The Skills Gap in the Midwest

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Outline

• Economy-wide Data on the Skills Gap in the Midwest

• Firm Level Data from the Make It Work For Lincoln Survey
Skills “Gap”

• Finding the right workers, including workers with the right skills, is always challenging
  – This is one of the reasons why companies need human resource professionals

• A skills gap refers to a large and lingering gap between the supply and demand for certain types of skilled labor
Skills Gap in the Midwest

• JOLTS Database
  – Job Openings and Labor Turnover Survey
  – Provides data for U.S. and 4 Major Regions

• Show trends in openings, hires as well as quits and other separations
## Skills Gap in the Midwest
### Trends in Openings and Hires, Q2

<table>
<thead>
<tr>
<th>Year</th>
<th>Openings</th>
<th>Hires</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>2,534</td>
<td>3,927</td>
<td>0.65</td>
</tr>
<tr>
<td>2007</td>
<td>2,536</td>
<td>3,996</td>
<td>0.63</td>
</tr>
<tr>
<td>2009</td>
<td>1,442</td>
<td>2,755</td>
<td>0.52</td>
</tr>
<tr>
<td>2010</td>
<td>1,722</td>
<td>3,406</td>
<td>0.51</td>
</tr>
<tr>
<td>2014</td>
<td>3,294</td>
<td>3,911</td>
<td>0.84</td>
</tr>
<tr>
<td>2015</td>
<td>3,769</td>
<td>4,118</td>
<td>0.92</td>
</tr>
</tbody>
</table>
Skills Gap in the Midwest

- Growing Skills Gap –
  - Midwest hiring counts in JOLTS data have returned to pre-recession levels
  - Midwest job openings in JOLTS data are 33% to 50% higher than in the pre-recession period

- The increase in openings cannot be explained by an increase in quits
  - Like hiring, quits also have risen but only back to pre-recession levels

- Note the 14% surge in job openings in last 12 months

- Results for Midwest are similar to other parts of the country
Skills Gap in the Midwest

• In a sense, the emergence of the skills gap should be expected after a severe, “restructuring recession.”

• However, the skills gap also could be related to “long-term” issues
<table>
<thead>
<tr>
<th>Industry</th>
<th>Ratio in Q2, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Non-Farm</td>
<td>0.97</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1.15</td>
</tr>
<tr>
<td>Transportation, Warehousing</td>
<td>1.38</td>
</tr>
<tr>
<td>Information</td>
<td>1.24</td>
</tr>
<tr>
<td>Finance, Insurance</td>
<td>1.59</td>
</tr>
<tr>
<td>Health Care, Social Assistance</td>
<td>1.68</td>
</tr>
</tbody>
</table>
Skills Gap in the Midwest

• Even if predictable, a skills gap in any period still shows itself in a specific way
  – There is a need to look at detailed information

• I do not have detailed information for the entire Midwest
  – But, I do have detailed information for one Midwest place – the Lincoln, Nebraska area
  – Soon there will be data for the Omaha metro area and Scottsbluff-Gering micropolitan area
Make It Work For Lincoln Survey

• Thank you to ATD - Lincoln Chapter, NDOL and NEDED

• Designed to identify the hiring needs and challenges faced by business as well as training activity

• Mailed to 1,300 Lincoln Metro Area businesses with 20 or more employees

• Responses received from 248 businesses
Hiring Challenges

Is It Difficult to Find Workers?

- Yes: 62.5%
- No: 37.5%
Hiring Challenges By Occupation

• Occupations Most Difficult to Hire
  – Installation, Maintenance and Repair workers
  – Personal Care and Service workers
  – Production workers

• Occupations Least Difficult to Hire
  – Office and Administrative Support workers
  – Food Preparation and Serving workers
  – Sales workers
Hiring Challenges
Why is it difficult to find workers?

- Lack of Work Experience: 58.1%
- Poor Work History: 41.4%
- Lack of Occupation Specific Skills: 55.0%
- Failed Background Check: 22.5%
- Wage Demands Too High: 26.2%
- Lack Required Licenses/Certificates: 16.0%
- Language Barrier: 4.4%
- Other: 0.2%
Hiring Challenges

- This appears daunting

- But, hiring difficulties vary by occupation

- There may be actionable solutions in specific occupations
Hiring Challenges By Occupation

- Occupations where the primary difficulty is a lack of occupation-specific skills
  - Computer and Mathematical workers
  - Installation, Maintenance and Repair workers
  - Production workers
Hiring Challenges By Occupation

• Occupations where the primary difficulty is applicants with a poor work history
  – Health Care Support workers
  – Food Preparation and Serving workers
  – Construction workers
  – Transportation and Material Moving workers
Hiring Challenges By Occupation

• Occupations where wage demands are “too high”
  – Business and Professional Operations workers
  – Healthcare Practitioners and Technical workers
  – Personal Care and Service workers
  – Office and Administrative Support workers
Training

Is Job-Specific Training Provided For New Workers?

- Yes: 76.7%
- No: 23.3%
Training

Type of Training?

- Class but not certification: 56.8%
- Certification course: 34.9%
- College or community college course: 7.1%

Start Something.
Training By Occupation

• Occupations where certification, college or community college course most common:
  – Managers
  – Computer and Mathematical workers
  – Installation, Maintenance and Repair workers
  – Personal Care and Service workers
Summary from Business Survey

• Business are attempting to address skill needs with post-hire training

• What else can be done?
What Else Can Be Done?

• Pre-Hire Training
  – Community Colleges
  – Career Academies
  – Tax Burden for Middle Skill Workers?
What Else Can Be Done?

• Poor Work History
  – Short-run: certification or other methods to identify workers who can “reform”
    – Long-run: better development of “soft skills” in family or primary/secondary education setting
What Else Can Be Done?

• Wage Demands Too High?
  – Address disincentives for work from the “safety net” or “retirement, health care, and education subsidies”
  • With that approach, is it worth it?
Will Solving the Skills “Gap” Help Your Business?

• Businesses operate with a certain level of skills deficit
  – Sometimes it makes sense to pay less and not get all the worker skill you might be able to use

• Therefore, if new skilled workers become available
  – The skills gap may ease at individual firms
  – But firms also might just expand and continue to live with some level of skills deficit
    • Alternatively, new firms may form
Thank You

Any Questions?