

Arizona employers forced to take on larger role in workforce training

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In days gone by, Arizona firms seeking skilled workers were blessed with a relatively highly educated labor market. According to U.S. Census Bureau data, 6.5% of Arizona's working-age population—i.e., people between age 25 and 64—had college degrees in 1940, compared to only 4.5% of the total U.S. population with that credential. By 1980, Arizona's and the nation's share of workers with college degrees had equalized at about 18%. By 2010, however, Arizona was well behind the nation as a whole, with only 26.3% of working-age adults holding college degrees, compared with nearly 30% nationwide.

'Make or buy' calculus

Over the same seven decades, we have moved away from a model in which lifetime employment with a single firm was the norm. In those golden olden days, it made sense for firms to grow their own talent and promote from within.

In the current environment of high employee turnover, employers have responded sensibly to the "make or buy" calculus, seeking to buy the skills they need by hiring employees already trained for the job. The rapid pace of technological change has likely spurred the trend toward buying skill rather than developing it.

Education gap

In the face of these general labor market trends, Arizona has been short-changing its schools. Five years ago, a coalition of school districts and educator associations sued to force the state to comply with a voter-approved education funding mandate adopted in 2000. When the lawsuit reached

the Arizona Supreme Court in 2013, the court ruled that the state owed approximately \$1.3 billion to its schools. The next year, a judge ordered the Arizona Legislature to pay back the shortfall at a rate of \$331 million per year.

Business leaders hailed the recent settlement of that lawsuit, which had threatened to create a state constitutional crisis. After nearly eight months of negotiations, the Arizona Legislature convened in special session to pass bills implementing the settlement, which Governor Doug Ducey signed into law on October 30, 2015. The terms of the settlement provide for an extra \$3.5 billion over the next 10 years from the state's land trust fund to boost funding for kindergarten through 12th grade education. The settlement still requires voter approval, and a special election is set for May 17, 2016.

If the settlement is approved by voters, it will improve the quality of education in Arizona going forward, but there undoubtedly will remain an education gap for students who passed through state schools during the years of chronic underfunding. Arizona employers are going to have to enlarge their own job training programs to "make" talent with the skill sets they need in today's economy.

Train and retain

Arizona's private-sector employers have reason to fear the hit to their bottom line from the increased cost of training workers. For some companies, particularly small and medium-size employers, the financial constraints associated with having to train the talent they need may be prohibitive, forcing them to shut down or leave the state.

But for the employers able to bear the short-term financial hit, there may be a silver lining. By

training workers themselves, employers necessarily will be more focused on retaining the talent in which they have made such a large investment. In-house training will enhance advancement opportunities for less educated workers. For workers, jobs may become more meaningful, giving them more incentive to stay engaged and to stay put.

Now that the politicians and educators have made a commitment to give schools more of the resources they need to develop a 21st century workforce for the state, it's time for Arizona's employers to shore up the skills of the generation of schoolchildren currently in the workforce who were disadvantaged by the funding shortfall. In meeting this challenge, Arizona employers that successfully incorporate the necessary training and development programs may reap some additional benefits along the way.

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