

# Defense Industry Adjustment Program Outreach Findings

ADVOCATE • DEVELOP • CONNECT



# Background/Overview

ADVOCATE • DEVELOP • CONNECT



# Background

**Goal: Provide the state with a comprehensive look at the impact of military procurement on the state's economic engine**

- Contract awarded by the Dept. of Commerce in May
- Joint effort of four EDCs: Snohomish, Kitsap, Thurston, and Spokane
- Approach: Direct contact with defense contractors to discuss market & sales, workforce, and DOD funding.



# Defense Sector: Washington

- 2,000 WA businesses sell to the military.
- \$15 billion in contracts have been awarded during the last three years.
- Six active-duty military installations, with 69,125 military personnel
- 39,000 civilians employed

Source: Washington State Department of Commerce; <http://choosewashingtonstate.com/why-washington/our-key-sectors/military-defense/>.



# Defense Sector: Snohomish County

- 2015: 3,700 contracts with Snohomish County firms, valued at \$114 million\*
- Estimated annual economic impact of Naval Station Everett: \$475 million
- Aerospace supply chain companies serve both commercial and defense markets.

\*Source: USAspending.gov



# Survey Findings

ADVOCATE • DEVELOP • CONNECT



# WA Findings: Overview

- 131 organizations participated, representing more than 22% of organizations receiving DOD funding in these counties.
- 81% of participating firms are sole proprietorships (50%) or family-owned (31%).
- Manufacturing (32%) and construction (19%) were the top two respondent industries. Professional/scientific/technical was the third most common industry (15%).



# WA Findings: Overview

- Most participants fell into the \$1 to \$10 million (45%) or \$10 to \$20 million (20%) range for total annual revenues and had fewer than 500 employees.
- Expectations about future increases in market share and scope are generally positive. The most optimistic sectors surveyed were manufacturing and construction.





# WA Findings: Overview

- A majority of respondents (86%) said they wanted to increase their business with DOD.
- Many expressed interest in assistance to better position them for future DOD opportunities.
- Findings indicate a tightening labor market for skilled workers, with 72% of respondents expecting workforce needs to increase in the next 2 years.



# SnoCo Findings: Overview

- 31 participants, representing more than \$61 million in contracts (appr. 68% of total DOD dollars obligated in the county)
- Industries represented: Manufacturing (45%), professional/technical (16%), construction, health care, utilities, retail, and wholesale trade.
- Most (87%) participants had 2015 total revenue of more than \$1 million.



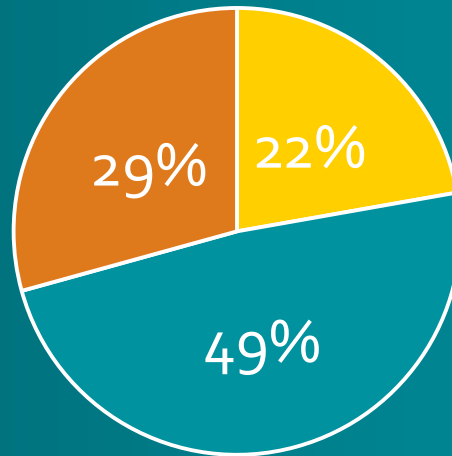
# Business Is Going Well

- Most participants defined their business as “growing” (55%) or “maturing” (35%).
- Nearly all feel their market share is increasing (58%) or stable (39%).
- Nearly all (97%) plan to maintain or expand operations in the next 12 months.
- 65% have recently been hiring. Only 1 has recently considered or implemented layoffs.



# Impact of DOD Revenue

- Reliance on DOD revenue was mixed:



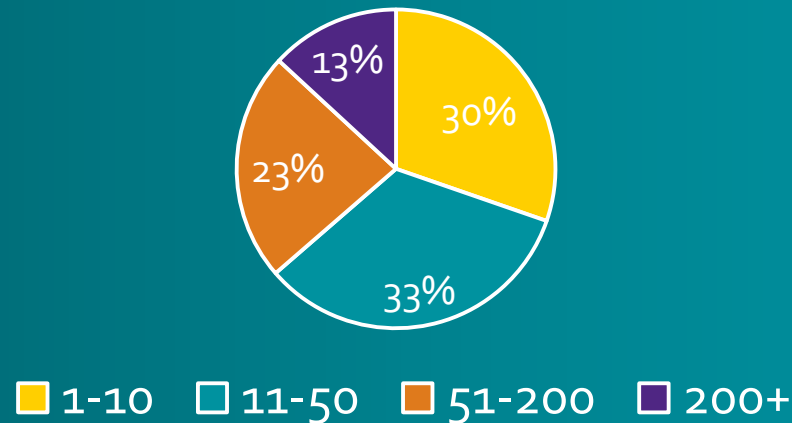
■ Completely or very reliant   ■ Somewhat reliant   ■ Not very or not at all reliant

- Most (84%) would like to increase business with DOD.



# Workforce

## Company Size by Number of Employees



- Nearly all (97%) participants have at least 50% full-time employees. Most (87%) employ 80% or more of their staff full time.



# Workforce Types

- Nearly all participants employ office/administrative and professional/managerial staff.
- More participants said that they employ staff for skilled manufacturing jobs (29%) than for unskilled manufacturing or unskilled service work (16% and 10%, respectively).
- A high percentage of participants (58%) employ engineers or scientists.



# Workforce Expectations

- 75% of participants expect their workforce needs to increase during the next 2 years.
- Anticipated openings include administrative positions, engineers and scientists, skilled and unskilled manufacturing, sales and marketing, service technicians, IT support, customer service, and more.
- Workforce requirements do not appear to be strongly tied to DOD funding levels.



# Workforce Supply

- 84% indicated “some” or “a good deal” of difficulty finding qualified employees in Snohomish County.
- Factors in workforce supply difficulties cited by respondents:
  - Ability to maintain competitive salaries
  - Transportation/commuting concerns
  - Lack of specific technical expertise or skilled labor
  - Difficulty finding retired military





# Other Concerns

- Complications from a lack of certainty in defense budgets
- Understanding and keeping up with DOD guidelines
- DOD contract sizes and requirements (can make it more difficult for smaller companies to compete)
- General economic development concerns



# Assistance Desired

- Government contracting assistance (45%)
- Electronic bid matching (42%)
- State tax credits and supports (35%)
- Strategic planning assistance (23%)
- Export assistance/promotion (23%)
- Workforce development assistance (16%)
- Entrepreneurship and small business development (16%)

Note: Respondents were encouraged to select any/all that applied.



# Next Steps

Survey findings are being used to:

- Expose local business to resources that can help decrease reliance on DOD funding.
- Inform policy recommendations.
- Develop work plans to ensure local defense contractors are well prepared for potential future funding cuts.



# Questions?

ADVOCATE • DEVELOP • CONNECT

