HAMPTON ROADS

State of the Workforce and Gap Analysis, 2017

EXECUTIVE SUMMARY

Emsi

About the Report

Opportunity Inc. of Hampton Roads, working together with the Peninsula Council for Workforce Development, the Hampton Roads Economic Development Alliance, and ReInvent Hampton Roads, commissioned this study.

The Hampton Roads State of the Workforce and Gap Analysis report describes the economic and business activities of the key industries operating in the Hampton Roads region and provides an assessment of the labor force available to support these industries. The intent is for workforce and economic development entities, educators, and business leaders to use the information presented in the study to coordinate efforts and target activities to better support worker skill development, job creation, and improved economic opportunities for everyone.

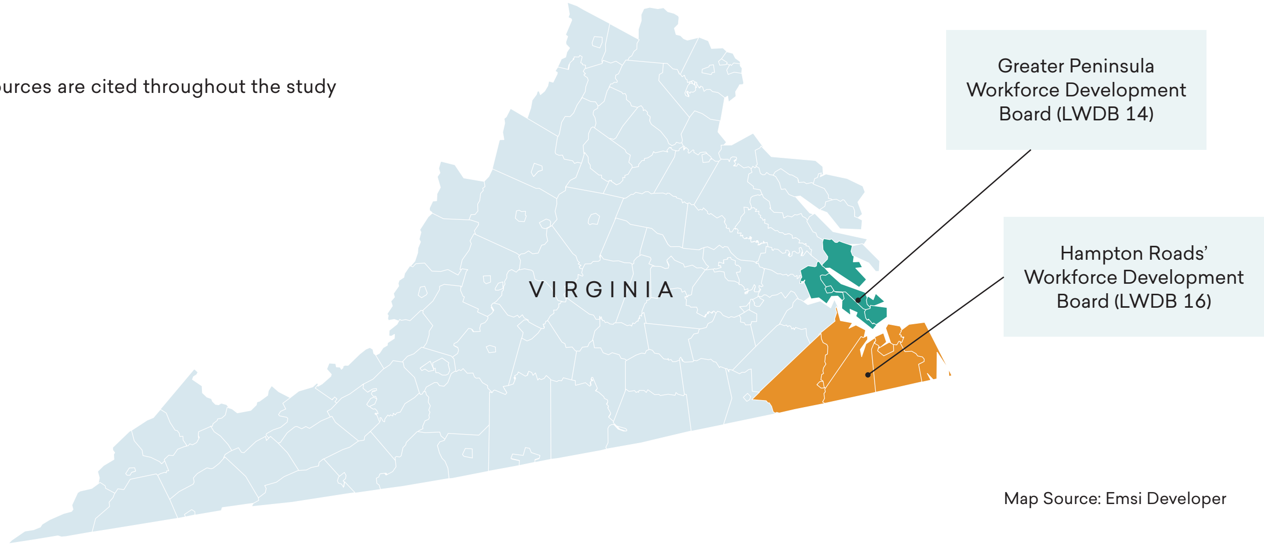
The Hampton Roads region of Virginia comprises 15 cities and counties in southeastern Virginia; the eastern border is the Atlantic coast, while to the south lies the border with North Carolina. The study offers an overview of the labor force, business activity, demographics, and economic trends for the area.

Methodology

To understand the region's workforce assets and economic development needs, multiple research techniques were used. The research team quantified the demographics, labor force, and economic activities for the region using multiple data sources.[1] Next, in conjunction with Opportunity Inc., the team conducted an online survey and held multiple focus groups. Finally, members of the above organizations provided insights into the data collected to create a fuller picture and understanding of the economy of the region.

The geography used for this report is the combined areas of Local Workforce Development Boards 14 and 16 (LWDB 14 and LWDB 16), which is comprised of 15 counties or cities: (cities) Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg; (counties) Gloucester, James City, Isle of Wight, Southampton, and York. These areas are shown in the map.

1 All data sources are cited throughout the study



Map Source: Emsi Developer

Regional Overview

POPULATION TRENDS

LWDB 14	LWDB 16	Hampton Roads	Virginia	United States
ANNUAL AVG. POPULATION GROWTH (2010–2015)				
0.4%	0.6%	0.5%	1.0%	0.8%
MEDIAN AGE (2015)				
40	37	38	38	38

There are 1.7 million residents of Hampton Roads, which is about 20% of the total state population.

The Hampton Roads population is more diverse than either Virginia or the U.S., with 45% of residents identifying as racial or ethnic minorities.

LABOR FORCE TRENDS

LWDB 14	LWDB 16	Hampton Roads	Virginia	United States
LABOR FORCE PARTICIPATION RATES (2010–2015)				
67.2% → 64.6%	70.8% → 67.8%	69.7% → 66.8%	67.7% → 65.2%	64.3% → 62.2%
PER CAPITA INCOME (2015)				
$47,900	$44,300	$46,100	$52,100	$48,100
POPULATION BELOW POVERTY LINE (2015)				
12.0%	11.8%	11.9%	11.0%	14.9%

Across the country, the labor force participation rate has been steadily declining for the past 15 years. The 2015 Hampton Roads rate of 66.8 is more than four percentage points higher than the nation.

Rates for prime-age wage-earners (ages 25 to 59) dropped 6.6 percentage points from 2010 to 2015 in the Virigina Beach-Norfolk-Newport News Metro Area.

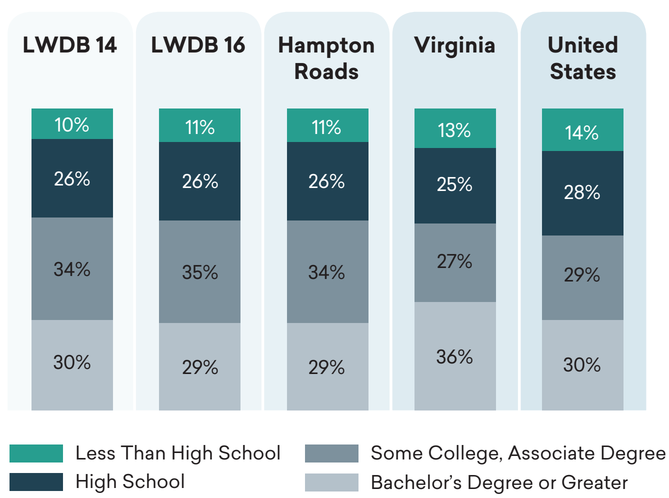
EMPLOYMENT

LWDB 14	LWDB 16	Hampton Roads	Virginia	United States
LABOR FORCE GROWTH*				
0.0%	0.2%	0.1%	0.3%	0.5%
EMPLOYMENT GROWTH*				
0.6%	0.7%	0.7%	0.9%	1.4%
UNEMPLOYMENT RATE (2015)				
5.2%	4.8%	4.9%	4.4%	5.3%

* Growth rates are average annual growth rates from 2010 to 2015.

Over 12% of LWDB 14 residents commute to LWDB 16 and 21% commute outside the Hampton Roads Region to seek work. Whereas, only 7% of LWDB 16 residents commute into LWDB 14 and 15% outside the region overall.

EDUCATIONAL ATTAINMENT (2015)

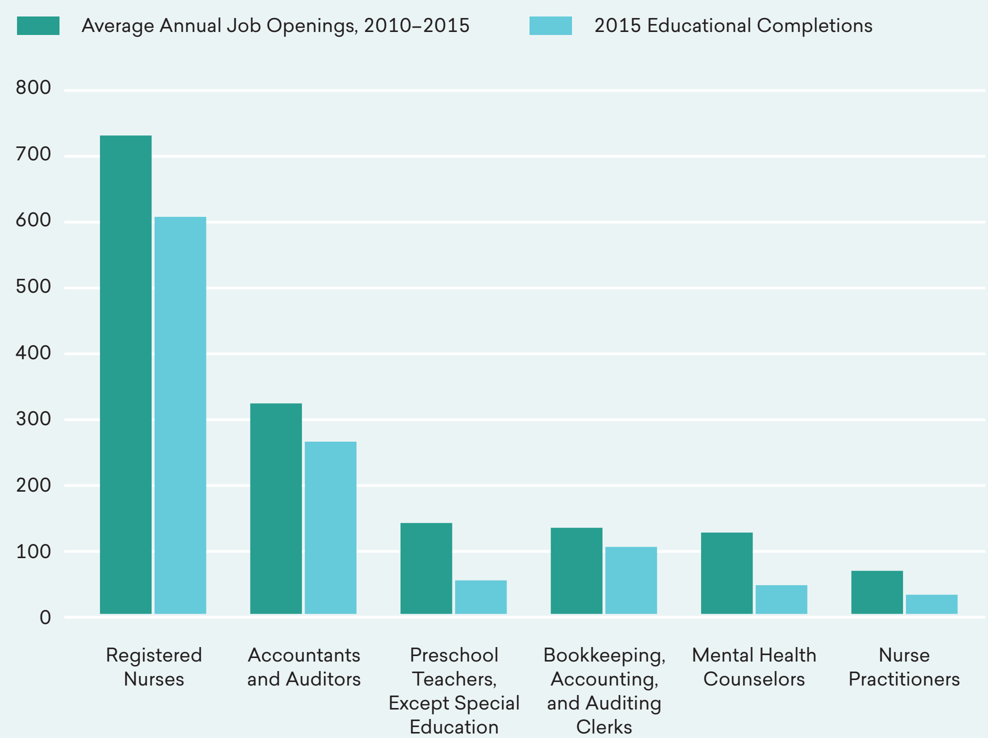


Spending on K–12 public education is less in Hampton Roads schools ($10,901 per student) than for Virginia ($11,523) or the U.S. ($12,010). Teacher salaries are lower than for the state, while student to teacher ratios are slightly higher in Hampton Roads than for the state. High school graduation rates for Hampton Roads students have risen about five percentage points over the last 10 years, but remain below graduation rates for the state overall.

The Hampton Roads working population has higher percentages of people who have attended some college or have an associate's degree than does Virginia or the U.S. However, the percent of people who have college or graduate degrees is lower than for the state.

Key workforce gaps, based on job openings and educational completions, are centered in health care and financial occupations.

KEY WORKFORCE GAPS

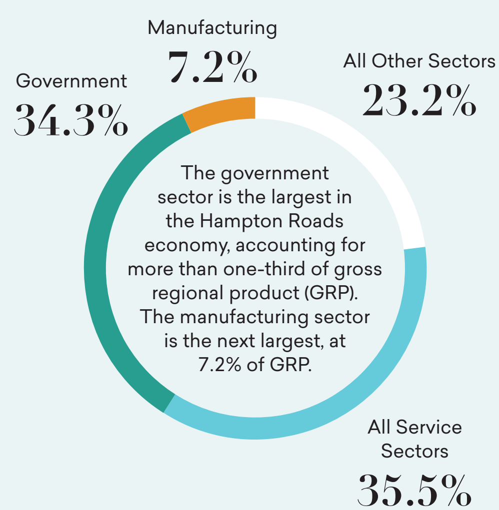


+30,000 jobs

The Hampton Roads region is home to more than 40,000 establishments that are expected to add more than 30,000 jobs in the next five years.

$83.6B

The Hampton Roads economy produces $83.6 billion per year of value-added goods and services.

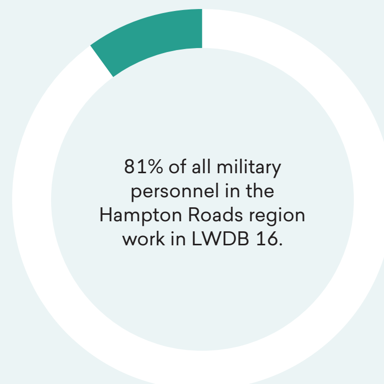


Military Personnel

The number of people in the labor force is understated in the Hampton Roads region because of the large military presence.

Employed Military Personnel

87,849



Civilian Labor Force

830,250

–20,500

Over the past decade, military personnel in the region dropped by nearly 19%.

1%

of the Hampton Roads workforce comes from 2015 military exits

EXITING MILITARY

Over the past decade, the number of military personnel in the Hampton Roads region dropped by nearly 19%, or 20,500.

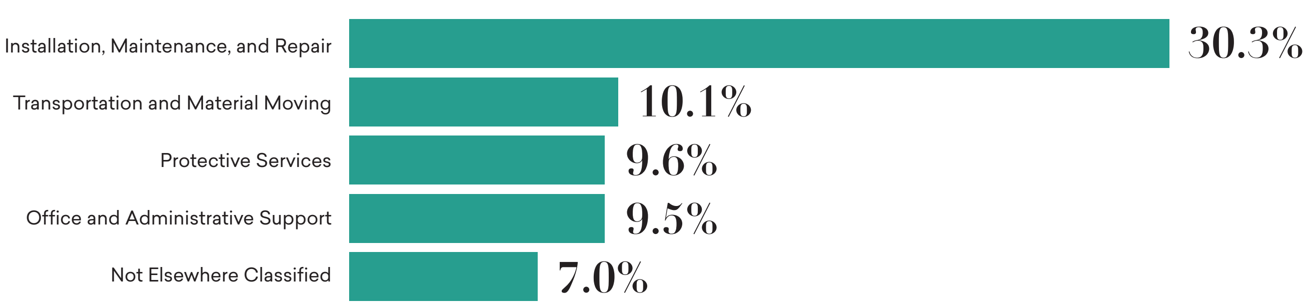
This creates a significant labor force development opportunity for the region through helping exiting military personnel transition into civilian jobs.

In 2015, for example, nearly 14,000 people left the military and chose to reside in Virginia, and of those, more than 8,000 reside in the Hampton Roads region. This is one percent of the Hampton Roads workforce – from just one year of military exits.

The impact military personnel and their families have on the Hampton Roads region is substantial—during and potentially immediately after their transition out of the military.

From employers' perspectives, of those interviewed, some businesses readily hire former military and have found that exiting military personnel are reliable and valuable employees. Other business leaders, however, would like more assistance in identifying the skills that military people have and translating those skills into specific employer requirements.

MILITARY EXITS BY TOP 5 OCCUPATION GROUPS



Key Industries

The eight industry clusters that this analysis examined offer a strong future for the Hampton Roads economy. They represent about 16% of Hampton Roads' gross regional product (GRP), and, if focused on, can help diversify the region's economy while offering solid opportunities for area residents.

LOCATION QUOTIENT (LQ)

Is a way of quantifying how concentrated a particular industry, cluster, occupation, or demographic group is in a region as compared to the nation. It can reveal what makes a particular region "unique" in comparison to the national average.

GROSS REGIONAL PRODUCT (GRP)

Measures the final market value of all goods and services produced in a region.

Advanced manufacturing

Advanced manufacturing industries typically offer competitive wages, contribute handsomely to a region's gross regional product, and offer career pathways for workers with a wide variety of education and skills, including many middle-skill jobs.

NUMBERS TO KNOW:

2015 Jobs

8,260

No. 6 out of 8 Clusters

% Projected Growth (2015–2020)

–9.5%

No. 8 out of 8 Clusters

Location Quotient

10.5

This cluster is 10.5 times more concentrated regionally than national average

Gross Regional Product (GRP)

$1.0B

This cluster generates 1.2% of the area's gross regional product

Ship repair and ship building

The ship repair and ship building cluster is one of the largest and better-paid industry clusters in the region. The educational pipeline for this cluster is difficult to measure, as many educational institutions do not provide the specific training required for these occupations. The actual skills training for work in this cluster is most likely provided by training and apprenticeship programs run by the companies and organizations in the industry.

NUMBERS TO KNOW:

2015 Jobs

26,255

No. 2 out of 8 Clusters

Welders employed in this cluster

2,100

This comprises 80% of the region's welding workforce

Location Quotient

45.2

This cluster is 45 times more concentrated regionally than national average

Gross Regional Product (GRP)

$2.6B

This cluster generates 3.2% of the area's gross regional product

Food and beverage manufacturing

Employment in food and beverage manufacturing has been on the decline, a trend that may be influenced by industry consolidation that is increasingly prevalent across the country. Consolidation is occurring in many food processing industries where plant sizes have increased sharply and mergers have led to fewer but larger companies.

NUMBERS TO KNOW:

2015 Jobs	% Projected Growth (2015–2020)	Location Quotient	Gross Regional Product (GRP)
5,958	–8.1%	3.2	$822M
No.7 out of 8 Clusters	No.7 out of 8 Clusters	This cluster is 3.2 times more concentrated regionally than national average	This cluster generates 1.0% of the area's gross regional product

Port operations, logistics, & warehousing

Establishments in the port operations, logistics, and warehousing industry cluster primarily employ people who move cargo to and from ships, trucks, trains, or warehouses, or manage the operations of these facilities. Technology is a factor affecting current and future industry and job growth. Large ports have increasingly added new technologies to improve productivity. Warehouses and trucking also continue to automate operations.

NUMBERS TO KNOW:

2015 Jobs	% Projected Growth (2015–2020)	Average Earnings	Gross Regional Product (GRP)
13,913	6.0%	$78,257	$1.6B
No.5 out of 8 Clusters	No.3 out of 8 Clusters	No. 4 out of 8 Clusters	This cluster generates 1.9% of the area's gross regional product

Life sciences

Establishments in this cluster produce complex chemical and biological substances used in medications, vaccines, diagnostic tests, and similar medical applications. This is the smallest of the eight clusters considered, but several sectors within the cluster are growing rapidly. The life sciences cluster supports a variety of other industries, most notably the health care industry.

NUMBERS TO KNOW:

2015 Jobs	% Projected Growth (2015–2020)	Average Earnings	Gross Regional Product (GRP)
1,989	6.7%	$79,271	$240M
No. 8 out of 8 Clusters	No. 2 out of 8 Clusters	No. 2 out of 8 Clusters	This cluster generates 0.3% of the area's gross regional product

Business and consulting services

Firms in the business and consulting services cluster include establishments and service providers primarily designed to support other aspects of a business or to assist unrelated companies. This industry cluster includes corporate headquarter operations.

NUMBERS TO KNOW:

2015 Jobs	Average Earnings	Establishments	Gross Regional Product (GRP)
33,802	$90,212	2,933	$4.1B
No. 1 out of 8 Clusters	No. 1 out of 8 Clusters	No. 1 out of 8 Clusters	This cluster generates 4.9% of the area's gross regional product No. 1 out of 8 Clusters

Information analytics and security

This cluster consists of information technology and analytical services such as computer systems and networks design, software programming and publishing, and technical consulting services. Software developers comprise the largest occupation in this cluster, accounting for nearly one in five of all cluster jobs.

NUMBERS TO KNOW:

2015 Jobs	% Projected Growth (2015–2020)	Establishments	Gross Regional Product (GRP)
18,542	8.1%	1,305	$2.0B
No. 3 out of 8 Clusters	No. 1 out of 8 Clusters	No. 2 out of 8 Clusters	This cluster generates 2.4% of the area's gross regional product

Tourism and recreation

This cluster consists of establishments related to hospitality and tourism services and venues. This includes sport venues, casinos, museums, and other attractions. It also includes hotels and other accommodations, transportation, and services related to recreational travel such as reservation services and tour operators.

NUMBERS TO KNOW:

2015 Jobs	% Projected Growth (2015–2020)	Average Earnings	Gross Regional Product (GRP)
18,175	–2.3%	$31,739	$846M
No.4 out of 8 Clusters	No.6 out of 8 Clusters	No. 8 out of 8 Clusters	This cluster generates 1.0% of the area's gross regional product

Insights from Industry and Business Leaders

Through the focus groups and surveys conducted for this study, industry leaders helped to create a fuller picture of the trends and needs of Hampton Roads employers.

Common themes that emerged include the following:

- More regional focus by economic developers with more unity in marketing & branding
- Overreliance on military contracts for business revenue
- Need to diversify customer base
- Difficulty in helping exiting military personnel transition to civilian jobs
- Lack of entrepreneurial spirit, creativity, and focus on innovation
- Increasing labor costs
- Retaining qualified employees
- Aging workforce
- Workforce commute costs
- Continuous change in technology

HIGH LEVEL RECOMMENDATIONS

1	2	3	4	5
Maintain a regional focus on the eight industry sectors that have been identified.	Understand the impact of government contracts on the regional and local economies.	Understand the extent and effectiveness of business and educational collaboration.	Understand succession planning and retirement pain points across large and small businesses in the region.	Celebrate and publicize regional workforce strengths.

Recommendations

RECOMMENDATION 1

1

Maintain a regional focus on the eight industry clusters that have been identified.

These eight clusters consist of industries that are highly concentrated in the region, giving the Hampton Roads region an advantage in providing competitive educational programs that are targeted to these industries. Many of the sectors share common occupations within their staffing patterns. Because of this, educational programs focused on key occupations across the region can effectively provide training for multiple major employers as well as providing graduates with a variety of career paths. Finally, the choice of these sectors coincides with the industry clusters supported by ReInvent Hampton Roads. Aligning the development interests of multiple organizations allows for stronger regional collaboration, better deployment of resources, and greater regional identity.

RECOMMENDATION 2

2

Understand the impact of government contracts on the regional and local economies.

One cluster, ship repair and shipbuilding, is estimated to have up to 90% of its revenues associated with government contracting. Given the regional expertise and importance for this industry, that exposure may be more of a strength than a weakness. For other clusters, however, such as business and consulting services, dependence on government contracts might not be transparent. Many businesses in this cluster, as well as others, may be suppliers to government contractors, unaware of how much revenue exposure they might have to government work. A deep dive supply chain analysis, combined with government contractor surveys, would reveal the extent and types of government contract work that fuel the regional economy.

One outcome of understanding the impact of government contracts could be to support assistance to local businesses to diversify their markets and customers. For example, one such program is the Manufacturing Extension Partnership, which is a public and private partnership with business assistance centers located throughout Virginia. This is only one example of government assistance at the state or federal levels that can help businesses with market development. The regional partners for this workforce effort can help their businesses understand what types of assistance are available before a crisis hits.

RECOMMENDATION 3

3

Understand the extent and effectiveness of business and educational collaboration.

Several business leaders do not feel local educational institutions put enough effort into understanding business needs. Other business leaders felt they are the ones who must take the initiative to work with educators to provide insight into the careers offered in the region and the skills that people should be working to acquire. The regional partners involved in this study could instigate a survey and other data gathering efforts to understand what programs are most valued by employers, as well as what collaborative efforts are needed or are in place and working well.

RECOMMENDATION 4

4

Understand succession planning and retirement pain points across large and small businesses in the region.

While the looming retirements of baby boomers are often discussed in popular media, few efforts have delved deeply into business succession planning efforts – succession planning not only for key managerial positions, but at all medium and higher skill level occupations. Informal and local surveys, including the one conducted for this study, often reveal that business leaders feel unprepared and uncertain about how retirements could affect their business and when these retirements might occur. Local economic development efforts could be initiated to help businesses understand their exposure to retirements of key people and plan their hiring needs or skills development efforts.

TO QUOTE ONE BUSINESS LEADER,

"I have a mechanic who has been here for more than 40 years. He knows everything. He is 74, and we just hope he keeps on working for as long as possible."

RECOMMENDATION 5

5

Celebrate and publicize regional workforce strengths.

Hampton Roads is a region with a greater concentration of middle-skill jobs than are found across the rest of the state or, generally, throughout the country. In addition, there are a significant number of former military people who move to or stay in the region after they leave the military. These people have work experience and job training that, with support, can often transition well into civilian occupations. An inflow of prime-age workers with some skills and experience like this is rare for most economies and represents an opportunity for regional economic development groups to help businesses grow and expand. Finally, some of the key clusters in the region, such as tourism and recreation, offer primarily entry-level jobs. These industries are providing the region's young people the work experience and understanding of the work ethic required to succeed. This is, yet, another natural opportunity to grow the region's skilled workforce.

The Workforce Partners

This report is a result of cooperation between Opportunity Inc. of Hampton Roads, the Peninsula Council for Workforce Development, the Hampton Roads Economic Development Alliance, and ReInvent Hampton Roads.

Opportunity Inc. is the operating arm of the Hampton Roads Workforce Development Board (LWDB 16), and serves (cities) Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk, and Virginia Beach; and (counties) Isle of Wight and Southampton. Opportunity Inc. seeks to meet the business community's need for trained and qualified workers, increase per capita income, promote greater corporate competitiveness, and improve regional prosperity through initiatives that strengthen the regional workforce. The organization has been tasked with providing the leadership necessary to deliver a sound workforce development strategy for our region.

The Peninsula Council for Workforce Development (PCFWD) is the operating arm of the Greater Peninsula Workforce Development Board (LWDB 14), and serves (cities) Hampton, Newport News, Poquoson, and Williamsburg; and (counties) Gloucester, James City, and York. PCFWD works to ensure a robust local economy with economic opportunity through a wide variety of services and programs designed for both adults and youth seeking employment, career direction, or job advancement.

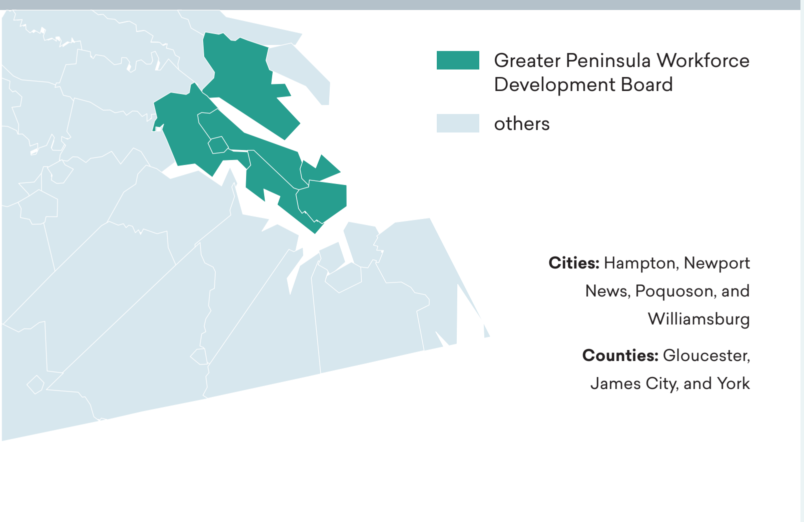
The Hampton Roads Economic Development Alliance (HREDA) is an accredited economic development organization representing (cities) Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, and Virginia Beach; and (counties) Isle of Wight and Southampton. HREDA markets Hampton Roads as the primary region of choice for economic investment and business expansion and serves as the area's lead regional economic development and marketing organization to recruit and encourage new and expanded business development as well as a talented business employment pool to locate in Hampton Roads.

Reinvent Hampton Roads, an outgrowth of the Hampton Roads Community Foundation, serves as the community frame for game-changing activity that will improve the economic performance and profile of Hampton Roads over time. The focus of Reinvent Hampton Roads is on growing more and higher paying jobs for the region that entice young adults to stay in the region or move there to live, work and raise their families.

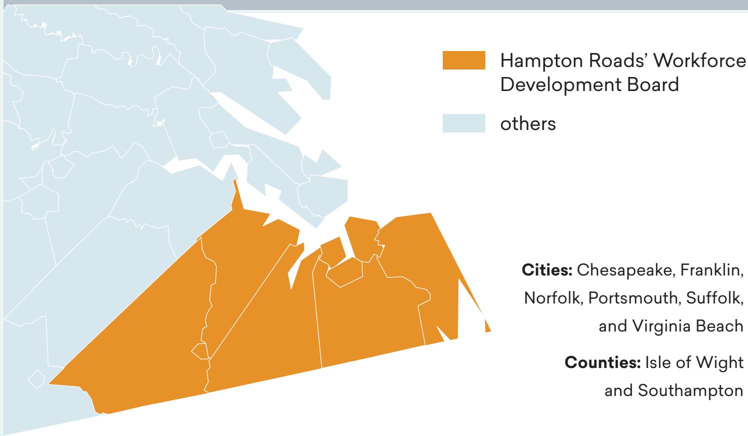
The Hampton Roads State of the Workforce 2017 report is a look at where we've been, where we are today, and what opportunities and challenges lay ahead. It provides a foundation for discussion and planning as it allows us to work toward creating our own future.

LOCAL WORKFORCE DEVELOPMENT BOARD SERVICE AREA

Greater Peninsula Workforce Development Board, Virginia



Hampton Roads' Workforce Development Board, Virginia



Map Source: Department of Labor, CareerOneStop.

Download the full report at: **www.opp-inc.org** or **www.pcfwd.org**

For more information, please contact:

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PENINSULA COUNCIL For Workforce Development
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REINVENT HAMPTON ROADS

www.reinventhr.org

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