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ECONOMIC DEVELOPMENT & TOURISM**

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Annual Report To The Legislature
on
**Efforts to Increase the
Number Of High-Skilled Jobs in Targeted
Industry Clusters in 2004**

Pursuant to Act 148
SLH 2003

January 2005

Act 148, SLH 2003, requires that *“The department of business, economic development, and tourism shall submit an annual report to the legislature on the department's efforts to increase the number of high-skilled jobs in targeted industry clusters consistent with the efforts of the workforce development council.”* The department is pleased to submit its second annual report under this provision.

DBEDT and Workforce Development

The department recognizes workforce development as a key factor in the State's ability to diversify its industry base and stimulate new and high-valued industries. Therefore, DBEDT works very closely with members of the education and training community and particularly with the Workforce Development Council (WDC) to help ensure an adequate labor supply. In 2004, DBEDT staff helped manage or coordinate several projects under the Council's purview including the National Governors Association (NGA) sponsored, Pathways to Advancement project and the Labor Supply-Demand Matrix project designed to forecast future labor force needs by industry and occupation. The status and progress made in these and a number of other WDC initiatives, in which DBEDT was a partner, are summarized here, but discussed in detail within the Council's forthcoming annual report to the Governor for 2005. That report also contains the response of DBEDT and the Council to House Concurrent Resolution 112 (2004) requesting specific updates on the Labor Supply-Demand Matrix and the NGA project.

Targeted Industry Clusters

As noted in last year's report to the legislature on Act 148 activities in 2003, the notion of industry “clusters” is a recent innovation in economic development practice. Clustering analysis is an effort to identify groups of firms in related industries, which are likely to show above average growth in business activity and employ generally higher-skilled labor than most other firms. Firms within promising clusters can collaborate on common development issues. Identifying clusters is as much an art as a science. Industry data from established statistical sources can identify broad areas of promising growth. However, as explained in last year's report, the detailed data needed to identify emerging clusters with a limited number of firms are usually not available. Thus, additional means must be used to identify promising clusters. One such means is to have local economic development organizations use both data and expert knowledge of the local economy to identify target clusters.

Pursuing this approach, the Office of Planning secured a \$100,000 grant from the Federal Economic Development Administration (EDA) to identify target industry clusters as part of a comprehensive economic development strategy. The Office of Planning used the grant to fund each county economic development board to identify target industry clusters for their respective counties. In turn, the boards secured technical assistance as needed and involved the various sectors of the local economies in evaluating industry potential and setting priorities. The identified clusters will serve as a basis for submitting infrastructure-funding requests to the EDA.

Reports of the various clustering projects are being compiled and a final set of reports is expected in February 2005. However, based on preliminary results, the industries identified for priority attention were as follows:

OAHU (Enterprise Honolulu in coordination with County Dept. of Community Development)

- Diversified Agriculture
- Film and Digital Media
- Information Communication Technology
- Life Sciences

KAUAI (Kauai Economic Development Board and Kauai County Office of Economic Development)

- Food and Agriculture
- Health and Wellness
- Recreation
- Arts & Culture
- High Technology
- Renewable Energy

MAUI (Focus Maui Nui, led by the Maui Economic Development Board & the County of Maui)

- Agriculture
- Technology
- Film
- Health Tourism
- Sports Tourism

HAWAII (Hawaii Island Economic Development Board in coordination with the County Department of Research & Development)

- Visitor Industry- (Heritage tourism & cruise sectors)
- Agriculture
- Science & High Technology
- Education
- Health & Wellness
- Energy Development

In 2005 DBEDT will work with its economic development partners and, through the WDC, with its education and workforce development partners to identify occupations and potential for job creation in the identified targeted industry clusters.

Labor Demand/Supply Projections

Through the efforts of the Research and Statistics (R&S) Office of the Department of Labor and Industrial Relations, demand projections for nearly 900 occupations have been updated to 2010. The projections include both new jobs expected to be created in these occupations and jobs that will need to be filled as current jobholders leave the labor force. In addition to the occupational projects, R&S, with assistance from the University of Hawaii (UH), has been able to associate skill levels with the occupations. Other research produced by R&S has cross-referenced industry jobs with occupations in those industries. A discussion of the projections and other information developed is contained in the Annual Report of the Workforce Development Council cited above.

Also in 2004, DBEDT updated its projection series for economic and population through the year 2030. That report is available on the DBEDT web site at <http://www2.hawaii.gov/dbedt/latest>. Thus, during 2004, the underlying knowledge elements of a labor supply-demand projections system took shape.

Each of these tools is immediately helpful to workforce and educational planning. During 2005 DBEDT and the WDC will investigate ways to integrate the information from these related labor supply and demand tools into a more systematic and user-friendly format. The ultimate goal is a single tool that can be used to forecast both the supply of and demand for new and replacement workers by industry and occupation under a number of economic growth scenarios. This will permit the business sector, government and educational/training agencies to understand the range of future labor demand. It will also help clarify the bottlenecks and potential untapped sources of labor in the future, given economic development scenarios.

Increasing the Labor Supply Pipeline

The attention of economic development and workforce development agencies is being focused increasingly on the issue of labor force supply. Due partly to the out-migration of residents in the 1990s and the strengthening economy over the last two years, finding qualified workers to fill all of the openings in the economy has become more difficult. The situation will become more complex in the coming years as the baby boom generation begins to retire, leaving gaps in many of the middle and upper levels of managerial and technical occupations.

DBEDT and its WDC partners have been looking at opportunities to increase participation in the labor force and upgrade the skills of the current labor force. The annual WDC report looks at a number of these opportunities, but one effort that has been the subject of intensive work by DBEDT staff is of special note here.

That effort is the partnership between DBEDT, the UH and WDC resulting in the Pathways to Advancement Academy pilot project, sponsored by the National Governors Association (NGA). As noted in last year's report, the purpose of the project is to help selected states boost the participation of working adults in post-secondary degree/certificate programs. This would have the effect of boosting the supply of skilled workers to the economy while providing a opportunity for current workers, particularly those with lower income jobs, to increase their income and standard of living. But the project is also investigating the broader issues of labor supply and demand in the economy including the range of barriers that result in people leaving the education-to-work pipeline before they have achieved an optimal level of education and training. Those efforts are also discussed in the annual report of the WDC.

DBEDT will continue to work with its partners on the Workforce Development Council in 2005 to make sure Hawaii's economy of the future is matched by a well trained workforce and that Hawaii's current and future workers are encouraged to make the most of educational and training opportunities.