

# WHITE PAPER

## 2018 Economic Roundtable

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*Building a Workforce Pipeline in  
Construction, Logistics & Manufacturing  
in Gallup & McKinley County*

January 26, 2018  
La Fonda Hotel  
Santa Fe, New Mexico

*Sponsored by:*





**GREATER GALLUP ECONOMIC DEVELOPMENT CORPORATION**

*in association with*

**NORTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**



*Presents a*

# White Paper

*for the*

## 2018 Economic Roundtable

*Building a Workforce Pipeline in  
Construction, Logistics & Manufacturing  
in Gallup & McKinley County*

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## Overview

On January 26, 2018, the Greater Gallup Economic Development Corporation (GGEDC) will conduct an economic roundtable examining workforce development in the employment sectors of Construction, Logistics and Manufacturing. It will be the eighth in a series of roundtables organized since 2014.

In general, an economic roundtable is a form of facilitated discussion, bringing subject matter experts and moderators together with civic leaders in the community to build shared knowledge on critical economic issues of the day and generate new solutions to advance the Greater Gallup economy. Participants agree on a specific topic to discuss and analyze. Each person is given equal right to participate. Methods of facilitation, such as the “bar camp” approach, are used to create an environment of shared learning as participants are broken into small groups who rotate and engage subject matter experts to develop recommendations for implementation.

The economic roundtable series serves a critical function for McKinley County. It is a platform for GGEDC to provide leadership in the area of economic development, while stimulating innovative thinking on identified issues impacting economic development efforts, and to establish a forum for community stakeholders to educate themselves on economic development.

The purpose of this year’s economic roundtable focused on workforce development is to continue pressing forward on solutions to meet the need for a comprehensive approach to workforce training in McKinley County. Previous economic roundtables have begun our collective examination of the subject of workforce development, and through those efforts a solid understanding regarding the barriers and obstacles impacting workforce development in McKinley County has emerged.

Recently, in service to its priority focus on McKinley County for social investments, the Kellogg Foundation funded two planning initiatives centered on improving workforce development in the County, contracting respectively with Innovate+Educate, Inc. and Associated General Contractors to begin to systematically address the county’s workforce challenge. In the resulting strategy for the “*New Mexico Pathways*” initiative in McKinley County, Innovate+Educate identified construction, logistics and manufacturing as our top economic-base growth sectors. Greater Gallup EDC was tapped to serve as coordinator of the cooperative efforts needed to build a newly effective workforce pipeline for those employment sectors. In parallel, a community “Pathways” collaborative will similarly address other employment sectors – such as health, human services, government, and small business.

As the official economic development organization for Gallup and McKinley County, the GGEDC has developed a robust business retention and expansion program, which serves as an existing platform for the work of linking economic development and workforce development, with particular focus on new workforce training programs and “job pipelines” for those employment sectors representing economic-base industries with the greatest promise for driving new employment growth in the region.

This year’s Economic Roundtable provides an opportunity to set clear targets and strategies focused on specifically resolving barriers and capturing new opportunities in each of those employment sectors.

## What is Workforce Development?

Workforce development efforts aim to improve the quality and skills of the workforce, help businesses meet their human resource demands, and provide channels for businesses and workers to connect. It includes education as well as job training, and involves basic skills (e.g. literacy and math), hard skills (i.e. welding and IT certification), and soft skills (e.g. work ethics and attitude)<sup>1</sup>.

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<sup>1</sup> International Economic Development Council. *Workforce Development Manual*. (2011). Washington, D.C.

## Why Workforce? Why Now?

Over the past fifty years, the U.S. has been evolving from an industrial economy to a knowledge economy. In effect, we have moved from an economy based on resources to one where the primary tool of production is knowledge. In the New Economy, knowledge is the primary driver of personal, business, and community wealth. In this model, everything is driven by the continuous change emanating from innovation, which transforms and moves the economy. Businesses start and fail; move and relocate; jobs are created and lost; skills are acquired and then become outdated; workers are mobile; occupations grow and decline; and corporations grow and downsize<sup>2</sup>.

*The most important issues facing local growth and the ability for companies to grow is a trained workforce. For the economic development community, delivering high quality workers is essential for a community to be competitive. And without the delivery systems of workforce development and workforce being aligned and working together, many communities will miss their ability to win in the race for jobs and improved standards of living.*

Jeff Finkle, President/CEO, International Economic Development Council (IEDC)

## The Base Economy in McKinley County

The following summary is excerpted from the GGEDC *Business Retention and Expansion 2017 Report*, which is based on interviews with 10 economic-base employers reporting a combined employment of about 1,850 jobs. The industry sectors represented include Energy, Health, Retail, Telecommunication, Transport, and Utility.

The economic-base economy for McKinley County is dominated by the Energy sector. Coal, crude oil, and natural gas are the dominant commodities, and the majority of the production is exported from the County via pipeline or rail. Of these materials, coal is the principal commodity. Coal production in McKinley County in 2016 decreased by approximately 35 percent compared to 2015, although preliminary estimates suggest that 2017 production may surpass 2016. As the primary national and regional fuel source for energy generation ebbs from coal to natural gas, the local economic-base economy is weathering tremendous uncertainty with the ever-constant potential for immediate impacts on existing employment and tax revenue generation. All four energy-based companies interviewed reported year-over-year declines in 2017 for employment, with a cumulative loss of 216 jobs.

McKinley County's extracted resources are largely consumed in New Mexico and Arizona:

- Cholla Generating Station (Winslow, AZ): *Coal – 1,129 MW capacity*
- Escalante Generating Station (Prewitt, NM): *Coal – 257 MW capacity*
- Desert Basin Generating Station (Casa Grande, AZ): *Natural Gas – 577 MW capacity*
- Springerville Generating Station (Eager, AZ): *Coal – 1,560 MW capacity*

In addition to the switch from coal to natural gas, automation within the energy sector has continually reduced the need for human personnel. One manager indicated the current workforce is now just one-tenth the size of what it was two decades ago – and by and large, automation is the culprit.

Managers report that there has been steady in the energy sector compared to the last few years, as natural gas prices have begun to increase, crude oil has stabilized and found a price trading range, and local coal purchases have seen an uptick. In addition, Executive Orders issued by the new Trump

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<sup>2</sup> IBID

Administration appear to be providing relief to the energy sector through roll-back of key federal regulations. Despite the short- and mid-term positives, the long-term outlook remains cautious with respect to traditional fossil fuel development.

Notwithstanding an uncertain outlook but overridden by a strong philosophy of prudent asset management, managers are proceeding forward with planned capital expenditures, although anticipated spending levels are depressed versus prior years. Despite the overall decrease, capital expenditures remain significant as highlighted by two local managers, one of whom recently completed a single capital project in excess of \$3 million and another with a planned annual capital expenditure budget of \$20 million.

The Health, Retail, and Telecommunications sectors are steady pillars for the base economy of Gallup-McKinley County. Collectively the three sectors represent a combined employment of 1,080 jobs and reported a net increase of 33 jobs for 2017.

### **What are the Barriers and Challenges to Workforce Development in McKinley County?**

A review of the literature generated from GGEDC and Innovate+Educate sheds light on and begins to identify the key challenges and barriers impacting workforce development in McKinley County. The below concept maps summarize our understandings from prior studies and roundtables.

**December 2017 – Innovate+Educate, Inc.  
NM Pathways Project for Gallup-McKinley County**

#### **What are the challenges for individuals in Gallup-McKinley County?**



**What strategies are missing?**

Job seeker interest exploration	One 'stop' shop for skills assessment	Certifications for employers to recognize skills assessment	Alternate funding for short-term training assessment	In-office staff to connect job seekers with jobs
A map of services and resources	Data map	Model for Self-employment	Adequate rural broadband	Address adaptability of systems
Commitment to outcome with stakeholders	Small business incubators	Business mentor / mentee program	Community connections to NNSR	Unite job seekers with job training

May 2017 – Greater Gallup Economic Development Corporation  
*GGEDC Economic Roundtable on Housing and Workforce Development*

**What are the challenges for small business in Gallup-McKinley County?**

No central depository for matching jobs with workers	Shrinking pool of skilled workers	Recruiting former residents for available jobs is difficult	High churn rates in recruitment occupations	Need for On the Job Training (OJT)
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**What strategies are missing?**

Input from employers on workforce planning	Best practices to start a business training program	Improved access to training programs	College credit for employees who complete company provided training	Provide hands-on critical thinking experiences
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March 2017 – Greater Gallup Economic Development Corporation  
*2017 Business Retention and Expansion Outreach*

**What are the challenges for base employers in Gallup-McKinley County?**

Workforce is aging and moving toward retirement	Need to replace institutional knowledge	Difficult to attract and retain college degreed talent	Workforce training is primarily done in-house	Limited interface with colleges in McKinley County
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Managers report that there are limited opportunities in the region for acquiring workforce training for their employees. The majority of workforce training programs identified as needed to align and support local economic base employers center on trade- and skill-crafts.

There is a need for entry level workers to acquire some form of training before entering the workforce, preferably possessing, at a minimum, either a Certificate or Associate's degree. The entry-level worker with no prior training is not an ideal candidate.

To respond to workforce needs, employers report substantial financial investments in personnel and equipment to develop and expand in-house training programs. From state-of-the-art, million-dollar control simulators, apprenticeship programs, and targeted recruitment of select New Mexico colleges and universities, economic-base employers are invested in all factors of workforce development. In-house training programs are proclaimed as among the best in the country. Where possible, cross-training is utilized to provide employees with maximum exposure to all aspects of business operations.

Notwithstanding the investments made in in-house workforce development, employers report the need for additional access to workforce training. The desire for continual training is multi-faceted and reflects a desire to ensure the most proficient workforce possible but also to replace skill-sets lost when employees are recruited away by other employers in the region and state.

Despite the abundance of energy companies in McKinley County, managers lament that there is not a deep pool of local contractors and subcontractors from which to draw. As a result, companies are forced to utilize contractors from neighboring communities or states in order to acquire the personnel and skill-sets needed.

Where is contract labor coming from?

- Permian Basin – Eastern NM / West TX
- San Juan Basin – Farmington, NM
- Rio Grande Valley – Albuquerque, NM

## **Workforce Training Programs**

The following list represents training programs, apprenticeships and certifications local economic base employers would like to see made available to them locally:

### **HEALTH**

- Basic Medical Terminology
- Certified Healthcare Compliance (CHC)
- Medical Coding
- Basic Life Support (BLS)
- Ultrasound Diagnostic & Imaging
- Pharmacy Tech
- Crisis Prevention Institute (CPI)
- CT Diagnostic & Imaging
- Surgical Tech

### **TECHNICAL**

- Civil Engineering
- Mechanical Engineering
- Computer Engineering
- Electrical Engineering

### **TRADES**

- Boilermakers
- Machinists
- Millwright
- Welding (high pressure)
- Electrical & Instrumentation (ENI)
- Mechanical – Diesel
- Pipefitter
- Electricians – High Voltage
- Mechanical –Industrial
- Pipeline Corrosion

## **Conclusion**

Workforce development is difficult work, and even more so in Gallup-McKinley County in light of unique challenges related to rural factors, inter-jurisdictional complexities and other barriers to progress. There are numerous public, private, non-profit and academic organizations involved in workforce development. Each group has different constituencies or stakeholders, funding sources, regulations, and motivations. To accomplish meaningful workforce development, many actors and stakeholders must be engaged in the workforce development mission, but going forward they must be better coordinated and designed to work collaboratively and responsively in light of the economic realities and forecasts of the region.

Therefore, this year's Economic Roundtable on workforce development brings together many actors and stakeholders in the arenas of construction, logistics and manufacturing to launch a formal process which seeks to:

- Improve the quality and skills of the workforce
- Help businesses meet their human resource demands
- Provide channels for businesses and workers to connect.

Results from the Roundtable will illuminate a path forward to meet these challenging objectives.