Five Major Workforce Trends

House Committee on Business and Labor

May 15, 2013

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Five Key Workforce Trends

1. The Great Recession was deep and its effects are lingering.
2. Oregon’s labor force is declining. That’s very unusual.
3. It’s difficult to figure out businesses’ need for workers.
4. The recession had a significant impact on younger workers.
5. Always remember - rural areas have it worse.
The Great Recession was Deep and Lingering
Let’s start with a simple graph.

Oregon Employment Loss by Recession

Projection: Oregon Office of Economic Analysis, March 2013
Translation: three years into “recovery”, we’ve added back fewer than half of the jobs lost in the recession.
That’s why Oregon’s unemployment rate is still at historically high levels, equal to the worst rates of the early 2000s recession.
And there are still nearly 151,000 unemployed in Oregon, far above the roughly 100,000 pre-recession level (but much better than the recession’s 240,000).

Oregon’s April Unemployed Count:
- In 2011: 187,500
- In 2012: 170,500
- In 2013: 150,600
Some industries are actually doing quite well.
But others are not.
Unemployment rate fell to 8.0 percent
  
  Lowest rate since October 2008 (7.7 percent)

Nonfarm payrolls added 3,700 jobs in April

Payroll employment has risen for seven months in a row

Oregon added 27,500 jobs since April 2012

Labor force participation rate was 61.9 percent
  
  Record low since series began in 1976
Oregon’s Labor Force is Declining
This is perhaps the biggest single trend impacting Oregon’s economy right now. It’s one we knew was coming …

- Slow population growth
- Retirements
- Low teen participation

Source: Local Area Unemployment Statistics
Net migration into Oregon has slowed ... a lot. This has implications for labor force growth, labor force supply, and demand for products and services.

Source: Portland State University, Population Research Center
And for those who are living here, Oregon’s labor force participation rate has fallen dramatically in the last few years.
The definition is important for this discussion.

Participation Rate = \frac{Employed + Unemployed}{Civilian Noninstitutional Population}

In 2012, 63.4% = \frac{1,792,000 + 171,000}{3,097,000}

Unemployed = No job, available and currently looking for work (regardless of unemployment insurance eligibility)

Civilian = Not on active duty in the armed forces

Noninstitutional = Not residing in prisons or homes for the aged

Population = Anyone 16 years and older

- Students? – In labor force if they are working or looking for work
- Retirees? – In the population if not in a nursing home
- Undocumented immigrants? – Included
Oregon’s rate is the lowest since state records began in 1976.
Retiring older workers and decreasing participation by young people are big reasons.
Trying to Understand Businesses’ Need for Workers
1. Job growth has been sluggish ... so businesses don’t need as many workers.

2. And yet ... some businesses say they can’t find “qualified workers” for the openings they do have.
We’ve definitely added jobs over the year. So this might suggest there’s a big demand for workers.
But many industries are still far below their pre-recession employment levels ... suggesting there are skilled workers eager to get back into jobs.

Real and Expected Job Changes by Industry Sector
Sorted by Net Job Change

Source: OED analysis using OEA Forecast, March 2013
We looked at employment in several industries earlier. What’s happening in manufacturing?

Consider this scenario:

- Increasing demand for manufactured products.
- Productivity high.
- Profits decent.
- Do we need to hire more people?
Let’s think more about this “can’t find qualified workers” discussion.

• There were 158,645 unemployed Oregonians in October 2012 and 31,230 private sector job vacancies reported by employers.

• That’s 5 unemployed people for each private sector vacancy.

• But we’ve heard, over and over again, that businesses are having particular difficulty finding workers, especially in health care, manufacturing, and truck driving.
So we asked more about this in our 2012 Vacancy Survey.

### Oregon Job Vacancies by Industry, Fall 2012

<table>
<thead>
<tr>
<th>Industry</th>
<th>Vacancies</th>
<th>Average Hourly Wage</th>
<th>Full-time Positions</th>
<th>Permanent Positions</th>
<th>Requiring Education Beyond High School</th>
<th>Requiring Previous Experience</th>
<th>Difficult to Fill</th>
</tr>
</thead>
<tbody>
<tr>
<td>All industries</td>
<td>31,230</td>
<td>$17.92</td>
<td>74%</td>
<td>82%</td>
<td>28%</td>
<td>68%</td>
<td>44%</td>
</tr>
<tr>
<td>Health care and social assistance</td>
<td>6,919</td>
<td>$18.05</td>
<td>66%</td>
<td>96%</td>
<td>42%</td>
<td>68%</td>
<td>42%</td>
</tr>
<tr>
<td>Leisure and hospitality</td>
<td>3,329</td>
<td>$10.54</td>
<td>43%</td>
<td>33%</td>
<td>4%</td>
<td>47%</td>
<td>25%</td>
</tr>
<tr>
<td>Management, administrative, and waste services</td>
<td>3,168</td>
<td>$19.80</td>
<td>79%</td>
<td>78%</td>
<td>18%</td>
<td>68%</td>
<td>48%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>3,003</td>
<td>$21.09</td>
<td>90%</td>
<td>86%</td>
<td>42%</td>
<td>76%</td>
<td>55%</td>
</tr>
<tr>
<td>Retail trade</td>
<td>2,899</td>
<td>$11.74</td>
<td>57%</td>
<td>59%</td>
<td>5%</td>
<td>49%</td>
<td>38%</td>
</tr>
<tr>
<td>Other services</td>
<td>2,340</td>
<td>$15.42</td>
<td>91%</td>
<td>96%</td>
<td>18%</td>
<td>50%</td>
<td>43%</td>
</tr>
<tr>
<td>Professional, scientific, and technical services</td>
<td>2,322</td>
<td>$25.67</td>
<td>86%</td>
<td>93%</td>
<td>68%</td>
<td>77%</td>
<td>51%</td>
</tr>
<tr>
<td>Construction</td>
<td>1,950</td>
<td>$15.13</td>
<td>98%</td>
<td>85%</td>
<td>10%</td>
<td>100%</td>
<td>51%</td>
</tr>
<tr>
<td>Transportation, warehousing, and utilities</td>
<td>1,720</td>
<td>$19.59</td>
<td>65%</td>
<td>87%</td>
<td>6%</td>
<td>66%</td>
<td>65%</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>1,281</td>
<td>$21.63</td>
<td>97%</td>
<td>96%</td>
<td>52%</td>
<td>84%</td>
<td>38%</td>
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<tr>
<td>Financial activities</td>
<td>1,264</td>
<td>$19.56</td>
<td>86%</td>
<td>99%</td>
<td>26%</td>
<td>83%</td>
<td>41%</td>
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<tr>
<td>Information</td>
<td>495</td>
<td>$22.94</td>
<td>88%</td>
<td>95%</td>
<td>49%</td>
<td>86%</td>
<td>57%</td>
</tr>
<tr>
<td>Natural resources and mining</td>
<td>285</td>
<td>$16.99</td>
<td>77%</td>
<td>53%</td>
<td>19%</td>
<td>78%</td>
<td>48%</td>
</tr>
<tr>
<td>Private educational services</td>
<td>225</td>
<td>$19.52</td>
<td>82%</td>
<td>100%</td>
<td>90%</td>
<td>91%</td>
<td>18%</td>
</tr>
</tbody>
</table>
And employers told us why certain openings were difficult to fill. We’re in early analysis of this …

**Reasons Provided for Difficult-to-Fill Vacancies**

- Lack of applicants: 15%
- Lack of qualified candidates: 18%
- Low wages: 4%
- Location: 4%
- Other: 7%
- Lack of work experience: 13%
- Lack of technical skills: 6%
- Lack of soft skills: 5%
- Lack of certification: 5%
- Lack of training: 3%
- High education requirements: 2%
- Unfavorable working conditions: 18%
Dr. Peter Cappelli, at Wharton’s Center for Human Resources, thinks perhaps businesses are being too picky …

- “With an abundance of workers to choose from, employers are demanding more of job candidates …”
- “… to get a job, you have to have that job already.”
- “… drop the idea of finding perfect candidates and look for people who could do the job with a bit of training and practice.”
- “Some of the complaints … boil down to … employers can’t get candidates to accept jobs at the wages offered.”
- “There are plenty of people out there who could step into the jobs being offered.”

The way forward:
- Work with education providers
- Bring back aspects of apprenticeship (pay less while mastering the craft)
- Promote from within
- Organize work to give employees opportunities to learn new skills
What All This Means for Young People
For the college students who graduated in May-June 2008, and in times since ...

- Employment impact
- Income impact
- Economic impact
- Psychological impact
We already saw that younger people are less likely to be engaged in the labor force. And almost 20% of those that are in the labor force are unemployed.
Employment of teenagers is way down.
Remember the Rural Areas
The unemployment rate in rural areas is still well above the rate for urban areas.

Source: Local Area Unemployment Statistics
Labor force participation is generally lower in rural areas.

**High**
Hood River
83.7%

**Low**
Curry County
47.4%
Historical job growth has been slower in rural areas.
Projected job growth is slower in rural areas over the next decade.
And some rural demographic trends are truly disheartening.

- Eight of Oregon’s 36 counties lost population between 2000 and 2010.
  - Sherman, Wheeler, Grant, Baker, Wallowa, Harney, Malheur, Gilliam

- Fourteen of Oregon’s counties have fewer young people today than they had ten years ago.

- In six counties, the median age is 50 or older.
  - Lincoln, Gilliam, Grant, Wallowa, Wheeler, Curry.
We’re in a time of massive change. That’s fascinating, exciting, and frightening.

Many major demographic, technological, and global economic forces are coming together.

Baby boomer retirements should mean massive opportunities for young workers – but not if we don’t need as many workers.

The goal for Oregon’s workforce? Be technically skilled and competent; have great workplace (soft) skills; and choose a great attitude.
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