

ATTRACTING CRITICAL TALENT TO NORTHEAST INDIANA

NORTHEAST INDIANA 
FUND

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HIGHLIGHTS

The following points condense our principal findings on talent recruitment and business climate:

- Talent recruitment has become an important element in regional economic development. A number of US communities have launched talent initiatives, typically with two common elements: programs to attract and network young professionals; and, websites designed to match promote regional jobs with outside talent possessing the right skill sets.
- The Richmond Chamber of Commerce has one of the best young professional programs, which is also linked to a mentoring program.
- Research conducted by Monster.com during this project suggests that over 33,000 workers, principally in states surrounding Indiana, are willing to relocate to Indiana for the right job. This compares with 23,500 workers in Northeast Indiana with a resume posted to the Monster.Com web sites. External talent is an important resource for filling professional and technical jobs in Northeast Indiana.
- Several communities have created online networks for job seekers, alumni, and employers within their regions that improve the matching of needed skills with the available pool of talent. The best examples are the Boston World Partnership, Return to Roots in Southwest Virginia and the Kentucky Indiana Exchange in Louisville. Web site links to these sites are shown in the report.
- States like Iowa have developed incentive programs for attracting management talent. Incentives consist of cash grants to companies to assist with recruitment. We are unsure of how effective these efforts have been but they should be examined in more detail by the Northeast Indiana Fund as a potential recruitment tool.
- We provide a ten step process for developing a robust talent recruitment initiative in Northeast Indiana.
- While much of statewide news is focused on changes in corporate tax rates in Indiana and surrounding states, the market for corporate investment has really become global in scale. Communities in Northeast Indiana are commonly competing against communities in Europe and Asia for investment as much as against communities in Ohio, Michigan and Illinois. Tax comparisons used to gauge business climate should now be made in a global context.
- In terms of global competition, corporate taxes in Indiana for manufacturing are highest among 10 communities in Asia, Europe and the US evaluated in this study. The lower corporate income tax rates offshore, combined with an absence of sales taxes



and lower property taxes, explain the differences. Manufacturing plants outside of the US do not pay property tax and equipment and inventories (personal property), only on land and buildings.

- We recommend that Northeast Indiana leaders work with the legislature to enact a new tax code that is globally competitive for manufacturing. Sales taxes, state corporate income taxes, and taxes on personal property are concepts that are not widely embraced in the rest of the world and hence create a competitive disadvantage for Indiana businesses competing in global markets.



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INTRODUCTION

This document provides recommendations for talent recruitment and business climate incentives that were not available at the time that the strategic recommendations for Northeast Indiana were prepared in December 2010. The recommendations in this document are intended to supplement those earlier recommendations.

ATTRACTING TALENT TO NORTHEAST INDIANA

The local and regional talent base is often the first factor cited by business leaders with respect to attracting business investment to a region, and the “knowledge economy” might be the major reason for this. Furthermore, this is a global reality, not just an American condition. Although the current global economic situation has increased the number of overall job seekers in labor markets worldwide, a notable talent shortage continues to exist in many countries and their industry sectors. So the immediate problem is not the *number* of potential workers. Rather, it is a *talent mismatch*: not enough sufficiently skilled people can be found in the right places at the right times. Simultaneously, employers are seeking ever more specific skill sets and combinations of skills – not just technical capabilities alone, but perhaps in combination with critical thinking skills or other qualities that will help drive the company forward. As a result, the “right” person for a particular job is becoming much more difficult to find. And the problem shows no signs of easing.

Talent recruitment initiatives have been launched in a number of U.S. communities. These initiatives tend to have two common elements: programs to attract and network young professionals, and websites designed to match outside talent with regional jobs. Some communities have additional initiatives, such as incentive programs to attract and retain key management talent.

YOUNG PROFESSIONALS

“Young professionals” (YPs) between the ages of 21 and 40 should be recognized as an important talent pool that responds to a different appeal. Young professionals have grown up with rapid change and are more likely to live at the cutting edge. They’re also more mobile, yet will put down roots where they find fulfillment. They network effectively and relish becoming immersed in their communities. Cultivating the next generations of workers is more compelling than ever given the swift transformation of how business is done.

YPs have begun to choose “place” ahead of “job” and are more likely to say, “I think _____ is a good place to live and have a career,” and then move there. By reinforcing key themes about our



extensive regional assets via diverse communications channels, efforts need to be made to help them to decide to fill in the blank with “Northeast Indiana.”

An example of a well established program for young professionals is the HYPE program managed by the Richmond Chamber of Commerce. HYPE is closely linked to the Mentor program, which links young professionals with older mentors in the business community. (see <http://www.hyperichmond.com> for descriptions of these programs).

TALENT RECRUITMENT WEBSITES AND NETWORKS

Research conducted by Monster.com for this project suggests that over 33,000 residents in states surrounding Indiana are willing to relocate to the state for the right job. This is a significant pool of workers when compared to the 23,500 job seekers in the NE Indiana region at the same time. It is also significant in comparison to the 292,000 job seekers statewide in Indiana during the same period.

The internet provides perfect tools for linking job seekers with those companies posting jobs. It also has excellent tools for building and maintaining networks, whether of young professionals, alumni of regional colleges, or other professional networks.

Several communities are leaders at creating online networks of job seekers, alumni, and employers within particular regions. Examples are the Boston World Partnership (www.bostonworldpartnerships.com), Return to Roots in Southwest Virginia (www.returntoroots.org), and The Kentucky Indiana Exchange in Louisville (Kix.com). The KIX site, the most comprehensive effort to date, was developed by Monster.com using their Online Community Career Solution (OCCS).

MANAGEMENT TALENT RECRUITMENT

A region’s ability to attract the top talent of the new economy workforce, and thereby new industry itself, is greatly dependent upon its skill in integrating migrated executive talent into the community. Recruiting and retaining top talent in today’s highly competitive environment takes more than the allure of a desirable job at a great company. It also takes cultural and community amenities, quality education, fair and equitable tax rates, and career opportunities for spouses. However, another key ingredient is often overlooked, which is a peer environment that supports the social and intellectual integration of top executive talent and other migrated professionals into the community. Often this talent is coming from markets that offer much to the professional, and the shift to an evolving market can be a challenging one. Many professional alliances have existed for years, and creating ways for newcomers to penetrate and become part



of those relationships can be a hurdle. However, without a deeply rooted network, longevity in the community is likely to become compromised.

Similar to the State of Iowa program (see the text box on next page), a Management Talent Recruitment program could be investigated for the recruitment of executive and operations management personnel. New and expanding targeted industries would be provided technical assistance to identify a network of potential human resources appropriate for the business life cycle. The Iowa program is experimental and we are uncertain of its effectiveness as a talent recruitment tool. It bears further investigation as it provides a new tool with a potential for improving the talent recruitment track record in Northeast Indiana.

State of Iowa Management Recruitment Program

Eligible Applicants

Eligible applicants would be for-profit Northeast Indiana-based companies with five or fewer years of operating experience, that are:

- 1) commercializing a new product or process, and,
- 2) seeking new venture capital financing or equity investment.

The company should be classified in one of the targeted industries of medical devices, advanced manufacturing, defense industries, food processing, transportation/logistics, or insurance as defined by the NAICS codes. The applicant must clearly demonstrate how the award will create or strengthen the company management team, the management expertise provided, the skills (including education, training, work experience, and other factors), and the manner in which expertise will be provided to the business. Applications from venture capital companies (NAIC 523910) on behalf of an eligible for-profit business located in Northeast Indiana would be considered for funding.

Awards and Spending Guidelines

The maximum award shall not exceed \$10,000 for a single project.

Matching Funds Requirement

Companies must match the award with at least two dollars of private funding for every one dollar of regional funding. No funds that have been generated through any regional non-profit source can be used as matching funds; federal funding is an eligible match. Funds spent prior to receiving the award cannot be used as matching funds.



COMPREHENSIVE TALENT RECRUITMENT PROGRAMS

The Greenville Chamber of Commerce in Greenville, SC is a national leader in providing talent attraction and retention services to its members. The chamber sees talent attraction as an important economic development initiative. Among the services that the chamber provides are in-person briefings by chamber staff for relocating executives, an online job network, videos online that provide materials for companies to use in recruiting talent, and two young professionals initiatives: PULSE -- the Chamber's young professionals program, and Opportunity Greenville -- a leadership development program that exposes executives to the Greenville community. Additional information is available on the Chamber's website: www.greenvillechamber.org/talent-recruitment.php

GENERAL TALENT RECRUITMENT STRATEGIES

Tamerica offers the following toolkit for developing a robust talent recruitment initiative.

1. Identify key controllable barriers to successful recruitment, development, and retention of top level talent; online surveys, pop-up surveys on national sites maintained by Monster.com and executive focus groups are tools for identifying the barriers. Research on young professionals demonstrates that neighborhood, downtown, and entertainment development are important issues for attracting and retaining this type of talent.
2. Identify key companies that draw non-local executives to the region (categorized per targeted industry sector). These key firms need to be gathered together as stakeholders in the development of a robust talent recruitment strategy;
3. Develop a Talent recruitment strategy with college and university alumni organizations, major employers, and business organizations like the regional Chamber of Commerce.
4. The Regional Chamber, in cooperation with local Chambers of Commerce in Northeast Indiana, should provide a chamber orientation program for new residents, focusing particularly on skilled talent. This program should provide an overview of the region and its varied resources and opportunities. It also should match the new residents with local "hosts" to help them become acclimated and absorbed into the community.
5. Develop a new integrated marketing and communications campaign and website targeting former Northeast Indiana residents and graduates currently living elsewhere demonstrating the advantages of living and working in the region. An initiative similar to Kix.com, which creates an online nationwide network, job exchange, talent information system and internet communications system, should be considered seriously for the Northeast Indiana talent initiative.
6. Consider establishment of a regional campaign whereby qualified individuals seeking to return or to move to Northeast Indiana are identified as are relevant local employment opportunities. This talent that wishes to return to the region or otherwise wish to move



to the region is matched with relevant employment opportunities to ensure a successful work experience.

7. Investigate the possibility of developing local and regional incentives for attracting talent, including:
 - a. Spousal employment opportunities
 - b. Waiver of first month utilities and rent
 - c. Relocation assistance
 - d. Etc.
8. To develop, attract, and retain talent to build and support the 21st Century economy in Northeast Indiana, the Northeast Indiana Regional Partnership would hire a Talent Recruitment Manager to coordinate the Talent Attraction initiative among the various workforce and economic development organizations;
9. Establish benchmarks of success in the talent recruitment initiative;
10. Assist in monitoring and communicating results back to the business community and regional development organizations.

BUSINESS INCENTIVES AND BUSINESS TAX CLIMATE IN NORTHEAST INDIANA

Business taxation in Northeast Indiana has been discussed in depth in the Business Climate section of the Strengths and Weaknesses report for Northeast Indiana as well as in the Advanced Manufacturing report. Those reports give a comparison of business taxation in Indiana with surrounding states. Business taxation in Indiana is more favorable than in Ohio and Michigan according to those analyses. Incentives for business investment in Indiana, however, are less favorable than incentives in Michigan for targets such as alternative energy.

The competition for investment, particularly in manufacturing, is increasingly global. It is useful to look at tax rates in Indiana relative to competitors in Asia, Canada, and Europe. The Competitive Alternative website maintained by KPMG provides comparison of tax rates and after tax returns in a number of US, Canadian, Asian, and European cities for different types of investments (www.competitivealternatives.com). The only rates available in Indiana are for Indianapolis, but adjustments were made to reflect differences in local property taxes for Northeast Indiana. The median property tax rate in Indianapolis is \$2.12 per \$100 of assessed value with a range of \$0.927-\$3.00 in 2011 (sourced from the Indy Partnership website on January 11, 2011). The range of property taxes in Northeast Indiana is \$0.59-\$3.14 per \$100 of assessed value with a median of \$1.85. If the property tax rate is reduced by 13% from the Indianapolis median, the adjustment provides an accurate picture of the tax situation in Northeast Indiana. The Competitive Alternatives estimates assume that a company is paying full taxes without deductions for tax incentives (see Table 1).

Total taxes in Indiana are highest among the 10 comparison communities in this study due to high sales and property taxes. Note that manufacturing companies in Europe and Asia do not pay sales taxes. An additional difference is that property taxes in those nations only apply to



buildings and land. Equipment and personal property are exempt from property tax in Europe and Asia. Only land and buildings are factored into the tax base.

RECOMMENDATION ON TAX CHANGES FOR MANUFACTURING

One observation from the Competitive Alternatives data is how little operating costs in manufacturing vary between Asia, North America, and Europe in today's economy (see Table 2). If one excludes Japan, operating costs range from \$11.5 million in Germany to \$9.2 million in England. But eight of the locations, including the U.S. locations, have operating costs within 3 percent of the median for all 11 locations. For these eight locations, operating costs differ by less than \$700,000 on a facility that generates \$34 million in revenue. Taxes, by contrast, vary by \$1 million between locations and overall taxes, as a percent of operating costs, varies from 9 to 19 percent of operating costs with Northeast Indiana having the highest cost when expressed as a percent of operating costs (see Table 2).

Tamerica recommends that Northeast Indiana leaders work with the Indiana legislature to enact a tax code that is globally competitive for manufacturing. Sales taxes, state corporate income taxes, and taxes on personal property are concepts that are not widely embraced in the rest of the world and hence create a competitive disadvantage for Indiana businesses competing in global markets. We recommend that the State evaluate the feasibility of eliminating these taxes as a means of enhancing the competitiveness of Indiana business. If general elimination of these taxes is not possible, we recommended that the State evaluate the elimination of these taxes for companies competing in global markets in order to level the playing field.



Table 1: Comparative Taxes on Manufacturing in Indiana, Asian and European Cities

City	Windsor	Lyon	Frankfurt	Milan	Osaka	Amsterdam	Manchester	Detroit	Indianapolis	Milwaukee	NE Indiana*
Region	ON	RH	HS	LB	OS	NO	EN	MI	IN	WI	IN
Country	CA	FR	GE	IT	JP	NL	UK	US	US	US	US
Exchange rate	C\$1.060	€ 0.68	€ 0.68	€ 0.68	¥89.86	€ 0.68	£0.610	\$1.00	\$1.00	\$1.00	\$1.00
Total operating costs(\$000)	\$ 10,005	\$ 9,718	\$ 11,504	\$ 10,173	\$ 12,377	\$ 10,331	\$ 9,175	\$ 10,242	\$ 9,578	\$ 10,289	\$ 9,578
TAXES											
Income tax, national	\$ 355	\$ 991	\$ 340	\$ 773	\$ 249	\$ 992	\$ 1,133	\$ 934	\$ 1,014	\$ 955	\$ 1,014
Income tax, regional	\$ 330	-	-	\$ 378	\$ 119	-	-	-	\$ 287	\$ 110	\$ 287
Income tax, local	-	-	\$ 402	-	\$ 51	-	-	-	-	-	-
Capital tax, national	-	-	-	-	\$ 8	-	-	-	-	-	-
Capital tax, regional	-	\$ 1	-	-	\$ 39	-	-	-	-	-	-
Sales tax	\$ 6	-	-	-	-	-	-	\$ 84	\$ 125	\$ 106	\$ 125
Property tax	\$ 263	\$ 333	\$ 180	\$ 46	\$ 592	\$ 26	\$ 373	\$ 372	\$ 442	\$ 123	\$ 385
Gross receipts tax	-	\$ 211	-	-	-	-	-	-	-	-	-
Business tax	-	-	-	-	\$ 51	\$ 21	-	-	-	-	-
Grants, subsidies	-	-	-	-	-	\$ (232)	-	-	-	-	-
TOTAL TAX (\$000)	\$ 954	\$ 1,536	\$ 922	\$ 1,197	\$ 1,109	\$ 807	\$ 1,506	\$ 1,390	\$ 1,868	\$ 1,294	\$ 1,811
Net Profit (\$000)	\$4,002	\$4,052	\$2,500	\$4,079	\$1,059	\$3,916	\$4,739	\$3,584	\$4,155	\$3,769	\$4,212
Effective income tax rate	17.10%	24.40%	29.70%	28.20%	39.50%	19.40%	23.90%	26.10%	31.30%	28.20%	31.30%
Property-based taxes per sq.ft.	\$3.52	\$4.83	\$2.42	\$0.62	\$8.92	\$0.63	\$5.10	\$5.22	\$6.37	\$1.69	\$5.54

*Calculated by Tamerica from property tax rates supplied by CRI at IPFW
 Source: Competitive Alternatives website by KPMG



Table 2. Comparison of Operating Costs and Net Profits in Manufacturing in Indiana, Europe and Asia

City	Windsor	Lyon	Frankfurt	Milan	Osaka	Amsterdam	Manchester	Detroit	Indianapolis	Milwaukee	NE Indiana*
Region	ON	RH	HS	LB	OS	NO	EN	MI	IN	WI	IN
Country	CA	FR	GE	IT	JP	NL	UK	US	US	US	US
Exchange rate	C\$1.060	€ 0.68	€ 0.68	€ 0.68	¥89.86	€ 0.68	£0.610	\$1.00	\$1.00	\$1.00	\$1.00
Labor and Benefits	6,944	7,181	8,834	7,255	9,322	7,646	6,739	7,781	7,284	7,555	7,284
Transportation	2,403	1,557	1,300	1,505	1,331	1,423	1,301	1,764	1,849	2,141	1,849
Utilities	339	488	642	899	601	595	580	340	265	301	265
Total Operating Costs	10,005	9,718	11,504	10,173	12,377	10,331	9,175	10,242	9,578	10,289	9,578
Total Taxes (National, State & Local)	954	1,536	922	1,197	1,109	807	1,506	1,390	1,868	1,294	1,811
Total Costs with Materials & Overhead	30,824	31,079	32,382	31,212	33,500	30,984	30,535	31,491	31,287	31,436	31,344
NET PROFIT (\$000)	\$3,317	\$3,061	\$1,758	\$2,929	\$640	\$3,157	\$3,606	\$2,650	\$2,854	\$2,704	\$2,911
Taxes as Percent of Operating Costs	10%	16%	8%	12%	9%	8%	16%	14%	20%	13%	19%
Labor as Percent of Operating Costs	69%	74%	77%	71%	75%	74%	73%	76%	76%	73%	76%

*Calculated by Tamerica from property tax rates supplied by CRI at IPFW
 Source: Competitive Alternatives website by KPMG

