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Dear Client:

Despite the recent downturn, Texas is still at the forefront of the high technology workforce. That's the assessment of longtime, prominent Texas economist **Ray Perryman**. And he cites several examples to prove his assertion.

Texas ranks **second in the country** in semiconductor manufacturing employment (48,600), computer and office equipment manufacturing employment (35,800), and data processing and information services employment (45,900).

Additionally, **Texas ranks third** in software services employment (71,100) and in communications equipment manufacturing employment (33,400).

But Perryman says Texas is going to have to work to maintain its lofty perch. "This is not a time for complacency," he warns. "In order to guarantee future growth, **workforce development** is crucial to meeting the demands of high technology firms in the state." He points out many firms downsized recently to cut costs and that Texas firms are increasingly seeking cheaper labor outside of Texas and the US.

Perryman has looked into many crystal balls predicting Texas' economic future over the past decades. And, using another of those crystal balls, he sees what he believes is a clear picture for Texas's tech sector. "As economic recoveries in key trading nations gain momentum and excess capacity conditions are resolved, **the demand for tech products will grow. With this growth will come a need for specialized and highly trained employees.**

He makes a point he has made over and over again, at the risk of sounding like a broken record. "**Texas must increase incentives for high-technology firms to relocate here,**" he says. "The state has made great strides in this direction, but falls short of what is available in other, competing states in many instances. This is particularly crucial in the emerging technologies sectors."

When Perryman mentions high tech industries in Texas, he notes they "are centered predominately around two metro areas, **Austin and Dallas**, "although other cities are increasingly attracting technology firms." So, what else can Austin do – other than consider incentives? Perryman has a laundry list of **initiatives that are in place for Austin to consider**. Check out the next item for some specifics.

For help in enhancing the quality of the high tech workforce in the Austin area, you need only look to actions by the Texas Legislature two years ago.

“The state has enacted policies aimed at improving workforce development and education,” Texas economist **Ray Perryman** points out. And he cites chapter and verse from the 2001 legislative session.

“House Bill 144 instituted a **tougher math curriculum** for grades five through eight, allotted funds for the hiring and training of teachers, and designated a college preparatory curriculum the norm for students statewide,” he said.

“House Bill 1475 created a **master technology teacher program** for the public school system,” he continued.

“Senate Bill 353 developed a **\$10 million public/private partnership** to invest in state colleges in order to increase the number of engineering graduates,” he noted.

“Senate Bill 1596 allocated scholarships for students seeking to attend technical schools and **training programs specializing in software development and semiconductor manufacturing**,” he concluded.

More emphasis on specialized training will be needed in the future,” Perryman maintains. Given all this, the appropriate question to ask is: “Are our education officials and business leaders **taking full advantage of these incentives to the greatest extent possible** to benefit our economy and unemployed or underemployed residents?”

While we’re on the subject of jobs and workers, you should know that one forecast we respect indicates there will be about 1.3 million net new jobs next year in the US, compared to about zero for all of this year. And Austin is pegged to be one of the fast-starters.

The Kiplinger Washington Editors point out the overall employment outlook for next year varies by industry and that the **1.3 million growth in jobs will vary among cities**. It’s all keyed to how the city’s leading industries do. So, where does the Austin metro stand?

“**First out of the gate:** Cities strong in tech (**Austin, Texas**; Raleigh, N.C.), freight services (Atlanta; Knoxville and Nashville, Tenn.), energy (**Houston**) and tourism (Miami; Las Vegas),” predicts Kiplinger. Good news for us.

Other cities (such as Dallas, Oakland and St. Louis) that rely on air travel, telecom and auto parts, “will have to wait longer before catching up,” observed Kiplinger. While Austin looks good for the short term, there’s a major workforce shift looming – as you’ll see in the next item.

Bangalore, India, is becoming the new Silicon Valley. This strongly impacts the Silicon Hills of Austin and suggests a shift in direction for our economy.

The chief economist for the Real Estate Center at TexasA&M, **Mark Dotzour**, points out that “not only are computer science and software design industries flourishing in Bangalore, all sorts of businesses are sending their paperwork and accounting jobs via e-mail to India. So-called ‘**back offices,**’ or **support businesses are moving out of the United States as are customer service call centers.**”

“It’s just as easy to route a customer service telephone call to India, where labor and overhead are less expensive, as it is to have that call routed to a US city,” Dotzour observed. To reinforce his point, all you have to do is look to the Austin area’s largest private employer, **Dell. The Round Rock-based company is creating a larger and larger presence in Bangalore**, with local Dell execs booking flights to India on a regular basis.

This movement of *service* jobs offshore is a recent (5-year) phenomenon that shows no sign of letting up. Remember, *manufacturing* jobs have been leaving the country for about 20 years and manufacturing plants all across the US have been shutting down during the last two decades. You can look for **much of the same impact** with this service sector surge.

“No group is more aware of the consequences than commercial real estate professionals,” says Dotzour. “**When jobs disappear, industrial, retail and office buildings go dark.** That’s an especially chilling prospect to those whose livelihoods depend on the job-driven commercial real estate market.”

Although Dotzour is bullish on Texas – he cites a recent survey that indicates Texas has the most favorable business climate in the United States – he says the challenges of the new global economy are affecting all US cities. But Dotzour doesn’t stop with pointing out the negatives. **He has a solution for Texas – and it fits the Austin area to a “T.”** He’s addressing his observations to the commercial real estate pros (after all, he’s a real estate economist), but his views also carry a message to those interested in creating jobs in Austin.

If service jobs leave the US, where will jobs of the future come from? Dotzour says commercial real estate pros should look for their future tenants in **three large sectors that are staying put – health care, higher education and government. Bingo! Austin takes a back seat to no one in the latter two categories** and is making a major effort to beef up an already strong health care presence. The push for a medical school attached to UT Austin is one example activity in the health care arena.

Dotzour will be speaking on this shift in job markets 12/2/03 at the Texas Commercial Real Estate Outlook Conference in College Station.

The Austin company's cynical "de-motivation" slogans – "Hard work often pays off after time, but laziness pays off now," for example – created a little stir when we ran a brief item about them last week.

Despair, Inc. is an Austin company that is making a good living out of turning the business motivational enterprise on its ear – by coming up with **lavish, elegant posters that carry workplace slogans that are cynical at best.** In addition to the examples we gave you last week, here are a few more listed in their catalog that recently went to 2.25 million addresses.

"Indifference: It takes 43 muscles to frown and 17 to smile, but it doesn't take any to sit there with a dumb look on your face." **"Consulting: If you're not part of the solution, there's good money to be made in prolonging the problem."**
"If you can't learn to do something well, learn to enjoy doing it poorly."

"Nepotism: We promote family values here – almost as often as we promote family members." "Dysfunction: The only consistent feature of all of your dissatisfying relationships is you." **"The best leaders inspire by example. When that's not an option, brute intimidation works pretty well, too."**

Or, even more cynicism. "It could be that the purpose of your life is only to serve as a warning to others." "The journey of a thousand miles sometimes ends very, very badly." **"You can do anything you set your mind to when you have the vision, determination, and an endless supply of expendable labor."**

The Austin company started publishing these sayings on posters, mugs, Calendars, and sticky notepads several years ago. Laughing at its own work, one poster reads **"If a pretty poster and a cute saying are all it takes to motivate you, you probably have a very easy job to do. The kind robots will be doing soon."** You can see the company's work at www.Despair.com.

Dr. Louis Overholster likes to tell his patients that cheerful people resist diseases better than grumpy ones. Or, as he put it: "The surly bird catches the germ!" (Grooaann!!)

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