

Keep your tax breaks. Give us workforce training.

By Claire Bushey - June 24, 2017

TRAINING DOLLARS

These companies were awarded funds from the Employer Training Investment Program between 2012 and 2014.

EMPLOYER TRAINING INVESTMENT PROGRAM AWARDS



Source: Illinois Corporate Accountability Progress Reports

Workforce training is eclipsing tax breaks in popularity among certain businesses as an economic development incentive.

"What I'm seeing over the last year, absolutely the workforce conversation is one of the top questions," says Erik Brejla, assistant deputy director for regional economic development at the Illinois Department of Commerce & Economic Opportunity.

Economic development specialists say manufacturers and IT companies are leading the shift in the last three to five years as they struggle to recruit the skilled workers they need. For these types of companies, "training assistance is the No. 1 request," says Jenny Massey, co-founder and president of FairWinds Advisors, a Fishers, Ind.-based site selection and incentive consultancy.

But Illinois, which has long boasted a skilled workforce, doesn't offer training incentives for businesses considering a move here. Southeastern states, which had more ground to make up in this area, comprise the vanguard. Many train workers for free under the banner of programs with similar-sounding names: ReadySC in South Carolina, LED FastStart in Louisiana, Quick Start in Georgia. In 2016, Georgia's program trained an estimated 47,000 workers. **Caterpillar** and **Baxalta** have both used Georgia's program in the last four years.

Illinois does offer dollars to companies to train workers, but only businesses that are already here can take advantage. The Employer Training Investment Program, first authorized by Illinois legislators in 1992, has been **used in the past five years** by Boeing, Ford, **Navistar**, Walgreens and **USG**.

Incentives aren't the only way to entice businesses to settle in Illinois, and Brejla points to the Department of Commerce's expertise in connecting companies to local resources, for training and otherwise. "I work with the tools that are given to me by the General Assembly," he says. "The more tools that the General Assembly can provide me, the more we can do out there."

Manufacturers have sounded the alarm for **at least half a decade** that they cannot find workers with the skills they need. Despite **the lamented shortage**, industry wages have grown slowly, up just 23 percent over the last decade in Illinois to an average of \$20.23 an hour. Employers also can be reluctant to shoulder the time and expense of training workers themselves. That's been fueling the attraction of workforce training incentives.

The incentives in the Southeast, often tailored to meet the needs of individual businesses, allow companies to avoid the cost of training employees, says Alexander Frei, a senior managing director with the business incentives practice in the Chicago office of Cushman & Wakefield. There hasn't been the need to develop similar programs in Illinois because "why would the state devote more funding to something where they know that the (skilled workforce) is already there?"

But as the labor market tightens nationally and it becomes necessary to pull in more workers, states with "well-oiled" training programs may fare better, he says.

Frei says Illinois' training program for businesses currently operating here rarely yields enough dollars to make it worth the compliance paperwork. These grants reimburse Illinois companies for up to half the cost of training their employees in new technology or developing skills required to move into new markets. Between 2012 and 2016, 45 companies were awarded reimbursement grants totaling \$6.6 million.

Workforce training is easier to rationalize than other types of economic development incentives because it boosts a city's human capital, says John "Jack" Boyd, founder and principal of site-selection firm Boyd in Princeton, N.J. Even if a particular company departs, the workers retain their new skills. While training still represents the transfer of public funds to private companies, when states are competing against each other to land and keep businesses, they "really have to have all the arrows in their quiver." "You will need it to retain the companies that you have," he says. "It's a necessary evil."

Now it's a popular one, too.