

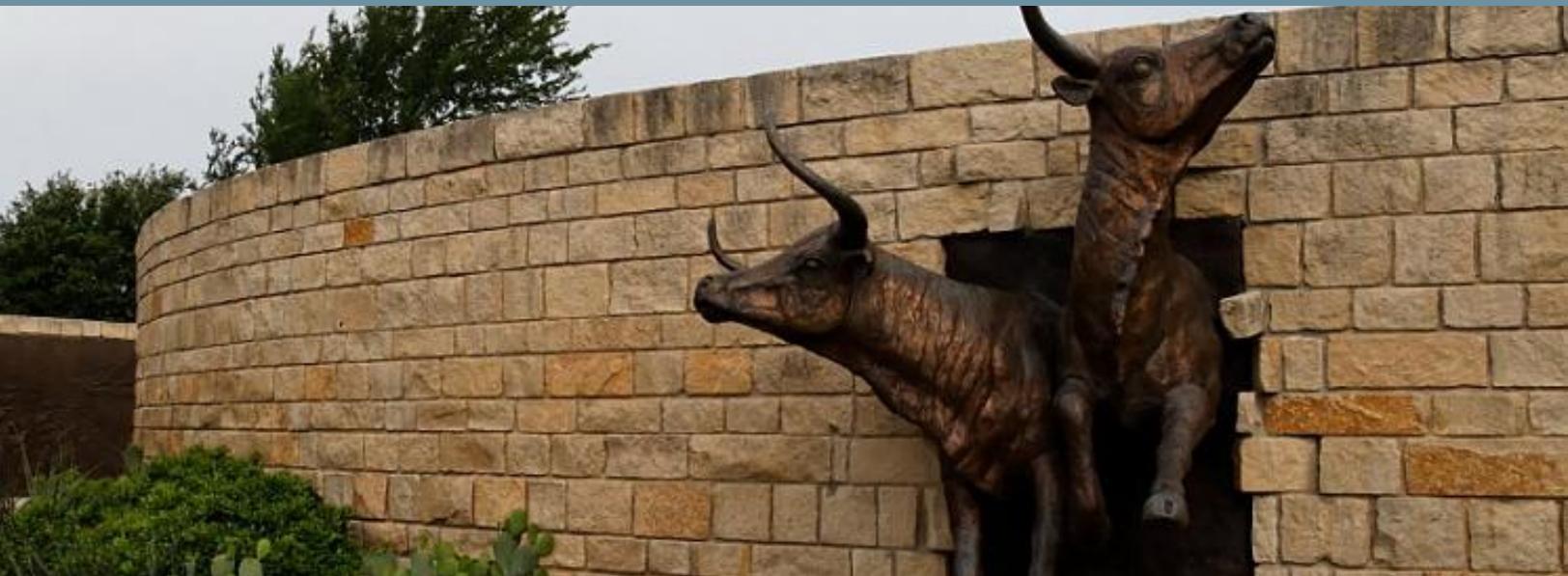
ECONOMIC DEVELOPMENT
CORPORATION

TIP
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LABOR MARKET PROFILE EXECUTIVE SUMMARY

Prepared for the Frisco Economic Development Corporation



About this work

TIP Strategies would like to thank the Frisco Economic Development Corporation for their time and guidance in the preparation of this labor market profile. We would also like to thank the many businesses who participated in the survey conducted as part of this work. Their insights greatly contributed to our understanding of the area's workforce, its challenges, and opportunities.



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Frisco Economic Development Corporation

The Frisco Economic Development Corporation (FEDC) was created in 1991, when Frisco voters approved a half-cent sales tax to fund economic development in the city. The FEDC operates as a Texas non-profit corporation and is governed by a seven-member board of directors appointed by the Frisco City Council. Job number one is creating jobs, as the FEDC's mission is to improve the economic opportunities and quality of life for all Frisco residents. Since its establishment, the FEDC has facilitated every major economic development project in the City of Frisco resulting in more than 300 projects that have the potential to occupy over 23M square feet, generate new capital investment in excess of \$3.8B and create/retain over 34,743 potential direct jobs in the City of Frisco.

A 2013 benchmarking survey by Atlas Magazine recognized the FEDC as the "Highest Performing Economic Development Organization" in the world among populations 100,001 to 250,000, based on the deals done in 2012. This achievement highlights the FEDC's commitment to seek out and foster new economic opportunities for one of the fastest-growing cities in the United States. Frisco's population has boomed 307 percent since 2000.

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TIP Strategies, Inc. is a privately held Austin-based economic development consulting firm committed to providing quality solutions for public and private-sector clients. Established in 1995, the firm's primary focus is strategic economic development planning. In addition, TIP has experience with entrepreneurship, target industry analysis, workforce, and redevelopment. TIP's methods establish a clear vision for economic growth. Community leaders across the country have embraced the TIP model of Talent, Innovation, and Place to achieve successful and sustainable economies.

Project Team

Tom Stellman, *President & CEO*
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Executive Summary

Located just 25 minutes north of Dallas, the city of Frisco, Texas, has all the necessary ingredients for sustained economic growth. Along with competitive advantages in traditional site selection factors such as transportation, land, and water, the city offers an edge in what has become an increasingly essential component of successful economic development: the availability of a talented workforce. Frisco's north-central location in one of the nation's most dynamic metropolitan areas ensures the city is well-positioned to leverage the region's explosive population growth and steady influx of employers.

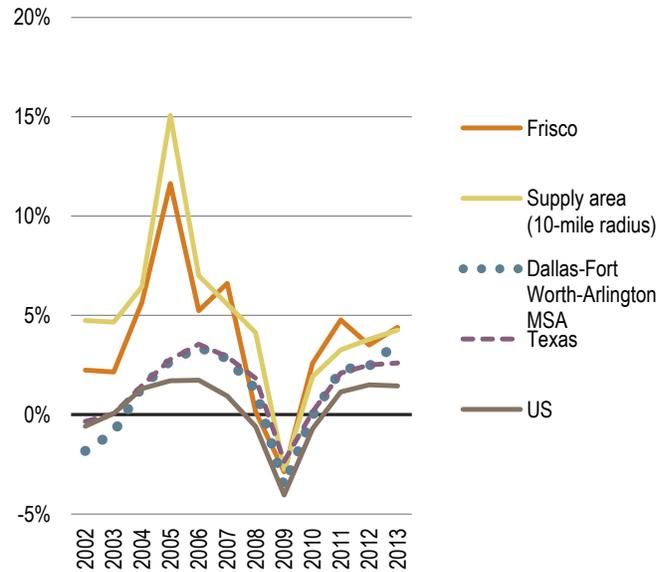
The Frisco Economic Development Corporation (FEDC) has clearly demonstrated its ability to attract and retain employment opportunities for local residents. Recognized as the top economic development organization in North Texas by the *Dallas Business Journal* (based on value of deals done in 2012), the FEDC has facilitated projects with potential to create or retain nearly 12,500 jobs since 2009. As shown in Figure 1, the city and the surrounding region (defined here as a 10-mile radius) have outperformed both the state and the Metroplex in terms of employment growth throughout much of the last decade.

Even Frisco's strong job growth, however, has been eclipsed by its phenomenal population growth. The city has added roughly 100,000 residents since 2000, setting a pace well above that of the surrounding area and the Metroplex as a whole. An additional 65,000 new workers are projected over the next 15 to 25 years depending on the population growth rate assumed.

To help provide a comprehensive picture of the regional talent pool, the FEDC engaged Austin-based TIP Strategies to prepare a labor market profile. The profile is divided into two sections: the first provides a detailed look at the supply characteristics of the labor shed, while the second profiles the region's occupational structure and shows its relationship to industry, with an emphasis on sources of future demand. Based on findings from the analysis, recommendations for enhancing current and future workforce development in Frisco are also presented, along with confirmation of the FEDC's target industries.

Figure 1: Employment trends, 2002-2013

Percent change in employment from prior year



Source: EMSI 2013.4 Class of Worker (QCEW Employees, Non-QCEW Employees, and Self-Employed). Frisco data represent the combined total of EMSI's estimates for the following ZIP Codes: 75033, 75034, and 75035. Supply Area figures represent the combined total of EMSI's estimates for 25 ZIP Codes within a 10-mile radius of Frisco. Dallas-Fort Worth-Arlington metropolitan statistical area (MSA) uses the 13-county definition established by the federal Office of Management and Budget in February 2013.

EMSI EMPLOYMENT DATA

Unless otherwise indicated, employment data presented in this report were prepared using Analyst, a suite of web-based analysis tools created by EMSI. The product integrates economic, labor market, demographic, and education data from more than 90 government and private-sector sources, creating a database that is more comprehensive and timely than publicly available datasets. The figures presented in this report are "complete" employment, rather than the "covered" employment typically produced by state and federal workforce agencies. Unlike covered employment, which captures only those industries subject to unemployment insurance (UI) requirements, complete employment includes estimates across all industries and classes of workers (those covered and exempt from UI regulations, as well as self-employed individuals).

LABOR MARKET OVERVIEW

Frisco employers have access to a population of roughly one million within a 10-mile radius.

Frisco draws in workers from across the Metroplex, with roughly one-half of the local workforce commuting 10 miles or less. This information, coupled with data collected directly from employers, was used to confirm the 10-mile radius suggested by the FEDC as the primary labor shed for Frisco. Using population figures compiled by EMSI for ZIP Codes within this 10-mile radius, we estimate a “Supply Area” population of roughly one million people. **When age structure and labor participation rates are accounted for, this translates to a workforce of nearly 500,000.** Area residents have above-average educational attainment levels. According to data from the American Community Survey, more than one-half of Frisco’s adult population (58.3 percent) holds a bachelor’s degree or higher. This figure is well-above the national average of 28.5 percent. Neighboring communities that are encompassed in the Supply Area, including Plano, Allen, and McKinney, showed similarly high levels of attainment. Like the state and the Metroplex, the Supply Area population is younger than the national average.

While the city draws in workers from a broad area, commuting patterns suggest a mismatch between the skills of Frisco residents and local employment options.

Commuting patterns data from the federal Local Employment Dynamics series reveal that only one in five positions in the city (20 percent) are filled by residents. As a result, the city has a high volume of outbound commuting, with more than 53,000 residents estimated to hold jobs outside the city in 2011. At the same time, nearly 30,000 workers commute into the city, with the heaviest flows coming from the south. Plano and Dallas are the largest sources of workers outside of Frisco, with each accounting for roughly 10 percent of the city’s inbound commuting flows. This type of commuting flow suggests a mismatch between the skills and employment choices of local residents and available jobs in the community.

Frisco’s workforce received high marks from local employers.

When asked to evaluate the regional workforce on a variety of characteristics, including basic skills, productivity, and

Figure 2: Labor market snapshot

	Frisco	Supply Area	DFW
1 Population, 2013	133,113	1,031,295	6,834,844
2 10-year CAGR (2003-2013)	8.0%	4.1%	2.1%
3 % working age (20-64)	—	62%	60%
4 % without HS or GED	4%	—	17%
5 % with bachelor’s or higher	58%	—	21%
6 Unemployment rate (Oct. 2013)	4.4	—	5.9
7 Jobs (2013)	38,053	406,774	3,424,161
8 % change in jobs since 2003	+49%	+60%	+17%
9 Median hourly wage (4Q 2013)	\$18.04	\$20.89	\$20.49
10 Selected occupational groups (% of total employment)			
Managerial/professional office	10%	13%	12%
STEM	6%	8%	6%
Sales/office support	29%	32%	29%

Sources: City of Frisco, EMSI, US Census Bureau, US Bureau of Labor Statistics, TIP Strategies

Notes (by row number):

1: Figures for Frisco calculated by TIP Strategies based on monthly estimates prepared by the City of Frisco. Supply Area and DFW population from EMSI.

2: Compound annual growth rate (CAGR) for specified period calculated by TIP.

3: Share of the total population between the ages of 20 and 64, as estimated by EMSI. Comparable figures not available for Frisco.

4-5: Share of population age 25+ years with the specified levels of educational attainment. DFW figures calculated by TIP from American Community Survey, five-year estimates (2007-2011) using 13-county definition established by the OMB in February 2013. Comparable figures not available for Supply Area.

6: October 2013 (preliminary) figures were most recent at time of analysis.

9: Median hourly wage across all occupations.

10: Job categories based on *Help Wanted: Projections of Jobs and Education Requirements through 2018*, Carnevale, Anthony P., et al., June 2010.

Figure 3: Flow of workers to/from Frisco in 2011

Only a relatively small share of local jobs are filled by residents



Of the 37,218 people that held jobs in the city in 2011, four out of five (80%) lived somewhere else.

Of the 60,936 Frisco residents employed in 2011, almost nine out of ten (88%) commuted to jobs outside the city.

Source: US Census Bureau, Local Employment Dynamics.

professionalism, the majority of employers surveyed as part of this analysis rated the workforce as either “good” or “excellent” on these points. The highest ratings were given for computer skills, trainability, and employee attitudes, with 80 percent providing favorable ratings of the regional workforce on these characteristics. Though not conclusive, the survey also suggests that employers are generally able to find the workers they need, with Internet resources and word-of-mouth or referrals being the most commonly used source. Clerical and production jobs were deemed the easiest category of workers to find, with most respondents—80 percent or more—able to fill these positions in four weeks or less. By contrast, respondents indicated that management, sales and marketing jobs, and professional and technical workers, typically took the longest to fill. The most common length of time reported to fill vacancies in these occupations was one to three months, though some firms reported searching for six months or more for professional & technical workers.

Domestic migration is a key driver of Frisco’s population growth. Collin and Denton Counties combined gain more than 13,000 households on average each year from other counties in the US.

Data compiled by the Internal Revenue Service from federal tax returns helps shed light on one of the area’s key sources of growth: domestic migration. During the most recent five years for which data are available (2006 through 2010), three of the Metroplex’s core counties—Collin, Denton, and Tarrant—have experienced positive net migration, adding more households in each of the five years than they lost to other counties. Of the three counties, Collin had the highest net gains, averaging a net increase of 8,500 households annually during the past five years. The aggregate adjusted gross income of households moving into Collin County has been lower on average than those moving out, however, this trend is reversing. Denton County has experienced smaller net flows, averaging gains of roughly 5,000 each year, but income levels have been more balanced. Dallas County is the largest source of in-migration for both Collin and Denton Counties, with each receiving more than twice the number of households from Dallas County each year than from each other.

The region has more than twice the national average for key information technology occupations.

Frisco and the surrounding area offer a strong concentration of information technology workers, with more than twice the expected number of software developers, computer programmers, systems analysts, and web developers. This concentration is to be expected, given the importance of the IT sector to the regional economy. However, Frisco’s advantages go beyond having a concentration of these workers. IT positions have also been among the city’s fastest growing occupations (in percentage terms) over the past decade. In addition, the city has an advantage, from a site selection perspective, in that these same occupations have highly competitive wage rates in Frisco compared to the nation. Occupational trends in the Supply Area mirror Frisco’s, but include some differences, most notably, strong growth in oil and gas

Figure 4: Regional occupational strengths, 2013

Supply Area occupations with LQ of 1.25 or greater, with comparison to Frisco LQs and national wage rates

Symbols show hourly wage rates relative to US:

- 5% or more below US rate (≤0.95)
- 5-10% above US rate (between 1.05 and 1.10)
- 10% or more above US rate (≥1.10)

SOC Code	Description	SUPPLY AREA			FRISCO		
		LQ (US = 1.00)	Hourly Wages Median	Rel.to US (US=1.00)	LQ (US = 1.00)	Hourly Wages Median	Rel.to US (US=1.00)
15-1133	Software Developers, Systems Software	2.59	\$50.20	1.06 ●	1.82	\$43.55	0.92 ●
15-1131	Computer Programmers	2.39	\$38.35	1.09 ●	1.97	\$33.54	0.96
15-1152	Computer Network Support Specialists	2.27	\$35.40	1.25 ●	1.60	\$31.15	1.10 ●
15-1143	Computer Network Architects	2.24	\$44.58	1.03	1.72	\$39.48	0.91 ●
15-1121	Computer Systems Analysts	2.12	\$40.63	1.07 ●	1.59	\$35.70	0.94 ●
15-1132	Software Developers, Applications	2.08	\$46.34	1.08 ●	1.50	\$40.43	0.94 ●
15-1134	Web Developers	2.07	\$31.80	1.15 ●	2.02	\$27.04	0.98
15-1151	Computer User Support Specialists	1.97	\$24.25	1.09 ●	1.42	\$21.25	0.95 ●

Source: EMSI 2013.4 Class of Worker (QCEW Employees, Non-QCEW Employees, and Self-Employed); TIP Strategies.

related employment during the last decade. Among managerial and professional occupations with at least 100 jobs in the Supply Area in 2013, petroleum engineers were the fastest-growing occupation in percentage terms between 2003 and 2013. Seven of the remaining top ten fastest-growing occupations in the Supply Area were healthcare-related.

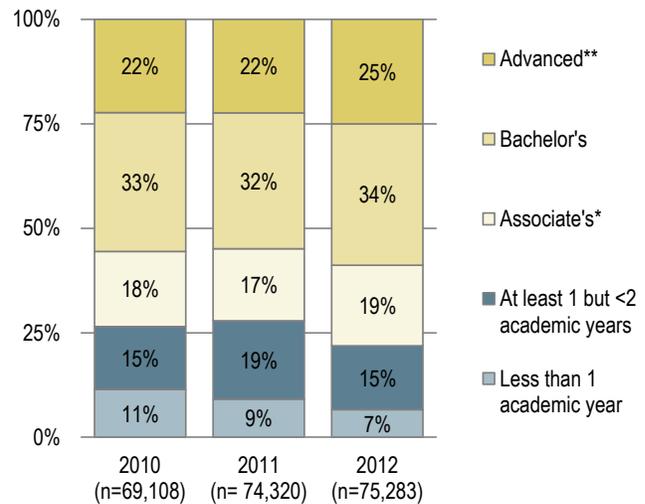
Higher education providers in the Dallas-Fort Worth area award and average of nearly 73,000 degrees annually—with more than one-half awarded at the bachelor-level or higher—providing communities in the region with a steady supply of talent.

Graduates of local higher education institutions provide another important supply of workers. Institutions in the Metroplex have awarded an average of nearly 73,000 degrees and awards annually in connection with credit-bearing enrollment over the last three years, according to data published by the National Center for Education Statistics. Of these, Collin County Community College District (now known as Collin College), awarded roughly 2,100 associate’s degrees and for-credit postsecondary awards. A look at the distribution of these awards shows that more than one-half were awards of four years or higher. One limitation of the available data is that it does not cover education and training completed outside of the credit environment (meaning that noncredit or continuing education data are excluded). As such, it understates the supply of individuals receiving training at regional institutions. This shortcoming is less problematic for positions that typically require an associate’s degree or above but can be challenging when trying to understand the pool of available labor for positions which require less formal, shorter-term awards. While not definitive, the employer survey suggests that local employers are generally satisfied with the availability of training in the region. Of those that did indicate a gap in training, soft skills (job readiness and professionalism) and technical writing were highlighted. These findings suggest at least some opportunity for raising awareness about available programs and services.

The positive image created by Frisco’s success helps attract and retain workers.

The city’s ability to retain and attract workers is also influenced by the positive image associated with the Dallas-Fort Worth area and Frisco itself. The Metroplex and its component counties frequently rank near the top of various “best of” lists. The city was ranked seventh by *Forbes* magazine as part of its analysis of “America’s 25 Best Places to Move” in July, 2009. This sentiment was echoed more recently when Frisco was named the best midsize city to move to in 2014 by Movoto Real Estate, based on an analysis of home sales and quality of life factors including income, crime rate, and school quality. The area is also viewed as a great place to work. Collin County was named the nation’s 10th best county to work in by finance website NerdWallet.com, according to an October 2, 2013 article in the *Dallas Business Journal*. The ranking was based on economic performance indicators, including unemployment rate, median income, and population growth. While these lists are not likely to be the deciding factor in the relocation decisions of companies or individuals, they can contribute to the overall impression by creating a positive “buzz” about an area.

Figure 5: Completions by year and award level, 2010-2012
Share of awards/degrees conferred by regional institutions



Source: National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) surveys.

Note: IPEDS data include only schools eligible to participate in federal financial aid programs. Figures shown include first and second majors. *Associate's-degree-level completions include awards categorized by IPEDS as "Award of at least two but less than four academic years." **Advanced-level completions represent all awards above the bachelor's-degree level.

DRIVERS OF DEMAND

Among existing employers, job creation (rather than replacement) is projected to be the primary driver of growth.

Demand for workers among existing employers typically stems from two sources: 1) new job growth created by business expansions or the introduction of new products or services; and 2) the replacement of existing workers due to a variety of factors including retirement, career advancement, or exiting the workforce to raise children or attend school. An analysis of Frisco's projected job change by occupation points to new growth as the single largest factor driving future demand in the area's high-wage employment. While this is to be expected given the rapid pace of Frisco's population and job growth, replacement demand remains a factor for some occupations, including some sales and management positions. However, because of the continued influx of workers and the region's relatively young population, the Metroplex generally has not faced the issues surrounding an aging workforce that are hampering job growth in other parts of the country.

Respondents to the employer survey were generally positive with regard to the job outlook in Frisco.

More than one-half (54 percent) of participating companies reported employment increases at their firms during the previous 12 months. The majority of the roughly 2,000 jobs added by participating firms were full-time positions, with two organizations accounting for more than three-quarters of the increase. Looking forward, respondents were equally positive: 58 percent of firms anticipate job increases during the next 12 months, though significantly fewer hires are expected—roughly 500—compared with the prior 12 months.

Registered nurses, sales representatives, and teachers are among the region's high-wage, high-demand occupations.

Of the high-wage, high-demand occupations identified in our analysis, registered nurses are projected to have the highest number of annual openings, requiring an estimated 47 additional positions each year through 2018. Roughly three-quarters of the estimated annual demand for RNs (72 percent) is expected to stem from new job growth. Sales and customer service positions were identified as a need, both in our analysis of occupational projections for the area and in the employer survey, with demand driven by a mix of new growth and replacement needs. These occupations also cut across many of FEDC's target industries. School teachers of all grade levels are also projected to be in high demand in Frisco, reflecting the region's continued population growth. Given the wage threshold used for this analysis—occupations paying less than Frisco's median hourly wage rate of \$18.04 per hour were excluded—most of the high-demand occupations identified require some level of postsecondary education, with more than one-half of the top 25 requiring at least a bachelor's degree for entry.

Employment projections are likely to understate the city's job growth.

The city of Frisco is projected to add an average of 1,000 jobs annually through 2018, based on employment projections prepared by EMSI for the three ZIP Codes that comprise the city (75033, 75034, and 75035). However, like all projections, EMSI's are heavily influenced by historical trends. This point presents several challenges, particularly in high-growth markets like Frisco. First, as illustrated in Figure 1, (page 1), employment has been highly volatile over the last ten years. As a result, the economic downturn experienced at the end of the last decade is likely to have a dampening effect on projections. Projections also do not capture job creation from recent announcements. According to the FEDC website, corporate relocation and expansion activity announced for 2013 (through October 2013) will result in more than 2,200 jobs. Finally, projections for lower levels of geography, such as ZIP Codes, are more easily skewed and should be treated with caution in the best of circumstances. The fact that Frisco's data include a recently created ZIP Code—the 75033 ZIP Code was introduced July 2011—further complicates this issue.

TARGET INDUSTRY ALIGNMENT

As part of this work, we examined the relationship between the regional workforce and the FEDC's current targets from two perspectives. In the first analysis, we compiled national staffing patterns data for six of the seven target sectors:

- Computers & Electronics
- Medical Services
- Telecommunications

- Financial Services
- Software & Media
- Renewable Energy

Entertainment & Recreation was not analyzed, as occupations associated with these industries tend to be relatively low paying and require little in the way of training or workforce development resources. This analysis revealed that a number of occupations, such as customer service representatives, software developers, and management positions, cut across multiple targets. It also pointed out areas where Frisco and the Supply Area have relative advantages in terms of wages and/or the concentration of workers within specific occupations.

To test whether the FEDC's targets maximize the region's labor force, we also approached the question from the occupational side. For this analysis, we began by identifying occupational strengths within the Supply Area, based on concentration, hourly wage rates, and occupation type (i.e., professional, management, and STEM positions). These regional strengths were then cross-referenced to industry employment patterns. Industries that were most likely to employ the region's leading occupations included computer systems design and related services; industries in the information sector, computer and peripheral equipment manufacturing, insurance, and financial services. These analyses suggest—from a purely workforce-oriented perspective—that the FEDC's targets are well aligned with the regional labor force.

CONCLUSION

Frisco is in an enviable position relative to many other communities in the US. The region's positive press, the performance of the Texas and Dallas-Fort Worth economies, and the aggressive approach of the FEDC have facilitated the continued expansion of the Frisco economy. The region's concentration of IT workers positions the area well for technology-driven businesses. Keeping pace with Frisco's expanding workforce will require continued attention to business development activities using a talent-driven approach.

Continuing to aggressively tout the region's site selection advantages, including its talent base, is the cornerstone of a talent-driven strategy. Frisco is fortunate, in that the steady stream of people moving into the area, coupled with the high educational attainment levels of area residents, has helped the city avoid many of the shortages and demographic challenges faced by other areas of the country. However, maintaining that advantage will require continued attention to the pipeline of workers through talent retention, recruitment, and development.