economic Incentives Advisory Group (EIAG), a consulting organization that helps its clients with qualifying for government sponsored business incentives, training grants, site selection and economic incentive research services. EIAG works with mid-size businesses, Fortune 500 companies and companies with as few as 30 employees. To make Arizona's labor force more competitive, they have aligned with IBM to help facilitate and implement IBM's Academic Initiatives partnership at community colleges across the Valley. They have also assisted IBM throughout the years with identifying government incentives related to job creation and skills advancement. "The community college system is a great partner for many reasons," says Terry Hansen, IBM manager of public partnerships. "They are very entrepreneurial, quite flexible with lower costs, and they are generally very connected with their state. We have to start using our untapped resources to close the skill gap in the United States."

Hansen is adamant in leading IBM's effort in helping close this gap, as their Academic Initiative proudly partners with approximately 6000 academic institutions worldwide, with 30,000 enlisted instructors to better educate hundreds of thousands of students to compete in today's modern global workforce. "Arizona does not face a 'job shortage' but a 'deficiency in the right type of skill set shortage,'" says Bryant Colman, managing principal at EIAG. "We have lost the U.S. advantage, especially in science, technology, engineering and

"There is a direct correlation between an educated work-force and low vacancy rates. Companies are going to relocate or expand where there are the knowledgeable workers. Look at NYC, Washington D.C., San Francisco and Boston. These cities have some of the lowest vacancy rates in the country for large metros."

mathematics. These IBM educational initiatives do a phenomenal job educating our workers, which in turn makes Arizona a more attractive state for businesses."

The Academic Initiative covers a variety of areas and programs, including: business intelligence, business analytics, business process management, certifications, cloud computing, databases, enterprise hardware and predictive analysis. The resources IBM provides have no-charge to access their technology and tools—which include hundreds of software programs, course materials and curriculums.

The core of the training is spread out over 400-500 courses, and students can be confident they are learning the exact information that is available to IBM's nearly 430,000 employees worldwide. Special websites for students, that accompany select courses, are also set up by IBM. The critical need for these needed skills was on display when Dell Computers received 10,000 applications for 100 jobs at their distribution center but could only find a handful of qualified applicants for their software engineer positions.

"U.S. students are not accepting the challenge and majoring in math, science and technology fields like other countries



*Bryant Colman, Managing
Principal at EIAG*

*Terry Hansen, IBM
Manager of Public
Partnerships*

where H1-B employees are being recruited to fill positions that are in demand in this country,” says Colman. “And today we are seeing the results during this international labor competition. Our skills are lacking. Corporate America simply cannot meet their demand in finding technology workers.”

1) In with Incentives

Both EIAG and IBM have been vocal in expressing ideas to the state and key officials in how to create incentive programs that will help existing businesses thrive and make Arizona a more attractive place for expansion. “Incentives expedite the startup process, minimize risk and reduce start-up and ongoing costs to help the bottom line,” says Hansen. “Most companies and people think the incentive process is too bureaucratic and too intrusive. If they are structured the right way companies can take full advantage of these programs.”

Both Hansen and Colman look at the real estate industry as a region’s secret weapon when communicating incentives

to potential employers. “Developers and commercial real estate professionals need to be more knowledgeable about what economic incentives their region offers,” says Colman. “If a developer has a facility in an enterprise zone or a real estate professional is representing a tenant that is creating jobs, discuss the savings cost of incentives during property tours or while in lease negotiations.” With some of Arizona’s newer incentive programs, we have assisted several mid-size companies capture high six-figure incentives.

Hansen echoes Colman’s opinion.

“That knowledge is so valuable and can clearly separate a broker from their competition,” he says. “It is a tangible value add that many brokers could bring to the table, but most do not.”

Colman believes it is up to major real estate industry participants in Phoenix to become aware of what is available to them and their tenants. To site a few examples, there are several developers and building owners that are implementing “green initiatives”. Additionally, many of the tenants in these developments qualify for millions of dollars of incentives.

How EIAG helps clients secure government funds:

Research Services: Almost every for profit company is eligible to receive government incentives. The question is how much are you eligible to receive and what needs to take place to benefit. EIAG has a dedicated research team that analyzes over 500 different incentives that are available to businesses.

Federal & State Tax: EIAG identifies and assists clients with claiming federal and state tax credits. Most of the incentives will be available to your business based on business location, employee headcount, investments in training employees, industry type and other factors. The financial benefits can range from \$10,000.00 to seven figures depending on company size and industry.

Negotiated Incentives: Each year states and municipalities offer millions in incentives to attract companies to their state. EIAG helps companies negotiate with the different locations, puts contracts in place to commit the different government agencies and manages the overall process.

Compliance: While companies can successfully negotiate incentives packages, the challenge becomes administering the program. EIAG works with companies to ensure that the company and the state and/or municipality are in compliance with the covenants of the incentives package.

Training Incentives: A number of states and some federal programs offer job-training grants. Some states also offer tax credits to reward businesses that invest in training their workforce. Lately we have seen the benefits range from \$50,000.00 to \$1.5 million depending on state and industry.

Job Creation Incentives: If your company is creating jobs, there is certain to be government incentives. We will help your company secure these government funds and tax credits.

CPA and Attorney Advisement: When needed, EIAG will work with your CPA/Accounting firm and/or legal group to assure that all projects are completed accurately and timely.

By the Numbers:

\$700 Million - amount in government incentives EIAG has secured for its clients.

\$10 Billion - on average, the amount of unclaimed incentives per year.

14% - the percentage of companies that claim incentives successfully.

“The more aggressive and more knowledgeable the Phoenix real estate industry can be to understand incentives, the more valuable their projects will become,” says Colman. “Developers who know about incentives and who are well-versed on the subject definitely have an advantage over one that does not, all other things being equal.”

2) Training as a Tool

Employee training programs are another economic incentive that many businesses are missing out on. “Currently 47 states have reimbursement funds available for training employees,” says Hansen. “Numerous studies show that training incentives usually give three to four times their value back to the state.” Colman states that even Dell Computers was eligible for a total of \$270 million incentive package from an expansion in the southeastern U.S. but Dell did not have the resources to apply and properly manage the incentive package that had already been awarded. “Some of these companies are leaving as much as \$30 million in unclaimed incentives per project,” says Colman.

Both Hansen and Colman agree that training incentives are crucial and many states have created decent programs, however, there is a lot of room for growth and improvement. There is one potential employee sector ripe for training, and ripe for being a key component for the domestic labor work force’s economic bounce back—military veterans returning from Afghanistan and Iraq.

“We need affordable educational and training opportunities for our veterans,” says Hansen. “We need to utilize our veterans’ incentives because they are already equipped to work and are very technically sound because of their experience in the service.”

3) Driving Business to Arizona

Hansen is very complimentary of the state of Arizona and Governor Jan Brewer and her desire to bring more business to the state. “Arizona’s incumbent worker training program is certainly among the top programs in the U.S.,” he says. “A company’s goal is to recoup the expense lost from salary, loss of productivity and training expenses. Arizona is an example of a state’s employers paying into a training fund from which they can benefit.”

Site selection is another significant priority of the EIAG and IBM partnership. Labor force skills and labor costs are the top priority with relocation and new site selection, but taxes and incentives also play a vital role. IBM’s growth is done organically, through mergers and acquisitions and outsourcing partnerships. Their recent U.S. expansions include centers in Iowa and Missouri. Arizona may also see some further expansion. Although Arizona’s overall incentives are in the middle of the pack, Arizona’s incumbent worker training program, relatively low cost of living and even the warm climate makes it an attractive destination for business.

“There are too many jobs we cannot fill in the U.S.,” says Colman. “It will take consultants like EIAG, cooperation from state officials, educational institutions and businesses like IBM to work together to successfully address the problem.” Hansen understands the role and responsibility IBM has regionally in Arizona and across the world.

“We can help businesses here on everything from training and incentives, to site selection to relocation from Peoria to Prague,” he says. “IBM and EIAG have both developed relationships with other firms, but we still have a lot of opportunities to pursue.” ●