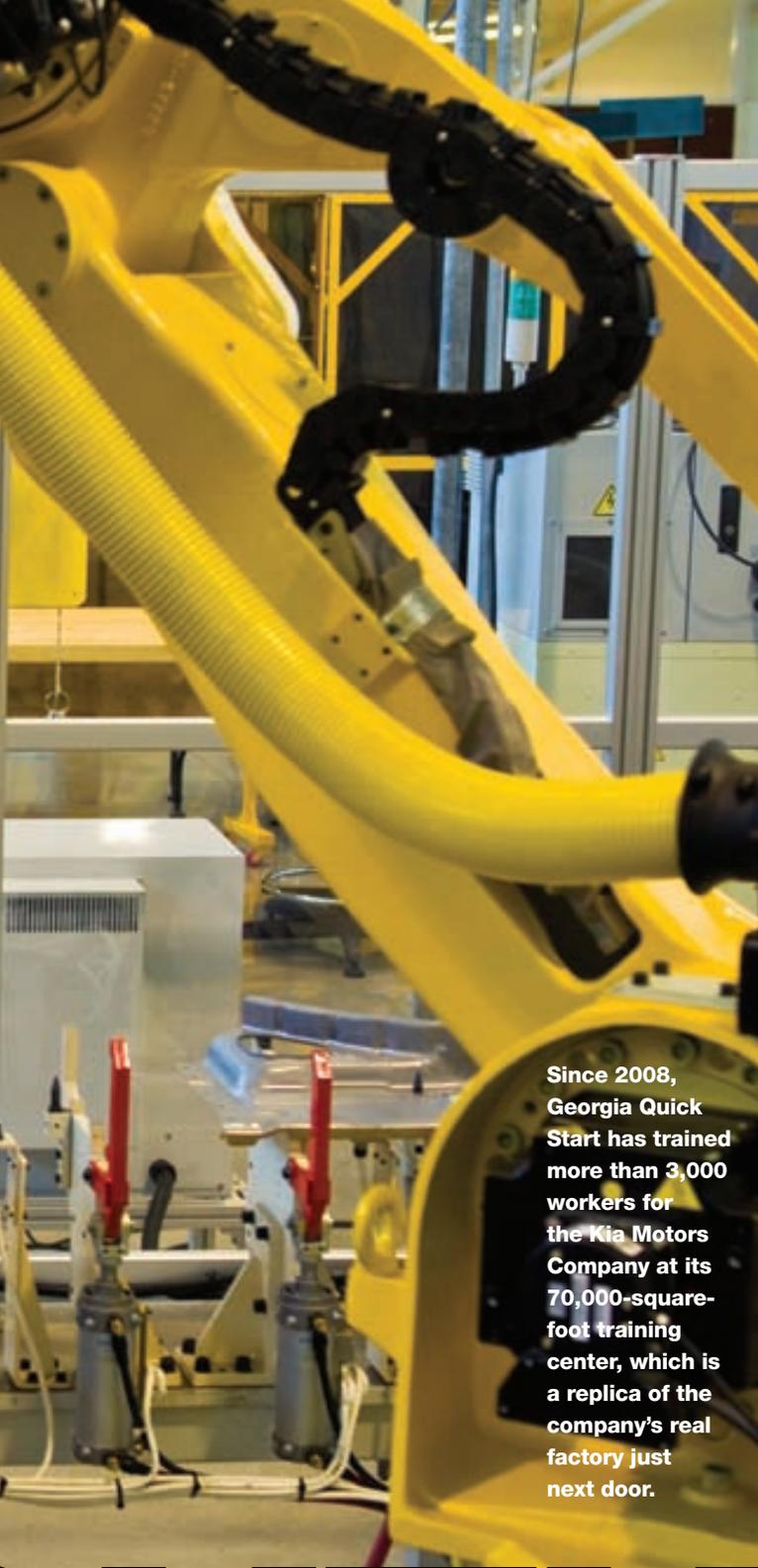




# GEARING UP DOWN SO

SOUTHERN STATES HAVE BECOME NATIONAL LE



Since 2008, Georgia Quick Start has trained more than 3,000 workers for the Kia Motors Company at its 70,000-square-foot training center, which is a replica of the company's real factory just next door.

# OUTH ADERS IN JOB TRAINING.

BY DYLAN SCOTT

**F**our years ago, Louisiana's economy was in need of a boost. In addition to the foreclosures and job losses that were beginning to bedevil other states, Louisiana was still recovering from the upheaval of hurricanes Katrina and Rita. With one of the nation's highest poverty rates, Louisiana was in serious need of new jobs. But businesses were skittish about moving there, thanks to concerns about a dearth of trained employees, says Louisiana Secretary of Economic Development Stephen Moret. The state needed skilled workers. The solution? Louisiana FastStart, a job-training program that, free of charge, would prepare a workforce for companies that settled in the state. Businesses would be guaranteed employees tailored to meet their needs; Louisiana would get the kind of private investment that would become crucial as the economy began to tank in 2008.

Since its founding, FastStart has trained more than 13,500 workers and contracted with more than 60 companies. The results are impressive. Louisiana is one of only two Southern states (the other is Texas) that posted net job gains from January 2008 to March 2012, according to the Bureau of Labor Statistics. While FastStart can't be credited for all the gains, the program, says Moret, was "absolutely critical—one of the key contributors." FastStart has been recognized by numerous organizations and publications, including *Business Facilities* and *The Economist*, as one of the best job-training programs in the country. According to *Chief Executive* magazine, which each year surveys private-sector CEOs across the country, Louisiana in 2006 ranked 47th among states where companies said they wanted to do business. Last year, the state was 27th, and in this year's survey, released in May, Louisiana ranked 13th, the biggest single-year jump of any state. Of course, such a survey reflects multiple aspects of the business climate, including taxation and regulation. But many of the business leaders surveyed specifically pointed to the state's exemplary job-training efforts. Louisiana, according to the magazine, has become "the Cinderella of business improvement."

Louisiana didn't start with a blank slate. In fact, as officials there brainstormed about how to create the best possible job-training program, they didn't have to look very far. Louisiana drew inspiration from two of its neighbors in the Southeast—Alabama and Georgia, which have had successful job-training initiatives for decades. "When we thought about benchmarking ourselves against other states," says Moret, "those are the ones we looked at and studied the most."

Indeed, over the past several years, the Southeast has quietly positioned itself as a leader in the job-training effort. Job creation and job training are phrases on the lips of every policymaker and politician in the country right now. And with good reason: The national unemployment rate is still higher than 8 percent, more than 3.5 million jobs remain open but unfilled, and 70 percent of Americans cite the economy as the most pressing

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problem facing the United States. At a time when so many states are on the lookout for job-training solutions, leaders would be well advised to cast their gaze south of the Mason-Dixon Line.

In particular, Alabama, Georgia, Louisiana and South Carolina have been singled out by economists and national organizations for their work. All four placed in the top 10 of the *Business Facilities* list of the best workforce-training programs, with Louisiana at the top. Those four states trained a combined 70,000 workers in 2011, adding a net total of 26,300 manufacturing jobs from January 2011 to January 2012. That represents more than 11 percent of manufacturing jobs added last year; those four states, however, account for 8 percent of the nation's overall manufacturing workforce. In other words, whatever they're doing is working. It's hard to say if state-sponsored job training accounted for all of those gains. But the programs have an undeniable impact, says Sujit CanagaRetna, senior fiscal analyst at The Council of State Governments. "These are the kind of investments that add to the capacity of our economy and enhance our productive capabilities. You need to have a constant flow of workers who are being trained."

Of course, part of the South's success is pure good fortune. Over the past half-century, the manufacturing industry's shift to the South—fueled by the promise of cheaper resources and a less-unionized workforce—pushed states like Alabama, Georgia and South Carolina to establish job-training programs and hone their effectiveness. As those programs flourished, they attracted marquee names such as Caterpillar, Mercedes and Boeing. "These companies needed a workforce," says CanagaRetna, "and that's where these programs have come to the forefront as a critical way to ensure that these companies continue to flourish in the area."

But it's not all just luck: Southern states have become adept at training residents to acquire and keep jobs. Each state's program is unique, but they share some commonalities. All are offered free of charge to incoming or expanding businesses as part of an overall incentive package that typically includes other benefits, such as tax breaks. In each of these four states, the job-training program partners directly with specific employers to ensure that the workforce is adequately prepared to take actual jobs that are already available. To be sure, there are critics who question whether states should be so intimately involved with training private-sector workers for private-sector jobs. Why, they argue, should taxpayers foot the bill for companies to train their own employees? On the whole, though, officials say these publicly funded training programs provide a definite net gain for their states, which is why more and more people are looking to these Southern programs as models.

**T**he Alabama Industrial Development Training (AIDT) program debuted in 1971, and it has become the largest of the four top-ranked Southeastern programs. Last year, it prepared 45,000 workers. AIDT follows a model similar to the other states: A business contacts the state, and AIDT begins evaluating the company's needs, screening the potential workforce and coordinating with the company to build training programs for employees who pass the screening process.

Like Louisiana, AIDT has garnered national recognition for its success. It was named the No. 1 workforce-training program in the United States in 2004 and 2006 by *Expansion Management*, a manufacturing industry news service. Alabama had the biggest drop in unemployment from March 2011 to March 2012 among the 50 states. "Our key characteristic is flexibility," says AIDT Executive Director Ed Castile. "When you're working with businesses, you have to be able to move quickly. The ability to work directly with the company, make decisions and just get the job done—that is our biggest asset."

AIDT's reputation helped Alabama attract major manufacturers, such as Mercedes, which has utilized the program since selecting Alabama as its first U.S. production site in 1993. Four years ago, the company and state began cooperating on an apprenticeship program for high school students, and in 2011, the Vance, Ala., plant produced a record number of vehicles. As the economic outlook has brightened, Mercedes has expanded its partnership with the state. The manufacturer has asked AIDT for an additional 1,200 workers as it plans to add two more vehicles to its Alabama production lines in the near future.

Honda, Hyundai and Toyota also employ thousands of workers at their Alabama plants, and they have each cited AIDT as an important factor in their decision to settle in the state. In 1999, AIDT constructed a \$30 million, 62,000-square-foot Honda Training Center in Lincoln—replete with classrooms and assembly line replicas—to lure the auto manufacturer. A few years after the center opened, Mark Bergman, Honda's associate manager of engine assembly, told *HR* magazine, "There's nothing comparable in other Honda plants to the training here."

The investment has continued through the recession. A 60,000-square-foot, \$10 million Maritime Training Center opened in 2010 in Mobile. It's expected to train more than 2,000 new workers in the next few years for several shipbuilding companies based there. One of those firms, Austral USA, just received a \$5 billion contract from the U.S. Navy to construct 10 new warships.

In 1967, four years before Alabama launched its job-training program, Georgia founded its own initiative, called Quick Start. In 2011, the program trained more than 13,000 workers for nearly 170 companies. Like programs in Alabama and South Carolina, Georgia Quick Start is part of the state's community and technical college system. And as in those places, says Quick Start's Rodger Brown, the key is customizing training to fit individual companies' needs. "We fit in with the companies," Brown says. "This is not an out-of-the-box, one-size-fits-all approach."

The best example is the Kia Motors training center in West Point, Ga. Built in 2008, it's in many ways similar to the Honda facility in Alabama. The 70,000-square-foot training center is an exact replica of the actual Kia plant located next door. The state spent more than \$14 million to build the facility, and more than 3,000 workers have already passed through its program. "The quality of this training is the best we have ever seen," Kia President Euisun Chung said in a 2008 press release.

Other international companies apparently agree: Caterpillar, the world's largest construction and mining equipment manufacturer, announced in February plans to move its Japan operations to North America—specifically, to Athens, Ga., which beat out several

other locations in attracting the \$200 million plant. The Caterpillar facility will bring 1,400 new jobs, and Quick Start is expected to train someone for every single one of them. Georgia Gov. Nathan Deal's office credited the program as a "major factor" in attracting Caterpillar to the state.

South Carolina's readySC, founded in 1961, is the oldest of these four programs. Like Alabama and Georgia's programs, readySC is housed in the community and technical college system, works directly with clients, and operates with a similar model of identifying needs, finding prospective employees and training them. While these job-training programs are critical in attracting new businesses to the state, they are also important for retaining companies and facilitating further investment. Of the 82 projects that readySC completed in 2011, which led to a total of 6,000 jobs, 45 were for expanding businesses that had already set up in the state. Likewise, more than 100 of the 168 projects that Georgia Quick Start conducted last year served existing industries there.

And like those other state initiatives, readySC has attracted accolades from the private sector. "I've had experiences with training across many of our facilities, and what we have here in South Carolina is by far the best I've seen," Tim Coyle, vice president of Boeing South Carolina, said in a press release. Boeing set up its second South Carolina production line in North Charleston in 2010 and contracted with readySC to train nearly 2,000 employees to staff it. The company also optioned another 94 acres near the North Charleston plant this April with an eye toward expanding its operation again in the coming years.

Louisiana drew on the experiences of its Southern neighbors when it set up FastStart in 2008, but the state also looked for ways to improve the model. Most significantly, FastStart was placed not in the community college system, but in the Louisiana Department of Economic Development. The goal, Moret says, was to give the program more flexibility in meeting its customers' needs. The state has also embraced new technologies along with traditional manufacturing: Electronic Arts, one of the largest video game developers in the world, is building a \$30 million facility on the Louisiana State University campus. FastStart also provided iPad training for a Shreveport-based digital animation company called Moonbot Studios, which this year won the Academy Award for Best Animated Short Film.

Louisiana's program has built a strong reputation in a short time. One of FastStart's biggest successes came last year when Gardner Denver, a Fortune 1000 industrial manufacturer, announced that it was relocating from Wisconsin, its home for more than 150 years, to Monroe, La. Noting FastStart's "outstanding training support," company CEO Barry Pennypacker said in a recent earnings call that the program "has been integral

to the success of this project." Moret credits that focus, and the models from Louisiana's Southeastern neighbors, for FastStart's quick ascension to the top of job-training lists nationwide.

As FastStart and these other programs have grown, questions have arisen about whether the investment is money well spent. Should states really be spending so much to provide job-training services for multibillion-dollar international companies? Georgia Quick Start costs between \$15 million and \$20 million annually. Alabama spent \$38 million on job training last year, South Carolina is asking for \$20 million this year and Louisiana spent \$5 million in 2011. As Ross Eisenbrey, vice president of the liberal Economic Policy Institute, told *The New York Times* earlier this year, "The question is, why shouldn't the company pay for this training? It's for their benefit."



**Not all state job-training programs are aimed at factory work. Shreveport-based Moonbot Studios, which this year won the Academy Award for Best Animated Short Film, set up shop in 2009 and has received significant support from Louisiana's FastStart training program.**

For most public officials, however, there seems to be no question that these programs are worthwhile. The expected return on investment—from a variety of sources including personal income taxes and sales taxes—will vastly eclipse expenditures over the long term, according to officials from each of these four states. Economic impact studies, commissioned by the states, have estimated mammoth annual returns in Alabama (\$3.3 billion) and Georgia (\$473 million) from AIDT and Quick Start.

Louisiana hasn't tried to quantify the impact of FastStart yet, but Moret expects a similar fiscal boon as the program's reputation grows. "This is something that's critical to enhancing and maintaining our state's economic competitiveness," he says, "because we've been able to convince companies that they could relocate operations here more quickly and more successfully than they could in other places." **G**

*Email dscott@governing.com*