

IOWA ASSOCIATION OF BUSINESS AND INDUSTRY



AUG. 2024

# Developing Iowa's Talent Pipeline

State leaders focus on giving students work-based learning experiences

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# **CALENDAR OF EVENTS**

AUGUST 20 Tax Public Policy Meeting DES MOINES

AUGUST 26 Executive Open Golf Outing WEST DES MOINES

PM2.5 NAAQS: Compliance Strategies and Case Studies VIRTUAL

SEPTEMBER 17 Webinar: Pre-employment Testing Process Series (Session 2) VIRTUAL OCTOBER 2 Iowa Manufacturing Conference ANKENY

JANUARY 15 Legislative Briefing and Reception DES MOINES

MARCH 12 Business Day in Des Moines DES MOINES

VISIT WWW.IOWAABI.ORG AND CLICK THE "EVENTS" TAB FOR DETAILS ON ALL UPCOMING EVENTS.

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# FROM THE CHAIR: Expanding Reach and Addressing Workforce Challenges

It has been a couple of years since ABI partnered with longtime member Corridor Media Group to publish ABI's Business Monthly. A key positive in that move is that it has enabled us to have a more robust publishing schedule and to increase our reach in eastern Iowa, as well as our statewide circulation.

When it comes to statewide issues that impact ABI members, there is likely no more timely issue than workforce. ABI members of all sizes, no matter their industry or location, are looking for good people. That is the focus of this edition of the Business Monthly with a cover story that focuses on higher education in Iowa and on building future talent. You will find information inside about ways your company can reach out to potential team members and increase your workforce.

On other matters and as this edition of the Business Monthly goes to press, ABI is busy on all fronts.

Hundreds of members from all over the state are participating in the annual policy development process and final preparations for the annual Executive Forum are now underway. Programs and events, such as the annual manufacturing conference, are ongoing. And, having just completed the annual session of Business Horizons, the ABI Foundation is deep into Leadership Iowa and its college counterpart, Leadership Iowa University.

All that activity is taking place with one goal in mind... to add value to you and your business. Let us hear from you with your suggestions about ways we can help further or do things better. Thank you for your support. **ABI** 



Chad Reece ABI Vice Chair Winnebago Industries

# CAPITOL BUSINESS: Thanks to You, Iowa Policymakers are Listening

This issue of The Business Monthly focuses on preparing the future talent pipeline. At the direction of the ABI Board of Directors, ABI's public policy team has been focused on Iowa's workforce as a top priority for many years in a row now. The ABI public policy team continues to educate policymakers on areas where the state government can assist, in an effort to influence legislative outcomes. And policymakers have stepped up. Read more about recent successes below. If you think your business could benefit from some of these programs, please email me.

To introduce high school students to career opportunities in their own communities, changes have been made to School to Work programming to allow private sector supervision of the programming and reports are created each year outlining which school districts are participating and the numbers are increasing.

During the recent reorganization of state government care was taken to create a "one stop" Office of Apprenticeship at Iowa Workforce Development saving employers the headache of navigating several state agencies until the right programming was discovered.

Recently, this office was granted the authority to approve apprenticeship programming without first seeking a green light from the U.S. Department of Labor, shortening the time from conception of an apprenticeship program to trained employees considerably.

Coming out of the pandemic, when many productive workers were forced into unemployment, was a perfect time to reinvent that system. No longer an unemployment agency keyed to delivering benefit checks, Iowa Workforce Development is now postured as a reemployment agency, checking in on the newly unemployed in their first week of unemployment, making them aware of opportunities with other employers in their area and opportunities to upskill to new opportunities through available programming. All this is happening while helping workers return to the workforce more quickly.

Other state programming has helped small manufacturing workforces become more productive with the adoption of advanced technologies under the Manufacturing 4.0 offerings.

Some Iowans that would otherwise be part of the talent pipeline are sidelined by barriers outside the workplace. Responding to the lack of affordable, available childcare, ABI staff worked with policymakers on the adoption of the Childcare Action Grant and the Childcare Business Incentive programs that have led to the creation of over 5,000 new childcare slots in Iowa.

Others are sidelined by the lack of suitable housing near a prospective employer. ABI has successfully advocated for the elimination of a backlog of Workforce Housing Tax Credit applications and increased resources to urban and rural Iowa to continue that programming.

Public Policy advocacy to solve workforce and talent pipeline issues will never be done, but the attention of public policymakers is focused on this top priority of ABI. **ABI** 



JD Davis Vice President, Public Policy ABI jddavis@iowaabi.org

# **EXPERT ADVICE:**

# How PEOs Can Help **Manufacturers Manage HR-Related Compliance**

Federal regulations cost manufacturers with 50 or fewer employees an average of \$50,100 per employee, according to a study by the National Association of Manufacturers. Small manufacturers estimate in the study that labor-related regulations carry the highest costs. If you're currently running a small



manufacturing business, you're likely aware of the impact of these regulatory costs - such as curtailing your ability to Tyler Penning create new jobs or offer competitive wag-Regional Sales Director es to attract talent. Is it possible to better **G&A** Partners manage labor-related compliance?

The good news is, it is possible. A professional employer organization (PEO) provides small and mid-sized

companies - manufacturers included - a cost-effective solution to manage your human resources needs, reduce costs, and stay on top of labor laws and regulations.

### Here are 3 ways a PEO can help small manufacturers:

- 1. Reduce costs: For about the cost of hiring one, full-time employee, you can engage a PEO that will handle your administrative HR tasks, administer benefits, assist with workplace safety and OSHA compliance, and help establish best-practice policies. In addition, you'll gain access to HR technology that streamlines processes and a team of HR experts who can guide you on labor-related compliance, offer insight on tricky personnel issues, and assist with strategic HR efforts such as improving employee engagement and retention.
- Secure better benefits: Finding medical plans that fit your budget feels near-2. ly impossible on the open market. PEOs negotiate on behalf of their entire client base, which means they can obtain high-quality affordable plans that rival those from Fortune 500 companies. At G&A Partners, for example, we can typically save businesses 10-20% on Wellmark plans versus open market options. You can also gain access to ancillary benefits, allowing you to offer a more comprehensive benefits package to meet the needs of all employees.
- Access to compliance experts. Tracking ever-changing workplace laws and 3. regulations is a full-time job. But the consequences - potential penalties, fines, and lawsuits - can be costly. Noncompliance can also erode trust with your employees, negatively impacting company culture. With a PEO, you'll have compliance experts on hand who'll inform you of the latest labor laws and, more importantly, how they impact your business. ABI

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COVER STORY FROM PAGE 13

# Developing Iowa's Talent Pipeline

State leaders focus on giving students work-based learning experiences

# BY EMERY STYRON

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With a 12-month average job opening rate of 5.37%, Iowa ranks 44th on WalletHub's compilation of states struggling the most in hiring, but leaders at the forefront of developing the state's talent pipeline aren't letting up.

The five most workforce-challenged states — Alaska, Montana, South Carolina, New Mexico and Colorado — in April had 12-month job opening rates ranging from 6.6 to 7.41%. Iowa's robust workforce toolbox, including work-based learning legislation, apprenticeships, partnerships between schools, community college and industry, and leadership from business groups including ABI, may be one reason for the state's better showing.

Whatever the ranking, Iowa employers are feeling the effects of a "national workforce shortage," says Meg Schneider, Vice President Strategic Initiatives and Member Engagement for ABI. "It's a little compounded by the fact this is an exciting time in manufacturing. Manufacturing has grown since the pandemic."

### **IWD Survey Highlights Challenges**

Challenges the state's manufacturers and other employers face filling job openings are highlighted in the results of the Iowa Workforce Development's 2023 Needs Assessment Survey. In responses to the survey, conducted fall 2022 through spring 2023, 64.8% of employers cited problems hiring qualified candidates, 58.4% noted a general lack of applicants and 28.1% named "turnover/ attrition" as a major challenge.

More than 95% of employers noted a lack of soft skills like dependability, honesty, communication and time management among applicants. Sixty-five percent indicated a lack of hard skills like critical thinking, data analysis and computer literacy and 20.8% indicated lack of basic skills such as literacy, numeracy and the ability to locate and read information.

The top three specific skills lacking, according to the survey, were a strong work ethic, dependability and attention to detail. Top reasons cited for rejecting applicants were failure to show for interviews, lack of experience, attitude and "does not meet education or training requirements."

Most common employer responses to those challenges, according to IWD, are raising pay (51.9%), expanding current employees' responsibilities and duties (41.5%) and hiring less qualified applicants (40%). Iowa educators and businesses are aggressively pursuing other ways to match employers with workers to fill vital jobs and provide more career opportunities. Those approaches center on educating students about career opportunities, assessing their interests and aptitudes and providing skill-development and work experience while they are still in high school.

### ABI Foundation, Community Colleges Promote Partnerships

The ABI Foundation has longstanding programs and a newer one to connect students with manufacturing careers. A 40-year-old program, Business Horizons gives high school students the opportunity to create businesses and work in teams to solve real problems, Ms. Schneider says. Leadership Iowa University focuses on college-age students, helping them make connections with employers as they head into workforce.

Most timely is the foundation's Elevate Advanced Manufacturing, a statewide marketing initiative promoting careers and educational pathways in advanced manufacturing. The program starts with building a positive perception of manufacturing careers while addressing misconceptions of work environment, safety and wages, she says. "There are high-tech, good paying jobs at leading edge of the manufacturing revolution and great career paths in high school that can be started right away."

Iowa's community colleges are another key player, serving employers and current and prospective employees. "We know that 40% of all high school graduates are not going on to college, but directly into the workforce," says Robert Denson, president of Des Moines Area Community College. "We are actively reaching out to any student not moving on after high school graduation, trying to give them an opportunity for training, some opportunity for a short-term certificate, so they can get the best possible job somewhere in State of Iowa.

"We are very aligned to the needs of our businesses in real time. We work closely with high schools offering concurrent enrollment with high school classes. It's not uncommon for students to come out of high school with one year of college, often with two years," he says.

"We know that over half of high school juniors and seniors are working part time in high school. They are not only getting good training, but they get to see what it's like to be in the workforce. Companies get the opportunity to develop students into future employees. That's true at all community colleges," Mr. Denson says.

Close communication with local businesses allows DMACC to help high school and college students get into registered apprenticeships and formal and informal internships. DMACC high school or college students have the best outcomes if their employer is one of many that partner with the college, "so that if they have to work, they are working at one of the good companies in central Iowa," he says.

Under the Iowa Learns<sup>™</sup> program developed

jointly by DMACC and Accumold, high school students can work part-time as tool and die makers at the Ankeny manufacturer, earn good pay, take concurrent classes at DMACC and leave high school with a certificate recognizing what they learned, Mr. Denson says.

He notes that the state offers "great incentives," including the Future Ready Iowa Last-Dollar Scholarship Program focused on 60 high-demand fields. After using up Pell grants and other scholarships, "before students take loans to pay tuition, the state will step in and pay that tuition for them." In last two years, 2,886 students drew down \$7.2 million under the program.

"It all works best when business and college reach out as community partners," says Mr. Denson. "They (students) are going to work somewhere so let's get them in a company that works toward their future academic goals."

### Four-Year-Degree Just One Option

"The talent pipeline is something Kuder has talked about for a long time," says Connor Harrington, CEO of the Adel-based company that partners with schools, state agencies and national organizations to provide career development solutions through a tech platform. "Not everyone needs a four-year degree. It almost put us out of business eight to nine years ago when the market was saying the opposite. We're happy with trends after COVID. Folks are saying we should support all students. We are not going to be able to solve the workforce problem with population."

The key is "finding folks and getting them into

the right place," he says. "The major thing in Iowa is getting access to the future employee. There are a ton of things happening with work-based learning, a ton of research coming out. Businesses are ready to provide those types of experiences. There's interest from industry. The problem is the ability of the education system to get that content in front of their students."

For school districts with ample resources, Waukee's Apex (Aspiring Professional Experience) program is a great example of collaboration between education, business and the community, says Mr. Harrington. Apex pulls in business partners to bring real-world experiences to high school. Students undertake projects that add value to their business partners while exploring career possibilities identified by economic trends in the metro area and state, according to the Apex website.

We have a bit more to do for school districts that don't have the same level of resources as a Waukee. We make a scalable solution that works for all school districts," Mr. Harrington says.

### 'We Can't Forget the Human Connections'

Students are very eager to get in front of future employers and participate in hands-on learning, Mr. Harrington says. "The challenge is finding the right fit. Work-based learning programs are critical around that. We are able to assess students, so students can see opportunities that map to their results. We won't be sending students that aren't a direct fit ... Industry wants to be sure students are a good fit."

Mr. Harrington says today's young people are "the most informed generation. They are able to do more research, to be aware of what's to come. They are not so good at self-reflection. They need intervention and mentorship to help them in the right direction."

Kuder focuses on supporting direct intervention. "We need to make sure that's not forgotten. With all the tech, all the awareness and programs, we can't forget the human connections," he says, adding that adults seeking to improve their job skills and make career changes need person-to-person support as well.

DMACC's Mr. Denson and ABI's Ms. Schneider concur on the importance of supporting adults seeking to improve their skills or re-enter the workforce.

"If anyone needs to improve their career, they are likely to need additional training. If you don't know what else to do, call your local community college and ask for an advisor," says Mr. Denson.

"We're looking at not just students but those actively in the workplace. What does it look like to re-engage people? A large number are not involved in employment, education or training. We're tapping into that workforce and inviting them back in," says Ms. Schneider.

"The unbelievably good news is that there are a lot of great jobs in Iowa," adds Mr. Denson. "Good companies with good pay and great benefits, recognize more than ever the value of hard-working Iowans that come to work for them. The pandemic had a big effect. Iowa community colleges are increasing enrollment post-pandemic right in time to train for these good jobs." ABI

# **Outstanding Talent**

Five of Fredrikson's lowa attorneys are honored to be ranked among the best lawyers in the 2024 Chambers USA Guide:







**Rvan Haaland** Real Estate



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The lowa office is proud to rank among top law firms in the practice areas of Corporate/M&A, Labor & Employment, and Real Estate.

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# FROM THE FOUNDATION: Transforming My Future: The Impact of Leadership Iowa University

Last summer, I had the incredible opportunity to participate in Leadership Iowa University (LIU), a program offered by the Iowa Association of Business and Industry (ABI) Foundation. LIU is a personal and professional development program designed for Iowa college student-leaders. The experience is crafted to bridge the gap between college and career, assisting emerging professionals along their path to success. The program introduces participants to a diverse array of opportunities within the State of Iowa.

Joining LIU stands out as one of the most impactful decisions of my academic and professional journey thus far. The program has provided me with invaluable insights into the amount of opportunities Iowa has to offer. One of the most remarkable aspects of the program was the people. I connected with fellow student-leaders who shared my interests, drive, and passion, creating a supportive and inspiring network that continues to motivate me. Coming into LIU, I was unaware of how much this experience would contribute to my growth both personally and professionally. Every networking event, business visit, and keynote speaker taught me something new and opened my eyes to different opportunities throughout the State of Iowa.

Leadership Iowa University also led me to my internship here at ABI this summer. I cannot thank ABI enough for allowing me this opportunity to grow and work with such an outstanding team. The people at ABI



Olivia Jones ABI Intern Iowa State University, Class of 2025

have been a fundamental part of making this internship such an awesome experience. From the very beginning, I have felt valued and supported by the entire team. Their dedication to fostering a collaborative and inclusive environment has allowed me to contribute meaningful work and make a tangible impact.

If you are a college student looking to enhance your personal and professional development, I strongly encourage you to apply to Leadership Iowa University. The connections and knowledge you will gain are incredible, making this an experience you will not regret. ABI





# **Q&A: Is an ESOP the Right Choice for Your Business?**

Let's explore the definition of an Employee Stock Ownership Plan (ESOP), their popularity, reasons to consider pursuing this option and next steps you can take.

### What is an ESOP?

An Employee Stock Ownership Plan (ESOP) is a qualified benefit plan that is established when a business owner sells all or a portion of their share in the business to an ESOP Trust. Employees receive shares in the company, and selling ownership receives a buyer for the company and a succession strategy to pass ownership to the next level of management.

## Are ESOPs popular?

According to the National Center for Employee Ownership, there are more than 6,500 unique ESOPs in the United States, employing 10.7 million people with total assets of more than \$2.1 trillion. ESOPs are popular among small- and middle-market businesses. The top five most common industries among privately held ESOP companies are Professional Services, Manufacturing, Construction/Contractors, Finance/Insurance and Wholesale Trade.

### Why consider an ESOP?

There are multiple reasons to consider an ESOP for your business, including succession planning, tax advantages, rewarding employees and marketing advantages.

### How can an ESOP help with succession planning?

Most companies fall into one of three categories for succession planning:

- 15% will pass the company to a family member
- 20% will sell the company to private equity
- 65% have no immediate solution documented for the next stage of ownership

Management often continues to run the company after the transition to an ESOP to ensure operational and financial stability. Employees will not own shares of the company directly, but they do have a financial interest in the shares allocated to their account.

Transitioning to an ESOP can often be a vehicle to retain and incentivize the next level of management by offering stock appreciation rights (SARs) or attaching warrants—enhanced financial benefits for employees—to the ESOP.

## What are the tax advantages of an ESOP?

An ESOP is available for both S-corps and C-corps with different advantages for each. An S-corp is most common, as it allows a company to be exempt from federal income tax on the portion of the company that is owned by the ESOP. For example, if a company is 100% ESOP S-corp, they will be completely exempt from federal income tax.

A C-corp provides the selling shareholder the ability to defer

capital gains tax on the sale of the company through a 1042 exchange. While a C-corp does not have the exempt status of an S-corp, certain deductions, such as ESOP contributions, can aid in reducing the company's tax liability. Additionally, if company ownership wants to transition a C-corp to an S-corp, they can do so after a five-year reporting requirement.

### How do ESOPs reward employees?

An ESOP helps protect the independence of a company along with employees' jobs. If ownership decides to sell to an outside interest, such as private equity or a strategic buyer, often times there are organizational changes that put local jobs at risk. With an ESOP, the current management structure remains in place, and the company can continue to operate free from external influence.

An ESOP raises the benefits for employees across the organization. At no cost to the employees, they receive an additional wealth-building tool for retirement. And, unlike a 401(k), employees are not required to contribute for shares of the company to be allocated to their account. Historically, ESOPs have a higher rate of return compared to a 401(k), and the funds will grow tax-free until distribution.

### What are the marketing advantages of an ESOP?

Research shows that companies with employees who think and act like owners tend to be more productive, more profitable, faster growing and have higher retention than their peers. While an ESOP will not transform your company culture, it can certainly enhance an already healthy culture.

An ESOP can attract and retain talent because it is a wealth-building tool for employees. It reinforces a culture of valuing employees by sharing in the company's success with those who contribute to it through their daily work.

# What are next steps to determine if an ESOP is the right fit?

Consider these factors to determine if an ESOP is the right fit for your business:

- **Company size:** This could be a great option for your company if you have at least 25 employees.
- **Cash flow:** Your company's Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) should be in excess of \$1 million annually.
- Transition fees: Your company would need to cover the cost of setting up an ESOP, which typically exceeds \$100,000 and includes the cost of valuation, legal expenses, CPAs and other fees.
- **Feasibility study:** It might be helpful to conduct a feasibility study to determine if your company can and should become an ESOP.

Reach out your commercial banking partner or contact me to learn more about ESOPs. ABI



Kelly Robus VP, Managing Director – Specialty/ESOP Finance BankersTrust KRobus@bankerstrust.com

# WHAT'S TRENDING:

# AI + Marketing IQ > AI Marketing

When ChatGPT debuted in November of 2022, there was an element of novelty to it — almost like picking up a Magic 8 ball, asking a question and having the answer instantly revealed. Sometimes it gave you exactly what you were looking for, sometimes it was off the mark.

Since then, AI has come a long way. As we continue to learn more about its potential, one thing is clear: AI is not a toy. It's a tool.

Like any tool, AI makes it possible for humans to create amazing things - but it's most effective in the hands of someone who knows their craft and has the skill and experience to maximize their capabilities.

At Anthologic, our marketing and technology specialists have spent 18 months exploring, testing and piloting AI tools to learn more about their capabilities and how they fit into our workflow. There's opportunity in many areas, especially audience research and multi-modal content marketing, but it needs an experienced hand to enter the right inputs and intelligently judge what comes back.

We think of AI tools like an intern — a resource to help accelerate a step or two by doing tasks that can be time-consuming and tedious, such as collecting and organizing information. Like an intern, AI tools are promising and capable; they just require the right supervision.



Travis Arndorfer Creative Director Anthologic travisa@anthologic.com

That's the basis for our AI philosophy. We believe the best opportunities for brands to elevate their marketing programs with AI pair the power of the technology with responsible human craftsmanship and marketing knowhow. And that responsible human craftsmanship should be guided by a written policy with established legal and ethical guardrails.

When used strategically with smart, focused human oversight, AI is a powerful tool. Whether you use AI to accelerate your marketing, make it more efficient or tackle things you otherwise wouldn't have been able to, it can provide the horsepower to help you elevate your marketing program and increase ROL ABI

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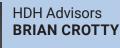
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The lowa Association of Business and Industry (ABI) has been the voice of lowa business since 1903. Its mission is to provide a strong, unified voice to business and industry on issues affecting lowa employers. ABI is comprised of member companies representing all industries and sizes in Iowa's 99 counties. ABI members employ more than 330,000 lowans.

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