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FEATURED

County economic outlook bright, job growth slower

By Paul Lagasse plagasse@somdnews.com 1 hr ago

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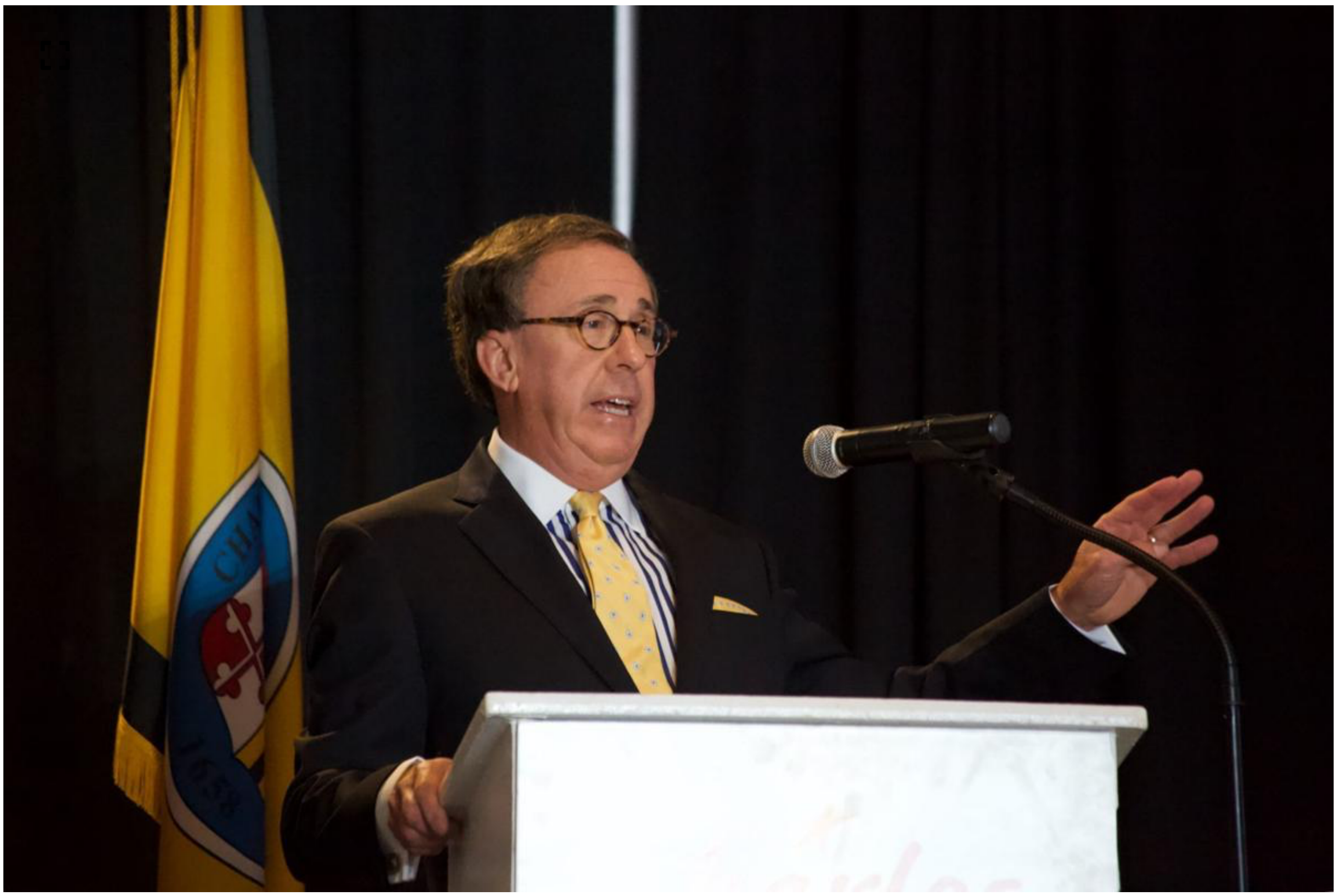
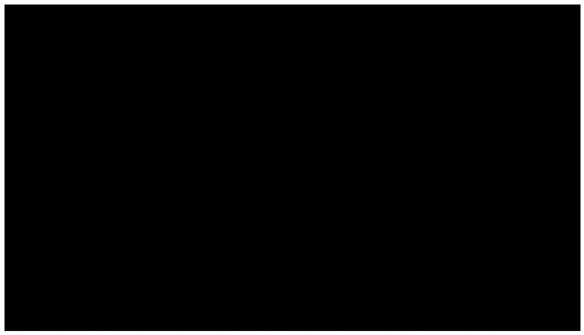


Economic development consultant Jay Garner discusses the importance of a skilled labor force for the future economic health of Charles County during Tuesday's annual fall meeting of the Charles County Department of Economic Development.

STAFF PHOTO BY PAUL LAGASSE

The continued growth of Charles County's economy will increasingly rely on its ability to attract a highly skilled workforce, but low unemployment, high commuter rates and fewer business startups could conspire to slow its pace, county business leaders were told earlier this week.

Economic development consultant Jay Garner, president and founder of Garner Economics LLC, which prepared the county's five-year economic development plan, said that local businesses continue to see infrastructure, the county's business climate — particularly with regard to permitting and zoning — and the lack of a skilled workforce as the key issues facing Charles County.



Garner was speaking at the annual fall meeting of the Charles County Department of Economic Development on Tuesday morning. The theme of this year's event, which was attended by local business leaders, county and town elected officials and staff, and representatives of the county school system and the College of Southern Maryland, was "The Future in Focus."

One of the major challenges facing not just Charles County but the whole country is that the baby boomer generation is retiring but the generational cohorts behind them are smaller in number, and so businesses will face a labor shortage as they try to fill the resulting vacancies. One of the effects of this is that employees will gain more leverage due to their ability to pick and choose where they want to work.

Of the county's leading economic indicators, job growth was only 1.6% in 2019, compared with 4.4% in 2015. Population growth, median household income, average wage and broadband access all had significantly higher percentage changes over the same period.

“I think in this world, we’re always now going to have a talent issue,” Garner said. “Typically, you can say that when there was a recession, there would be a reset button with respect to getting people back into the workforce. I don’t think that’s the case now based on the changing demographics.”

“Talent is the new currency,” he said.

Garner said that the county needed to find ways to “rebuild the talent pipeline” by bringing skilled workers into the county both to live and to work. One way to do that, he said, is to offer more incentives to businesses to relocate here and thus lure workers to the county.

Pointing to the large percentage of county residents who commute out of the county daily, Garner said, “Now there’s your talent pipeline.”

Although the county’s economic development team has been “exemplary” and has done a “magnificent job” of touting the geographic and environmental advantages of Charles County to companies looking to relocate or expand, Garner said, the county still faces some hurdles.

For example, the county has what Garner characterized as a “dangerously low” vacancy rate for office and industrial space, at 6.2% and 15.4% respectively. While on the one hand those rates indicate a healthy demand for space in Charles County, it also means that companies looking to relocate may decide to go elsewhere because they don’t see enough locations for them to choose from. Garner noted that 85% of businesses start their search for new locations by looking at existing building stock in a region.

That's where incentives come into play, Garner explained. Financial incentives such as tax breaks and rezoning are "helping to create the workforce of the future," Garner said. "You have to be on that front end in incentives."

"I happen to think that the business climate is the overall umbrella that will allow businesses to expand," said Garner, arguing that it affects other factors that businesses look at, like talent, cost and even incentives. "Good leaders drive economic development into a community, [while] poor leaders drive economic development out of a community."

During his presentation, Garner hammered on his recommendation, originally spelled out in the 2016 economic development strategic plan, that the county streamline its "cumbersome" procedures for reviewing and granting construction permits to businesses, along with high associated costs. Garner said that such a move would "create an internal culture of 'yes.'"

"This was one of our hallmark recommendations" in the economic development strategic plan, Garner said. "Sorry to be a broken record on that. It's your Achilles' heel."

In late July, Charles County Board of Commissioners' President Reuben B. Collins II (D) released a white paper calling for the creation of a new county government department to handle building permits and inspections and to establish an ombudsman position and advisory board to oversee it. In the white paper, Collins said that around three-quarters of the complaints filed with the county's Citizen Response Office have been related to issues with the Department of Planning and Growth Management.

Garner applauded Collins' decision to release the white paper and encouraged the board of county commissioners to act on it.

"The foot is on the gas pedal," Garner said. "Do not let the gas up."

Keynote speaker Anirban Basu, chair and CEO of Sage Policy Group Inc. in Baltimore, said that while the overall national economy appeared to be healthy, there are "some omens" on the horizon that could be the signs of a downturn.

The global economy, he said, "has already begun to sputter" and the nation's economic growth has slowed significantly. He noted that the energy and automotive sectors, traditionally reliable drivers of growth, are "no longer booming." Gross domestic product and industrial production, while still satisfactorily high, appear to be slowing as well.

Looking at historical trends, Basu said that recessions often follow periods of excessively high unemployment and drastic wealth inequality, both of which economists are seeing. Echoing Garner, Basu called attention to the "frustratingly low" participation in the labor market among men between the ages of 25 and 34.

Closer to home, Basu noted that regionally the state of Maryland and the Washington, DC-Virginia-Maryland-West Virginia metropolitan area were struggling in terms of employment growth. Maryland ranked 36 out of the 50 states in employment growth last year, while the metropolitan area as a whole came in 19th out of the 25 largest in the country behind the Los Angeles-Long Beach-Anaheim metro area.

Basu said that negative economic forecasts are largely a reflection of concerns that economists have over international trade deals, infrastructure investment, tariffs and interest rates. However, consumer, corporate earnings and construction numbers remain healthy overall.

Basu drew an analogy of an economist asking a genie for three wishes: 50-year record low unemployment, the fastest wage growth in a decade and robust consumer spending — with low inflation as a bonus wish.

“The genie has delivered,” Basu said.

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