

Rochester  Works!

PREPARING A WORKFORCE FOR THE NEW ECONOMY



MONROE/ROCHESTER

2004 State of the Workforce Report



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The Greater Rochester community is in transition. We are moving from an economy heavily dependent on manufacturing to one that will increasingly be dependent on knowledge, and technical and service skills. It is critical that local education, employment, support, and training programs serving businesses and job seekers be driven by a well defined strategy appropriate for the new realities we face.

The Monroe County/Rochester Workforce Investment Board (WIB) presents this State of the Workforce Report as a planning tool. The WIB oversees our local Workforce Development System, known as RochesterWorks!, which encompasses a broad spectrum of employment and training services. Services to job seekers and businesses are available through three RochesterWorks! Career Centers.

The WIB determines service priorities, guides program strategies, facilitates service integration, and ensures quality outcomes. By understanding workforce development needs, anticipating trends, and focusing on system outcomes and performance, the WIB can effect substantial long-term change in the economic well being of the community.

This report is designed to help the Greater Rochester community meet the compelling need to align our region's economic development goals with our workforce development strategies.

The report outlines the state of our region's workforce, including demographics, workforce supply and demand issues, education and training opportunities, workforce challenges and more. It contains findings from a recent labor market analysis by the Wadley-Donovan Group of Edison, NJ, which recently completed a labor market assessment of the six-county Greater Rochester region. It concludes with the Wadley-Donovan Group's recommendations.

As our community positions itself to coordinate economic development efforts, the WIB has made working with state, county, city and private economic development groups a key focus for RochesterWorks! Under the WIB's guidance RochesterWorks! has also begun partnering with Workforce Investment Boards in surrounding counties to identify and address regional issues to support local economic development efforts. These new partnerships are an important avenue for increasing the economic potential of the entire Greater Rochester region.

It is the WIB's intent that this report will stimulate meaningful dialogue and action in the economic and workforce development community in the Greater Rochester region.

THE WORKFORCE REPORT

"WORKFORCE DEVELOPMENT INCLUDES ALL OF THE PUBLIC AND PRIVATE INVESTMENTS AND ACTIVITIES UNDERTAKEN TO ENSURE THAT INDIVIDUALS BOTH ARE EMPLOYABLE AND HAVE JOBS – AND SIMULTANEOUSLY TO ENSURE THAT COMPANIES CAN FIND AND DEVELOP THE SKILLED WORKFORCE THEY NEED TO BE SUCCESSFUL IN THE WORLD MARKETPLACE."

CORPORATION FOR A SKILLED WORKFORCE

National and International trends have an impact on our current situation and future actions. Global economic shifts have affected the demand for workers and the skills necessary to maintain employment and productivity. The 21st century presents a very different world. Life-long learning and having several different careers is now reality. Whereas workforce training used to be a “political” and “social” issue - today it is an “economic” issue.

NATIONAL WORKFORCE SITUATION & TRENDS

- Our nation’s economy peaked in March 2001. Unemployment is currently around the highest it has been in nine years. From December 2003 until May 2004, it has remained at 5.6%.
- Non-farm payroll is up 248,000 for the third month in a row as of May 2004.
- Total employment is 138.8 million as of May 2004.
- Manufacturing lost 29,000 jobs in September 2003 or 648,000 over the past year.
- Many non-manufacturing sectors gained jobs, such as health services, which added 540,000, a 5.25% increase.

Growth/Loss Areas in National Employment: (April '03 to April '04)

Services	+1.1M
Education	+54,600
Health Care	+259,000
Leisure/Hospitality	+229,000
Construction	+194,000
Trade, Transportation	+130,000
Financial Services	+48,000
Telecommunications	-42,500 (-190,000 since '01)
Manufacturing	-250,000 (-2.9M since 2000)

OUR WORKFORCE DEMOGRAPHICS ARE CHANGING

- The labor force has grown 1.6% annually in past 50 years. It is projected to grow only .6% annually in next 50 years.
- By 2010, youth labor will increase by 3.4 million. Forty one million new workers will enter the workforce.
- The workforce is aging. Today workers over 55 represent 13% of the workforce. By 2020 they are projected to make up 20% of the workforce.
- Our workforce is becoming more diverse. Hispanic, Black and Asian workers will represent significantly larger percentages of the labor force. By 2010, Hispanics will make up 16% of the workforce, Black workers, 13% and Asian workers, 7.3%.

WE ARE FACING A WORKER SHORTAGE WHERE LABOR DEMAND WILL OUTSTRIP SUPPLY

- From 1980-2000 our native workforce grew by 44%, but is projected to remain flat during 2000-2020.

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IN ADDITION, WE ARE FACING A SKILL GAP

- 39% of the current workforce and 26% of new hires have basic skill deficiencies.

THE SKILL CHALLENGE

- There was an 18% decline in business investment in training between 1988 and 1997.
- Also, 53% of workers are employed by small businesses that offer few training opportunities.

EDUCATION MATTERS

- Workers with less education experienced higher unemployment rates.
- Unemployment in August 2003:
 - Less than high school diploma - 9.4%
 - High school graduate, no college - 5.45%
 - Some college/associate degree - 4.75%
 - Bachelor's degree and higher - 3.1%
- Education also impacts salaries and as the skill gap widens, the salary gap grows wider. The college vs. high school earnings differential in 1980 was 50% and in 2000 was 100%.
- As of 2000, 7% of White students, 11% of Black students, 38% of Hispanic students did NOT finish high school.
- Today, 84% of White workers, 91% of Black workers, and 97% of Hispanic workers enter the workforce without college degrees.
- Drop-out rates most impact the growing segments of our population. Therefore, beginning in 2005, we will experience a skill AND a numbers gap.

AS WE LOOK TO THE FUTURE, WHAT ARE THE TRENDS?

- Wages are rising.
- Gross Domestic Product and productivity are up. The result is that some jobs are gone forever.
- Productivity is increasing significantly. In the past ten years, output per hour of work has grown 28.7% and factory efficiency has grown 47.3%.
- We are seeing a shift to a more service- and knowledge-oriented economy.
- As the U.S. workforce becomes more educated and expensive, production of low-end goods cannot be justified financially.

We have an expensive and educated workforce. U.S. companies will send 3.3 million “service” sector jobs overseas by 2015. According to Forrester Research, Inc., India, the Philippines, and China are becoming hubs for manufacturing AND service outsourcing. India has a strategic plan through 2008 to become the world's IT leader, and IT-enabled offshore services center. China has more students in higher education today than the U.S.

THE BOTTOM LINE?

We must take the steps to prepare American workers for success in the 21st century!

**NEW YORK STATE
WORKFORCE STATUS**

As of April 2004

- Unemployment is at 6.2%, the lowest it has been since November 2002.
- Non-farm payroll saw gains of 6,100.
- Total Employment is 6.9 million.

Growth/Loss Areas in N.Y. State Employment (April '03 to April '04)

Services	+63,000
Education	+7,800
Health Care	+24,300
Leisure/Hospitality	+12,800
Construction	+1,500
Trade, Transportation	+3,800
Financial Services	+5,300
Telecommunications	-3,300
Manufacturing	-18,200

**Source: NYS Department of Labor*

New York vs. National Trends (May '03 to May '04)

New York is:

- 10% of (nation's) growth in Education and Health
- 4.6% of growth in Leisure/Hospitality
- .7% of growth in Services
- 48% of growth in Financial Services
- 2% of growth in Trade, Transportation
- 10.7% of loss in Manufacturing

**GREATER ROCHESTER
WORKFORCE
SITUATION & TRENDS**

As of April 2004

- Unemployment is 6.1%, up from 5.7% a year ago.
- Non-farm payroll is up 700.
- Total employment is 528,500.

Fastest Growing Occupations (2000-2010)

	N.Y.	FINGER LAKES	TOTAL JOBS
Computer Support Specialists	79%	73%	2,750
Computer Software Engineers	63%	68%	2,420
Computer Application Engineers	54%	61%	4,240
Computer Network Administrator	57%	52%	2,880
Home Care Aids	50%	46%	2,550
Computer Systems Analysts	36%	46%	2,240
Social Service Assistants	42%	40%	3,500
Teachers	35%	37%	2,200



**GREATER ROCHESTER
WORKFORCE
SITUATION & TRENDS**

National, State and Local Employment Trends for Select Industries

	MANUFACTURING	APRIL '04	APRIL '03	CHANGE
U.S.		14,373,000	14,623,000	-250,000
N.Y.		597,700	615,900	-18,200
Rochester MSA		80,900	85,100	-4,200
EDUCATION				
U.S.		2,741,700	2,687,100	+54,600
N.Y.		361,100	353,300	+7,800
Rochester		32,300	31,300	+1,000
HEALTH CARE				
U.S.		14,110,600	13,851,000	+259,000
N.Y.		1,180,100	1,155,800	+24,300
Rochester		17,400	17,400	N/C*
TELECOMMUNICATIONS				
U.S.		1,052,900	1,095,400	-42,500
N.Y.		58,900	62,200	-3,300
Rochester		5,700	5,900	-200

*No change

GREATER
ROCHESTER IS
A COMMUNITY OF
TREMENDOUS
STRENGTHS

For example:

- We have a high quality labor force with particularly strong computer and software skills, a strong work ethic and high productivity.
- There is a large concentration of technical and professional workers in the region compared with other benchmark metro areas.
- Education levels in the area are above state and national norms in key groups (e.g., associate degrees, bachelor degrees, 12-15 years of education).
- We have affordable housing compared to other metro areas.
- We have highly regarded public schools and nationally recognized post-secondary institutions.
- Our labor costs offer savings opportunities over other technology centers.

OUR CHALLENGES,
AS THIS REPORT
ILLUSTRATES, ARE
ALSO SIGNIFICANT

For example:

- The Greater Rochester rate of growth is lagging the state and nation.
- We have a slightly older population compared with the state and nation, and are losing a key labor force component (residents aged 20-34) faster than either the state or nation.
- Our region has a significant number of underemployed residents.

Greater Rochester can be a compelling and attractive location for new and expanding companies. We must, however, transition to a new diversified economy, one that utilizes the strengths of our highly skilled, technically-focused labor force. At the same time, we must focus our economic development efforts, target them carefully, and implement effectively.

**INTRODUCTION AND
METHODOLOGY**

This labor market assessment was prepared by Wadley-Donovan Group and is an evaluation of the labor market resources within the Rochester MSA, a six-county area in west-central New York including Genesee, Livingston, Monroe, Ontario, Orleans, and Wayne Counties. Designed primarily for use by corporate prospects contemplating location of a facility in the six-county region, special emphasis is placed on examining the region from a corporate perspective.

Wadley-Donovan Group (WDG) is a management-consulting firm recognized internationally as an authority in the field of corporate location and relocation. Clients have included American Express, Lowe’s, Toys ‘R’ Us, GTE, Morgan Stanley, British Air, Convergys, Target, CIGNA, and more than 500 other firms. As an outgrowth of corporate consulting, WDG is frequently asked by chambers of commerce, state economic development agencies, and utilities to assist them with their economic development programs.

This study required independent research to review the local labor market in Greater Rochester from the perspective of a locationally active company. For this study, WDG prepared, gathered, and analyzed data from these sources:

1. EMPLOYER SURVEY

- In cooperation with the Rochester Business Alliance (RBA), approximately 1,400 regional companies in all business sectors were surveyed.

2. BENCHMARKING

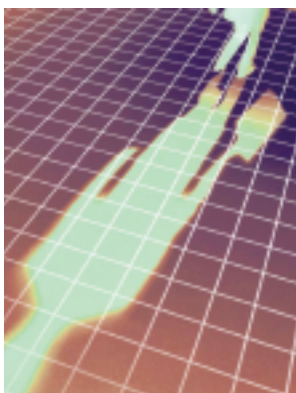
- Greater Rochester was benchmarked against data for 22 Metro Areas including New York, NY; Buffalo-Niagara Falls, NY; Raleigh Durham-Chapel Hill, NC; Hartford, CT; Washington DC; Greenville-Spartanburg-Anderson, SC; Boston, MA-NH; and Jacksonville, FL.

3. INTERVIEWS

- WDG interviewed more than 35 representative employers, staffing services, educators, and local government representatives. They examined the region from a corporate perspective and their own knowledge of labor markets across the U.S.

EXECUTIVE SUMMARY

The Wadley-Donovan Group finds Greater Rochester to be a compelling and attractive location for new and expanding companies, particularly those seeking to develop technology-intensive office and manufacturing operations.



The area offers particularly good, cost-effective opportunities for professional service operations in diversified fields of engineering; computer systems and software-design-related activities; R&D; and technical business services such as patent law and brokerage. These operations would form the foundation for a technical business services cluster. The service market for these operations would be primarily in the Northeast and on the



East Coast, and secondarily, in national and international markets. The area also offers promise for entrepreneurial ventures. The region has several strong labor and operational advantages for these operations, which together form a competitive location over other competing markets. The most compelling are:

- An available, skilled, underemployed, experienced, and highly educated labor force.
- Two renowned major business, engineering and science-based universities, plus six other four-year institutions with a total of 11,000 graduates per year, and six two-year colleges – including three community colleges recognized for their responsiveness to local business needs.
- An engineering- and technology-focused workforce.
- An available clerical and administrative labor pool with advanced computer skills.
- A broad base of small-to-large corporate operations in computer systems design; engineering services; scientific R&D; telecommunications; and professional, scientific and technical services.
- Office and manufacturing operations of numerous Fortune 500 companies.
- A business environment conducive to entrepreneurship and technical innovation, as evidenced by a university and private sector that produces more patents than are produced in any other metropolitan area.
- Labor costs that offer savings over other leading technology centers.
- Labor quality ratings, particularly computer-related skills, that exceed those found in other locations in which WDG has conducted similar analyses.
- A high housing affordability index that shows the ratio of housing costs to income in the area as being among the most favorable for home buyers among the competing areas studied.
- Excellent public school systems.

However, Rochester faces a number of challenges, including a slow-growing population and a loss of residents in the key age range of 20-34 years, and a series of high profile layoffs among internationally known companies that for many years formed the foundation of the region’s economy.

Percent Employment Top Ten Industries for Region, NY, and U.S. (2003)

EMPLOYMENT BY INDUSTRY	GREATER ROCHESTER	NY	U.S.
Manufacturing	23.0%	11.1%	12.8%
Healthcare/Social Assistance	13.4%	14.6%	11.3%
Educational Services	11.7%	10.7%	8.8%
Retail Trade	10.8%	10.1%	12.0%
Professional/Scientific/Technical Services	6.0%	7.3%	6.5%
Accommodation/Food Services	5.3%	5.4%	6.3%
Construction	4.4%	5.1%	7.2%
Other services (excl. Public Admin.)	3.8%	4.6%	4.9%
Wholesale Trade	2.9%	3.1%	3.5%
Administration/Support/Waste Management Services	2.8%	3.2%	3.4%

Source: ESRIBIS, Inc.

**LABOR
AVAILABILITY**

Underemployed and graduating students contribute to a deep pool of highly skilled and technical labor, particularly relative to other metro areas. Employers report satisfactory to very good availability of skills sets across most industry sectors. Some skill shortages do exist, but most occur in those occupations in which there is a national deficiency, such as the healthcare sector. Our findings show the following:

The region has a population of 1,102,771, resulting in a labor force of 575,265. The region's unemployment rate (monthly avg. of 5.8% in 2003) is slightly lower than the U.S. figure (6.0%).

**HIGH QUALITY
LABOR FORCE**



- An available and high quality labor force is one of the region's strongest assets, including underemployed residents and students from the metro area's numerous post-secondary institutions.
- 71% of responding employers believe that overqualified job applicants are present in the local labor market, one of the highest ratios seen by WDG in similar studies across the country. "Underemployed" refers to residents employed below their previous job levels or educational training.
- WDG's labor availability model estimates there are 43,000 underemployed residents for industrial or warehouse/distribution positions. There are roughly 62,000 underemployed residents for office or clerical positions.
- There are nearly 11,000 graduates from the area's eight four-or-more-year, post-secondary institutions, and 4,400 from the area's seven two-year schools. The number of annual graduates from these institutions with bachelors or graduate degrees exceeds the number in many of the competitive metro areas reviewed by WDG, including Hartford, Greenville-Spartanburg, Middlesex-Hunterdon (NJ), Grand Rapids, and others.

**SURPLUS OF HIGHLY
TECHNICAL, SKILLED,
AND EXPERIENCED
WORKERS**

Interviewed and surveyed employers report a surplus of highly technical, skilled, and experienced workers, including CFOs; technical/IT skills such as computer support specialists, computer operators, database administrators, programmers/analysts, and network technicians; a broad spectrum of clerical/administration personnel, managers, manufacturing and distribution occupations; call center agents/representatives, marketing specialists, human resource specialists, systems analysts, mechanical engineers, software engineers, programmers, and a host of other IT skills. Many of these available skills are due to layoffs at Kodak, Xerox, and other large area employers.

- Additional Kodak layoffs of 3,500 to 4,500 in Rochester are anticipated over the next three years. Since 2000, Xerox eliminated 3,000 jobs in the Rochester area. In addition there have been significant layoffs at Bausch & Lomb.

LARGE CONCENTRATION
OF TECHNICAL WORKERS

There is a large concentration of technical workers in the region.

- There are 1,407 residents employed in architecture/engineering occupations per 100,000 residents in the Rochester metro area, exceeding the U.S. average and the average of most studied comparative metro areas, including, among others, New York, Washington D.C., Buffalo, Raleigh, Syracuse, and Albany.
- There are 1,760 residents employed in computer science and mathematical occupations per 100,000 residents in the Rochester metro area, exceeding the national average and the average of most studied comparative metro areas.

TIGHT SUPPLY
OF SOME SKILLS

Surveyed employers report a tight supply of some skills – almost all of which are in the healthcare industry – including medical lab technicians, cardiovascular technologists, radiological technicians, medical records technicians, and licensed practical nurses. Some manufacturing skills are also in limited supply, including heavy-equipment operators and tool & die makers.

RECRUITING
MANAGERS TO THE
AREA IS A CHALLENGE

Recruiting or transferring some managers and professional candidates to the area is difficult in part due to the appearance of job shortages for trailing spouses. Additionally, employers report that it is difficult to recruit managers and executives to the Rochester area for fear alternative job opportunities will not be available should it be necessary to change employment.



LABOR QUALITY

Employers will benefit from a high quality labor force. Key assets include particularly strong computer and software skills, a strong work ethic, and high productivity.

COMPUTER AND
SOFTWARE SKILLS
AMONG HIGHEST
IN NATION

Ratings by interviewed and surveyed employers show fundamental computer and software skills among job applicants that are among the highest seen by WDG in similar community analyses across the country. Skills receiving the highest ratings include basic keyboarding skills, word processing, accessing and using the Internet, and Microsoft-based office applications.

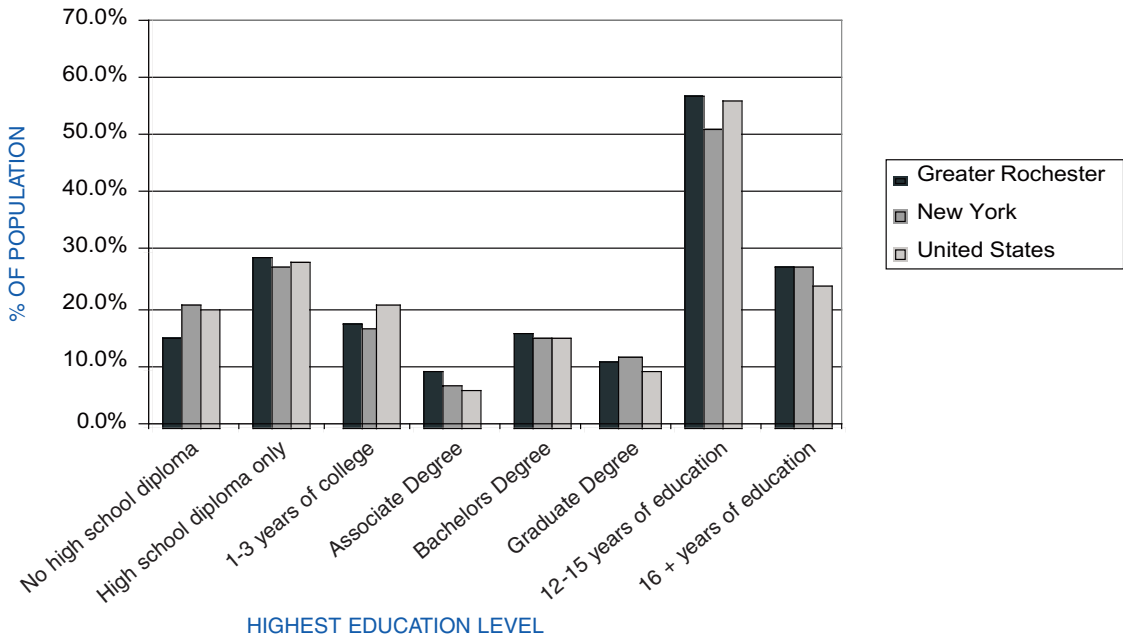
HIGH WORK ETHIC	All employers rated the work ethic as very good or excellent, particularly when compared by companies with facilities in other parts of the country.
BASIC SKILLS SATISFACTORY	Basic skills are viewed as satisfactory to slightly-above-satisfactory by area employers. Written communication skills received the lowest rating but were still considered satisfactory.
WAGE RATES OFFER SAVINGS OVER OTHER METRO AREAS	A highly qualified, large labor force is available at wage rates that offer savings over many other metro areas studied in WDG's analysis. Average annual earnings for the Rochester MSA were \$53,516, just slightly higher than the U.S. average of \$52,645 but lower than Washington DC (\$78,801), New York City (\$76,663), and Boston (\$65,015).
EARNINGS BELOW STATE AVERAGE	The area's overall earnings are 27% below the state average and five percentage points higher than the national average. Professional, scientific, and technical service sector earnings are roughly 72% of the state average and 93% of the national average, while information sector earnings are roughly 80% of the state average and 102% of the national mean.
IT EARNINGS BELOW OTHER METRO AREAS	Earnings in the information industry sector are 32% lower than Washington, D.C., 30% lower than New York, and 17% lower than Boston. It can be inferred from interviews with area employers and outplacement firms that earnings in this sector are impacted by the area's large employers (i.e., Kodak, Xerox), which have long-tenured employees. Separate data for these employers is not available to show the extent of the impact. Extracting these large firms from the area's average salary calculations would reduce the overall area salary average and the average for this sector. Importantly, these companies are in a downsizing mode, which will reduce their impact.
PROFESSIONAL/SCIENTIFIC/ TECHNICAL EARNINGS LOWER THAN OTHER METRO AREAS	In the professional, scientific, and technical services industry sector, earnings are 23% lower than Austin, 34% lower than Boston, 4% lower than Albany, 19% lower than Hartford, and 29% lower than Middlesex-Somerset-Hunterdon.
MATH & SCIENCE EARNINGS LOWER THAN OTHER AREAS	Earnings for mathematical and computer science occupations in Rochester are 6% lower than Washington, D.C., 13% lower than Raleigh, 34% lower than New York, NY, 7% lower than Boston, and 4% lower than Grand Rapids.
ENGINEER ARCHITECT EARNINGS LOWER AS WELL	Earnings for engineer, architect, and surveyor positions are 17% lower than Austin, 14% lower than Boston, 8% lower than Hartford, 7% lower than Pittsburgh, and 8% lower than Raleigh.

DEMOGRAPHICS

RESIDENTS WELL EDUCATED BUT OTHER INDICATORS MAY CONCERN EMPLOYERS

Greater Rochester's residents are very well educated. However, the region has some demographic indicators that would be of concern to locationally active companies, including a slightly higher median age than the nation, slower-than-average population growth, and a declining prime-working-age population.

Educational Attainment for Region, NY and U.S. (2000)



Source: U.S. Bureau of the Census

RESIDENTS WITH GRADUATE DEGREES ABOVE NATIONAL AVERAGE

The proportion of regional residents with a graduate degree exceeds the average of the nation and many of the competitive areas reviewed in this analysis, such as Omaha, Pittsburgh, Salt Lake City, Syracuse, Jacksonville, Milwaukee, Nashville, Allentown, Buffalo, Grand Rapids, and Greenville-Spartanburg. The proportion of residents in Rochester with some college or an associate's degree exceeds those of Washington D.C, Salt Lake City, Raleigh, Pittsburgh, New York, Nashville, and others.



Rochester exceeds the proportion of residents with 12 to 15 years of post-secondary education and the proportion of residents with a bachelor's degree or higher in Montreal and Toronto.

POPULATION GROWTH SLOWER THAN STATE AND NATIONAL AVERAGE

While Greater Rochester has a large population (1.1 million), the number of residents is projected to grow by only 1% between 2003 and 2008, slower than the state rate of 3.5% and the national rate of 9.9%.

SLIGHT GROWTH IN LABOR FORCE PROJECTED

Rochester's labor force has been in decline since 1998. The Rochester area's labor force is projected to grow by 0.6% between 2003 and 2008.

PROJECTED DECLINES
IN WORKING AGE
RESIDENTS

The proportion of prime-working-age residents, ages 20 to 34, is projected to decline by 0.4% between 2003 and 2008, compared to an increase of almost 1% in New York State and 2.5% nationally. Comparatively, Austin is projected to see this portion of the population increase by 11.6%, Jacksonville by 9%, and Raleigh by 6%.

AGING POPULATION



Rochester has an older population with a higher median age than the state, nation, and other studied competing metro areas such as Washington, D.C., Salt Lake City, Raleigh, Omaha, New York, and Austin.

**Top Five Occupations Currently in Demand by
Region Employers Responding to RBA/WDG Survey**

LABOR DEMAND (CURRENTLY LOOKING)	# NEEDED	% OF TOTAL DEMAND
Engineers	234	14.1%
Machine operators, no setup	134	8.1%
Sales representatives	97	5.9%
Bench assemblers	95	5.7%
Registered nurses	88	5.3%

Source: RBA/WDG Employer Survey, Spring 2004

**Top 10 Occupations Projected To Be In Demand In Six Months
By Region Employers Responding To RBA/WDG Survey**

LABOR DEMAND (NEED IN 6 MONTHS)	# NEEDED	% OF TOTAL DEMAND
Engineers	196	11.8%
Bench assemblers	111	6.7%
Registered nurses	103	6.2%
Customer service representatives	74	4.5%
Sales representatives	72	4.3%
Machine operators, no setup	71	4.3%
Clerical workers with advanced computer skills	63	3.8%
Licensed practical nurses	60	3.6%
Unskilled laborers (manufacturing, repair)	50	3.0%
Programmer/analysts	47	2.8%

Source: RBA/WDG Employer Survey, Spring 2004

Top 10 Occupations Projected to be in Demand in One Year by Region Employers

LABOR DEMAND (NEED IN 1 YEAR)	# NEEDED	% OF TOTAL DEMAND
Registered nurses	194	8.8%
Clerical workers with advanced computer skills	132	6.0%
Bench assemblers	119	5.4%
Customer service representatives	117	5.3%
Engineers	99	4.5%
Machinists/manufacturing mechanic	93	4.2%
Sales representatives	91	4.1%
Food servers	85	3.8%
Licensed practical nurses	83	3.8%
Machine operators, no setup	72	3.3%

Source: RBA/WDG Employer Survey, Spring 2004

EDUCATION AND TRAINING



The Rochester metro area is blessed with several high quality post-secondary institutions. Yet, despite these resources, area employers rarely utilize the region’s post-secondary institutions for either training or recruitment purposes, indicating a disconnect between the needs of employers and the educational services available.

- There are six two-year schools and eight four-or-more-year post-secondary institutions in the region.
- Employers rarely use the area’s post-secondary institutions for their general or customized training. Additionally, employers report almost never recruiting at area post-secondary institutions.
- Employers see the need for some improvements at the area’s secondary and post-secondary schools in such programs as communication/speaking, reading/writing, and critical thinking at the high school level; communication/speaking, critical thinking, and job preparedness at the community college level; and critical thinking, job preparedness, and interview skills at the university and college level.

BUSINESS CLIMATE



Rochester’s economy is in transition from one dominated by a few large employers, primarily in the manufacturing sector, to a service sector economy with more small and mid-size employers with less generous pay and benefit packages.

Greater Rochester’s Establishments by Size (2001)

ESTABLISHMENTS	1 - 99 EMPLOYEES	100 - 249 EMPLOYEES	250 - 499 EMPLOYEES	500 - 999 EMPLOYEES	1,000 + EMPLOYEES
24,442	23,733	481	153	54	21

Source: U.S. Department of Commerce, County Business Patterns

PROJECTED HIRING VARIES BY SIZE OF COMPANY

Surveyed and interviewed small and mid-size companies report an expected employment increase of 3.6%. Employment at the larger companies is likely to remain stable or show some declines.

LEADS THE NATION IN PATENTS ISSUED

Rochester leads the nation in the number of patents issued, beating out all other U.S. metro areas, according to the New Economy Index, produced by the Progressive Policy Institute. Contributors to this distinction are the area’s post-secondary institutions and a strong base of technologically-innovative employers.

HOME TO FORTUNE MAGAZINE’S “BEST COMPANIES TO WORK FOR”

Rochester is home to two of *Fortune* Magazine’s “100 Best Companies to Work For”: Wegman’s and Paychex. It is a major testament for a mid-sized metro area to have 2% of the selected companies. It also points to Rochester’s economic shift from a manufacturing-dominated economy to a service-focused economy.

SKILL TRANSFER CHALLENGE

Residents previously employed at the major companies in the Rochester area (i.e., Kodak, Xerox, Bausch & Lomb) have difficulties transferring their skills to other organizations. Employers report that new hires previously employed at these large companies have difficulty adjusting to less hierarchical and structured organizations.

HIGHLY RATED QUALITY OF LIFE

The area has a highly rated quality of life – particularly excellent public school systems – and a low cost of living relative to other major metro areas. Relative to other WDG-studied metro areas, the ratio of home values to median incomes (a measure of housing affordability) is high, indicating high housing affordability.

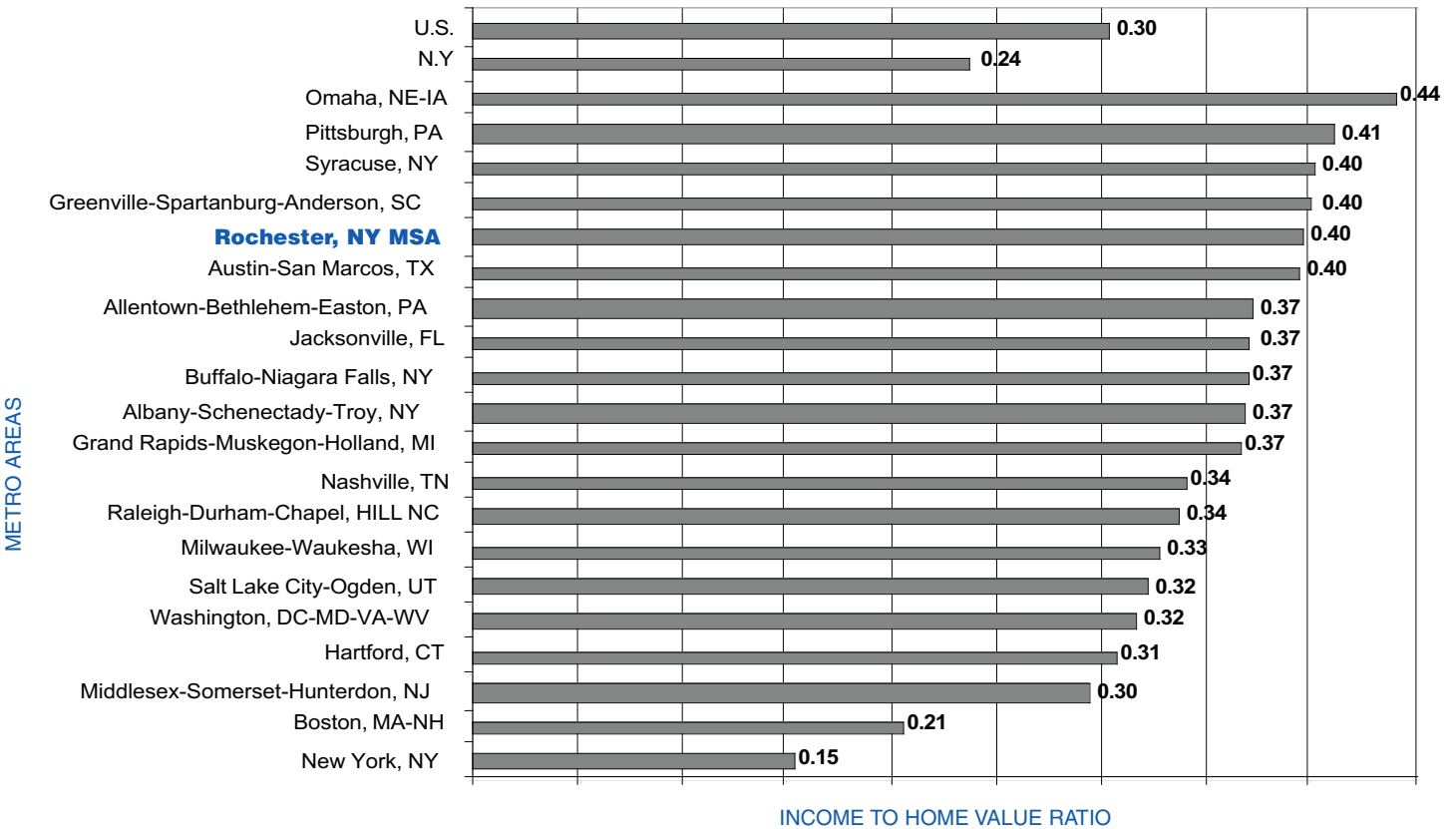
IMPACT OF
WORKER'S COMP AND
HEALTH CARE COSTS



Employers report that the high cost of healthcare and Worker's Compensation costs strongly affect their ability to do business in the Rochester area. New York manufacturers paid average workers' comp costs that were 29.3% higher than the national average in the 12 months ending January 1, 2003, according to the annual analysis of manufacturers' workers' compensation costs by Actuarial & Technical Solutions of Ronkonkoma, New York.

Health insurance costs are a national issue for employers. The average premium per employee in New York (\$3,081.49) is only slightly higher than the national average of \$2,889 and well below other states such as Massachusetts, New Jersey, Connecticut, Wisconsin, Colorado, Utah, and California.

Median Income to Median Home Value Ratios*



*The higher the ratio, the more affordable housing is for residents relative to income.

1. Focus economic development efforts toward transitioning to a more diversified economy.

The area has been blessed with an economy based largely upon Kodak, Xerox, Bausch & Lomb, and other large employers. These firms have created a large, technically-focused labor force. The region's excellent four-year colleges and universities have significantly added, and continue to add to this rich talent infrastructure, aided by the community colleges and other post-secondary institutions. The region's small and mid-sized companies also contribute substantially to this blend.

- WDG recommends that this new diversified economy be based upon the labor and other resources and support infrastructure generated by the region's traditional economic base. To build this new direction, the area should focus its strengths on business attraction, business expansion, and entrepreneurial development programs.
- The companies of the region's new economy would be smaller and more nimble than the past regional corporate model. WDG specifically recommends the following targets for future development, based on the area's labor resources:
 - High-end office support centers (e.g., information processing, IT-intensive activities, mission-critical operations, administrative/finance centers, shared service centers, portfolio management operations).
 - Technology-intensive professional service operations, including diversified engineering firms, computer systems and software design companies and units of larger firms, optics and photonics and diversified technology, medical, R&D, and technical business services such as patent law and brokerage. Markets served would be national, regional, and eastern U.S. International markets would also provide opportunities.
 - Entrepreneurial activities across industry sectors stemming from displaced workers at the "Big 3" and technology transfer from the universities.
 - Manufacturing (such as medical equipment, advanced materials, fabricated metal products requiring high precision machining for fast-turnaround, customized orders).



2. The community must create an image of a dynamic technical and innovation center.

This image would be built upon its current assets and the opportunities they offer companies. A concentrated effort must be made to enhance this image through greater retention of university graduates, creation of an exciting living and working environment for innovative individuals, and local commercialization of university and corporate research.

- **Innovative companies can contribute to the effort**

Paychex and Wegmans could contribute to this image change. The community could parlay the management styles of these innovative companies to other area employers. Other award-winning management programs in the region could contribute to this effort. It is important that company management style accompanies a transformation in the local economy, and that this style meets the needs of successful companies in the redirected economy.

- **Promote innovative human resource programs**

The innovative human resource programs and “employer of choice” status achieved by area companies could be used as part of an image-enhancement campaign on the theme of Greater Rochester as the place for human resource policy innovation.

- **Hold workshops to help companies reach “employer of choice” status**

A series of workshops targeting new and expanding companies is encouraged that focuses on what makes an “employer of choice” in the region. This will help assist companies to find and retain new employees. These workshops can be developed based on input from existing companies in the region that have successfully implemented promising human resource practices and built a loyal and dedicated workforce.

- **Retain college graduates**

As a means of retaining more college and university graduates in the region, it is urged that manufacturing and office employers support co-op and internship programs with local educators. While some employers do report utilizing these programs, it is important to expand their usage and emphasize their importance to the future of the workforce. Co-op and apprenticeship programs are an effective way of keeping graduating students in an area because of the employment and professional bonds they have developed.

- **Expand college recruiting**

Similarly, on-campus recruiting needs to be expanded. While recent graduates may begin at lower positions than what is ideally sought after by the company, it is reported that companies that “grow their own” experience a high degree of loyalty from these employees. Additionally, graduates are familiar with the area and face no relocation challenges or misgivings.



- **Develop e-commerce zone**

The development of an e-commerce zone should be explored, preferably located downtown, developed in conjunction with private developers, investors, the city, and area post-secondary institutions. This zone would have fully wired buildings; 24/7 services; residential units for white-collar professionals, graduate students, and recently-graduated students; restaurants; clubs and other places of entertainment; galleries; convenience stores; laundry services; and other services. A technology incubator in the downtown area may also be suitable. The intent of this effort would be to create an exciting location in the city where young, energized, and innovative people will congregate to live and work. It would contribute to retaining the region's graduating students.

- **Develop Web-based and marketing information on labor pool**

Development of web-based and other marketing information is recommended, clearly documenting the available labor pool by occupations and salary levels (discounting the high wages paid to long-tenured employees at area companies that are not in expansion modes). This material could be made available to target industries such as those represented at various national industry association meetings. This marketing material will serve to counteract the image of a city that is losing its largest employers. It will be important to get national coverage on newsworthy events and stories.

3. Salary and earning information for workers at the larger companies and how this impacts overall reported earnings needs to be documented.

Due to long tenures and highly skilled employees, earnings for these employees may skew earnings reported in secondary data sources. By removing the effect of these wages, a more realistic portrayal of what a new employer can expect to pay in the area will be developed.

4. Seminars and training programs for dislocated workers (particularly those from larger companies) need to be developed that emphasize adapting their skills to smaller, more flexible operations.

Many of these workers have been in the same position for a number of years and are unfamiliar with newer workplace models and practices.

- These seminars should be developed with input from the region's newest employers of choice (i.e., Paychex, Wegmans) in order to provide information on the skills most valued by innovative and growing companies.



5. A residential survey should be conducted in order to document the area's not-employed residents (both unemployed and those residents not in the workforce) and underemployed residents.

This would quantify the number of residents and the specific skill sets available to new and existing employers. It also would document the training programs desired among area residents, which will allow local training institutions to more specifically tailor their programs to the needs of the region's residents.

- Specific emphasis must be placed on documenting the skills of displaced workers from Xerox and Kodak, due to the quantity and quality of these workers. This effort would be through a partnership with these employers and with area outplacement services.

6. Assist employers with recruiting from outside the area.

For those employers that need to recruit for positions outside the area, assistance should be given to help with this process, including quality-of-life materials, home search and personal relocation services, background data on communities including public school systems, spousal employment opportunities, fast-track and/or discounted mortgages, and discount hotel rates for visits to the area.

7. A continued united economic development effort is necessary and highly recommended.

GRE, RBA, RochesterWorks, the city and the counties, and all other agencies active in economic and community development must work together in a highly cooperative and coordinated fashion if the area is to successfully accomplish an economic transition.

The Board oversees the local workforce development system including strategic planning, service integration and performance evaluation.

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ABOUT ROCHESTERWORKS!

RochesterWorks! was founded in 2000 and is part of the Workforce New York network. It is dedicated to helping Monroe County develop a strong workforce by helping job seekers find jobs, move to higher paying jobs and get training to improve skills.

RochesterWorks! also assists businesses with recruitment, assessment, placement, restructuring and training, and connects them to all federally funded employment and training programs in Monroe County. It has helped attract millions of dollars in funding to support training programs at Monroe County companies and organizations.

Job seekers and businesses may find information online and access services and at three conveniently-located one-stop career centers: 34 St. Paul Street and 276 Waring Road in Rochester and 3545 Buffalo Road in Gates.

All services are free of charge.



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