

State governments take bold steps on building up workforce engagement and productivity.



TRAINING INCENTIVES STIMULATE EMPLOYEE GROWTH

By Terry L. Hansen

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When companies struggle with human resource issues arising from a shrinking pool of highly skilled and talented workers, they will often resort to acquisition strategies that may run counter to employee retention plans and may prove to be less cost effective.

These strategies also often ignore employee surveys that identify learning and development as the most important factors in achieving career advancement and increasing employee satisfaction.

It is a well-known fact that the more employees are engaged in interesting, challenging work and have opportunities for growth, the more likely they are to be highly productive and stay with their company. Therefore, talent development and deployment strategies have to incorporate some way of building employees' skills to maximum capacity.

Employee development becomes a critical tool both for the employee's career progress and for the organization's market competitiveness and growth. When a third and important stakeholder in the economic equation gets involved—state government—employees, organizations, and the public sector can create a successful partnership where everyone wins.

In today's global economy, state governments are doing more to help their workforce remain competitive. Because competitive employees must possess the best and most advanced skills, government agencies have established multiple training grant programs to stimulate worker skills development. Governments understand that as workers increase their skills capacity, they fuel innovation and product development, which ultimately spurs economic growth and multiplies the return on states' investments in their workforce.

From the private sector's perspective, employee development can be expensive, and incentives—particularly those addressing the cost of training and upskilling of workers—can have a positive impact on business and investment decisions. Therefore, by directly financing training, government can help companies address challenges related to talent shortages and competitiveness. A training grant with a reasonable application and decision-making process will enable an organization to enact training quickly and efficiently, boosting employee productivity and its balance sheets. Companies can forge

ahead confidently with the knowledge that proactive actions will be supported with training funds.

The Arkansas Incumbent Worker Training Program (IWTP) is one example of how a state training incentive is designed to respond to real-world business situations:

- The IWTP supports training projects that will benefit business and industry by assisting in the skill development of incumbent workers, thereby increasing employee opportunities, and company growth and productivity.
- Training in portable skills results in a more highly skilled and versatile workforce that contributes to Arkansas' ability to attract new business, and creates an environment conducive to expansion.
- The training is expected to lead to the creation of new jobs, retention of jobs, increased wages for better-trained workers, a higher-skilled workforce, and more profitable businesses.

- Training costs may be matched at 100 percent of training costs.
- IWTP funds are given directly to the companies in cash payments.
- More information about Arkansas' IWTP may be found at www.state.ar.us/esd/Employers/IWTP.htm.

Although currently state grants for workforce development make up a small portion of economic development incentives, they are vital to states' economic health and growth and significant for the learning and development community. And increased productivity from a highly skilled labor force allows states to boost their own economic growth. This process also increases the demand for trained workers and leads to higher levels of employment, resulting in a win-win-win situation for employees, companies, and state government.

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Financial Incentives

Economic development incentives fall into three major categories:

- direct financial incentives
- indirect financial assistance
- tax-based incentives or rewards.

Direct financial incentives best suit the current labor market where talent is in high demand and where advanced skills must be kept current. They come in the form of cash grants, loans, bonds, subsidies, equity financing, and various types of funds (for example, capital and venture). Cash grants are the most flexible type of direct incentive and are more likely to immediately benefit companies. Cash grants are the only type of incentive that can directly affect training decisions and curricula in a timely manner.

Indirect incentives are loans, loan guarantees, and grants given to local governments and community organizations to support economic development.

Tax incentives fall into five categories:

- credits
- abatements/reductions
- exemptions
- refunds
- other tax considerations.

Tax incentives are used to leverage economic investment, as they can lower the cost of conducting business and level the competitive field for companies.