

Oregon's Key Workforce Challenges

Region 5 Workforce Investment Board

December 8, 2011

The “Great Eight” Workforce Challenges

- High levels of unemployment and high levels of long-term unemployment.
- Structural changes for some industries.
- Slow employment growth.
- Businesses struggle to find skilled workers.
- Connecting training to jobs.
- Younger workers damaged by recession.
- Aging workers, baby boomers damaged by recession, but will eventually retire.
- Rural areas face special challenges.

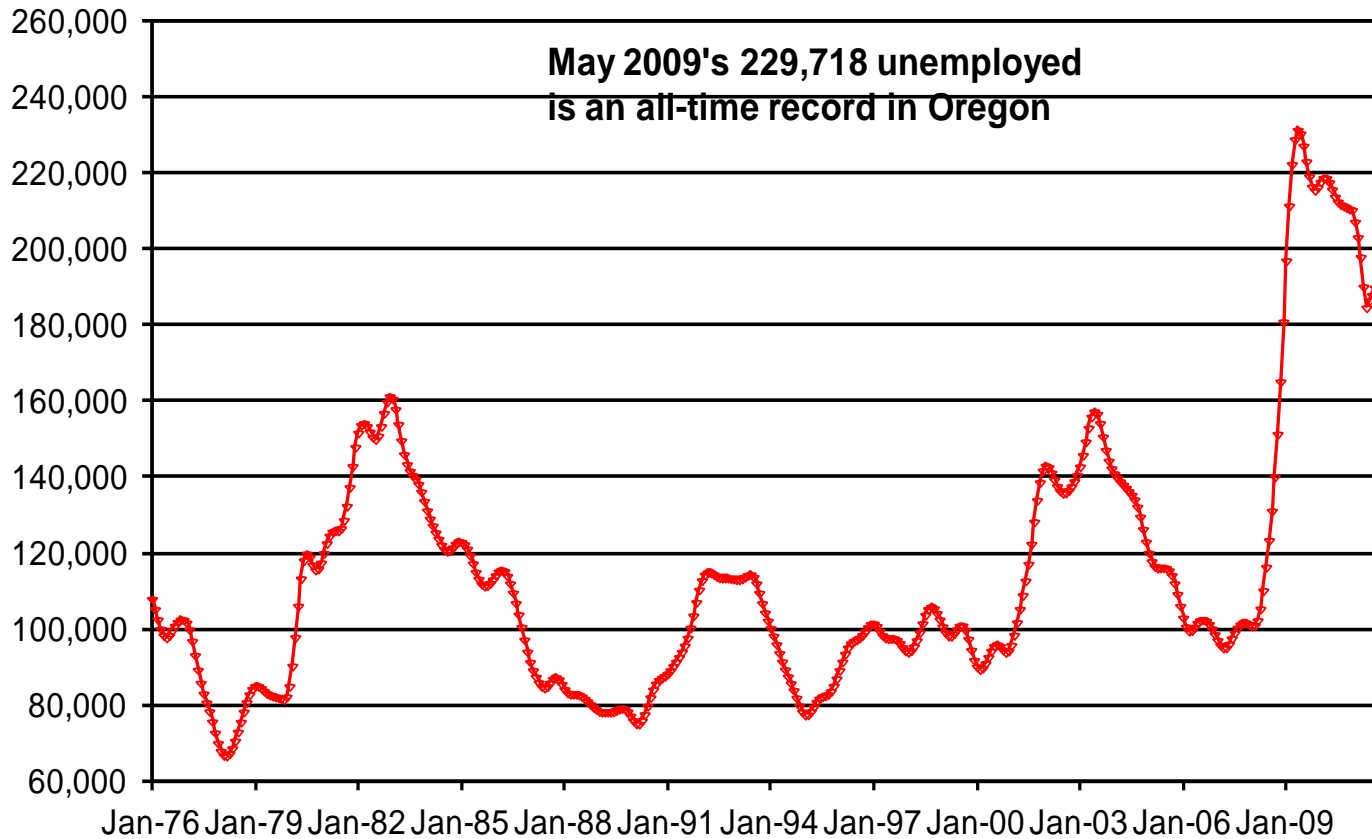


Challenge #1: *Unemployment*

Unemployment remains high and many Oregonians have been out of work for a very long time.

There are 180,000 unemployed people in Oregon. Across the U.S., there are over four unemployed people for every job opening. (In Oregon, the ratio may be as high as 6:1.)

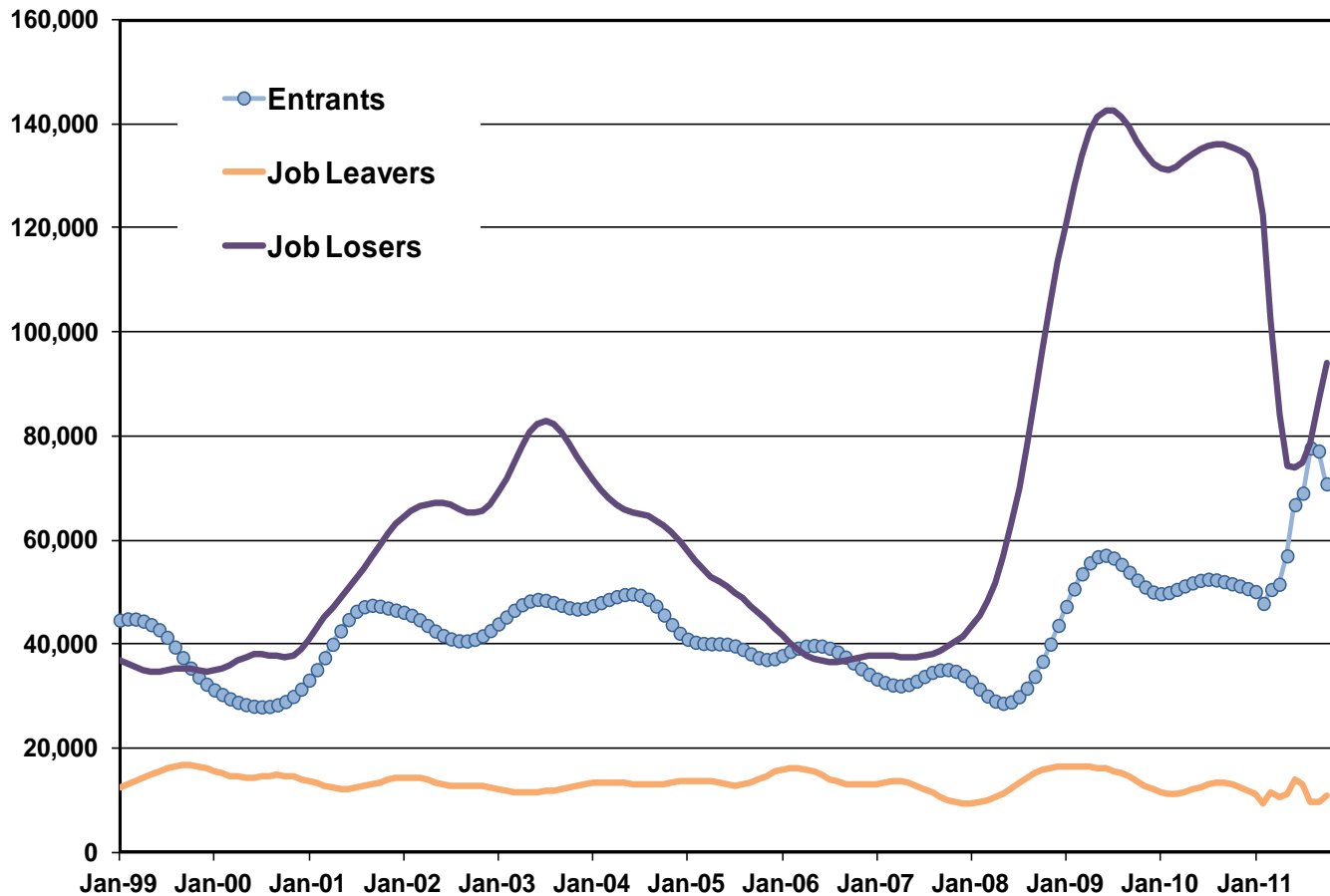
Oregon Total Unemployment Seasonally Adjusted



16,000 unemployed in Lane County, down a little from year ago.

People entering the labor force without a job are adding to Oregon's unemployment nearly as much as those who lost their jobs.

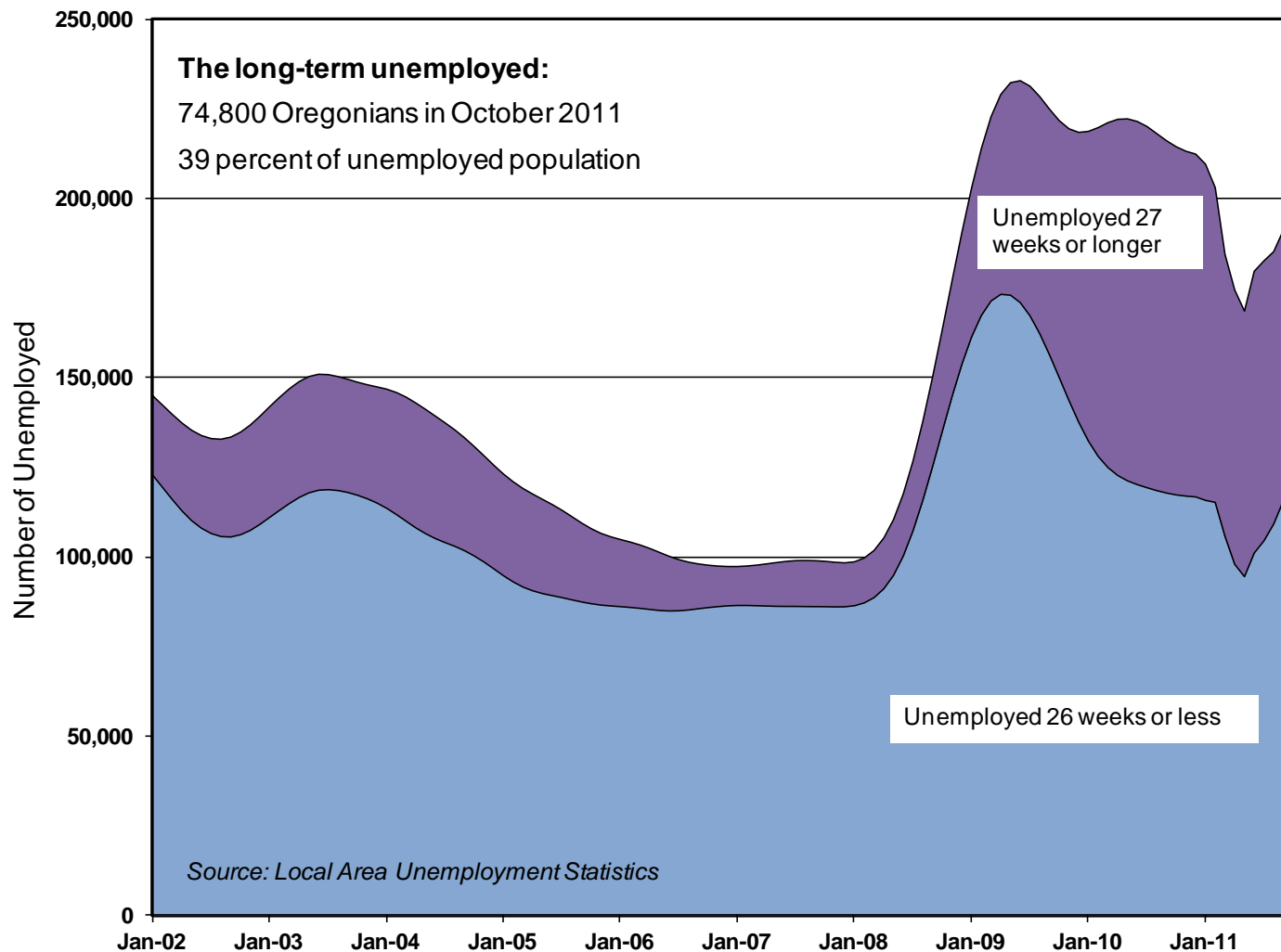
Oregon Unemployment by Reason [Trend]



Source: Local Area Unemployment Statistics, Current Population Survey

National news release, 12/2/11:
•Number of job losers declined ...
•Number of long-term unemployed was little changed.

Four out of 10 unemployed Oregonians have been without a job for six months or more. Long-term unemployment is a big challenge following the recession.



Many of Oregon's unemployed have been looking for work for a long time now.

We might assume they'll have little problem finding jobs once the economy picks up...

... but that assumption might be wrong.

Some employers may be hesitant to hire applicants who are unemployed...

During the annual conference of the Oregon Employer Council, attendees were asked what reasons, if any, might prevent them from hiring the long-term unemployed. Responses included:

- The long-term unemployed may have a bad attitude and/or lack motivation.
- They may lack interview skills and/or do not properly prepare for an interview.
- In some cases, the laid-off “weren’t the cream of the crop” to begin with.
- Their skills may have become stale.
- In some cases, they lack soft skills, i.e. time management, self-confidence, acting as a team player.

...but job seekers can address some of those concerns.

The majority of employers said they would consider hiring the long-term unemployed if they ...

- ... have the skill set to fill the position.
- ... were doing something productive - volunteering, attending school, homemaking - during their period of unemployment
 - (It was noted that it's very important the long-term unemployed note these activities on their resume; otherwise, they don't get to the interview and don't have the opportunity to describe what they've done)
- ... have a reasonable reason as to why they've been unemployed.

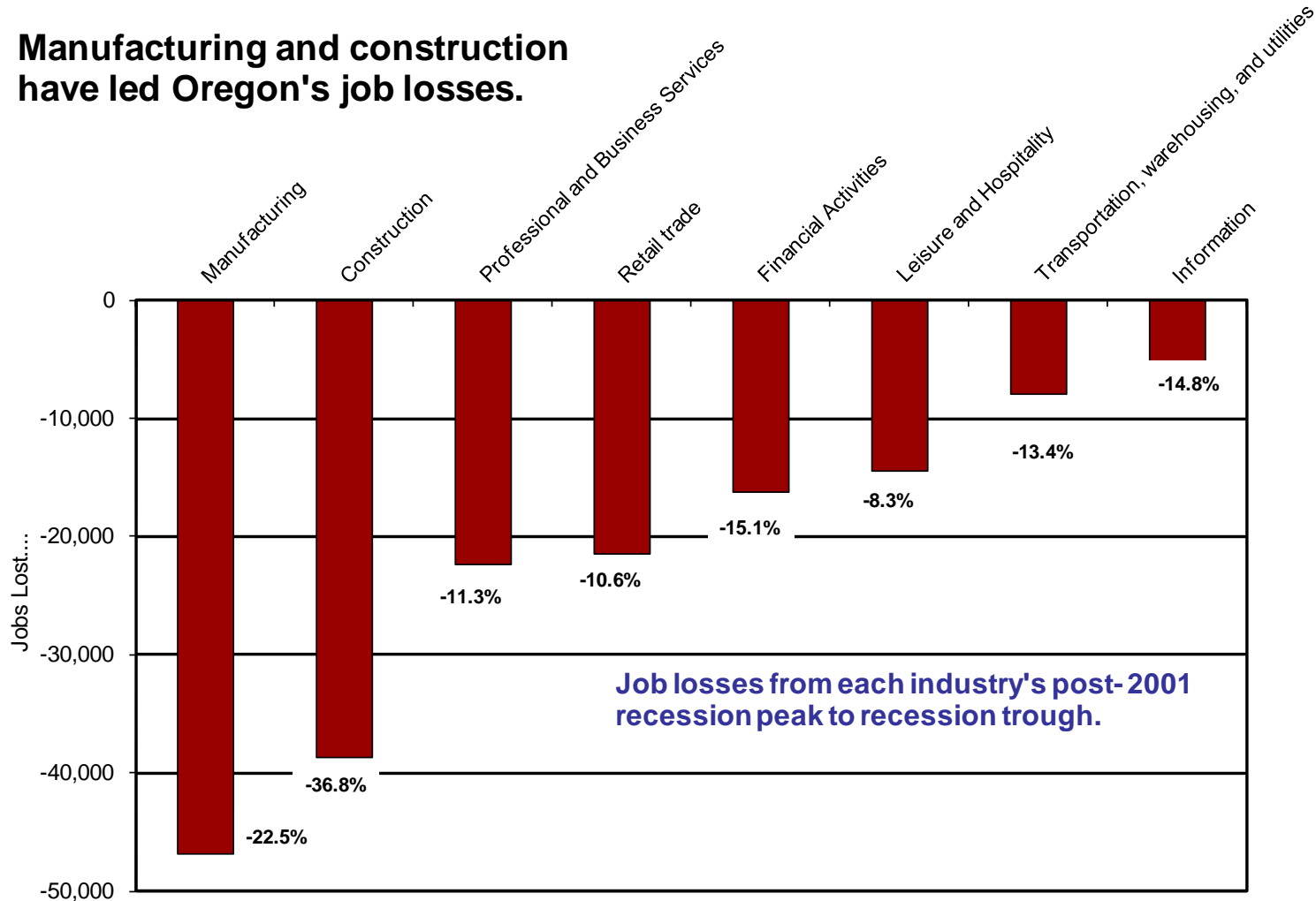
Challenge #2: *Structural Changes in the Economy*

The 2008 recession caused a number of significant structural changes to Oregon's and the nation's economies.

Some industries may not see a return to prior levels of employment...

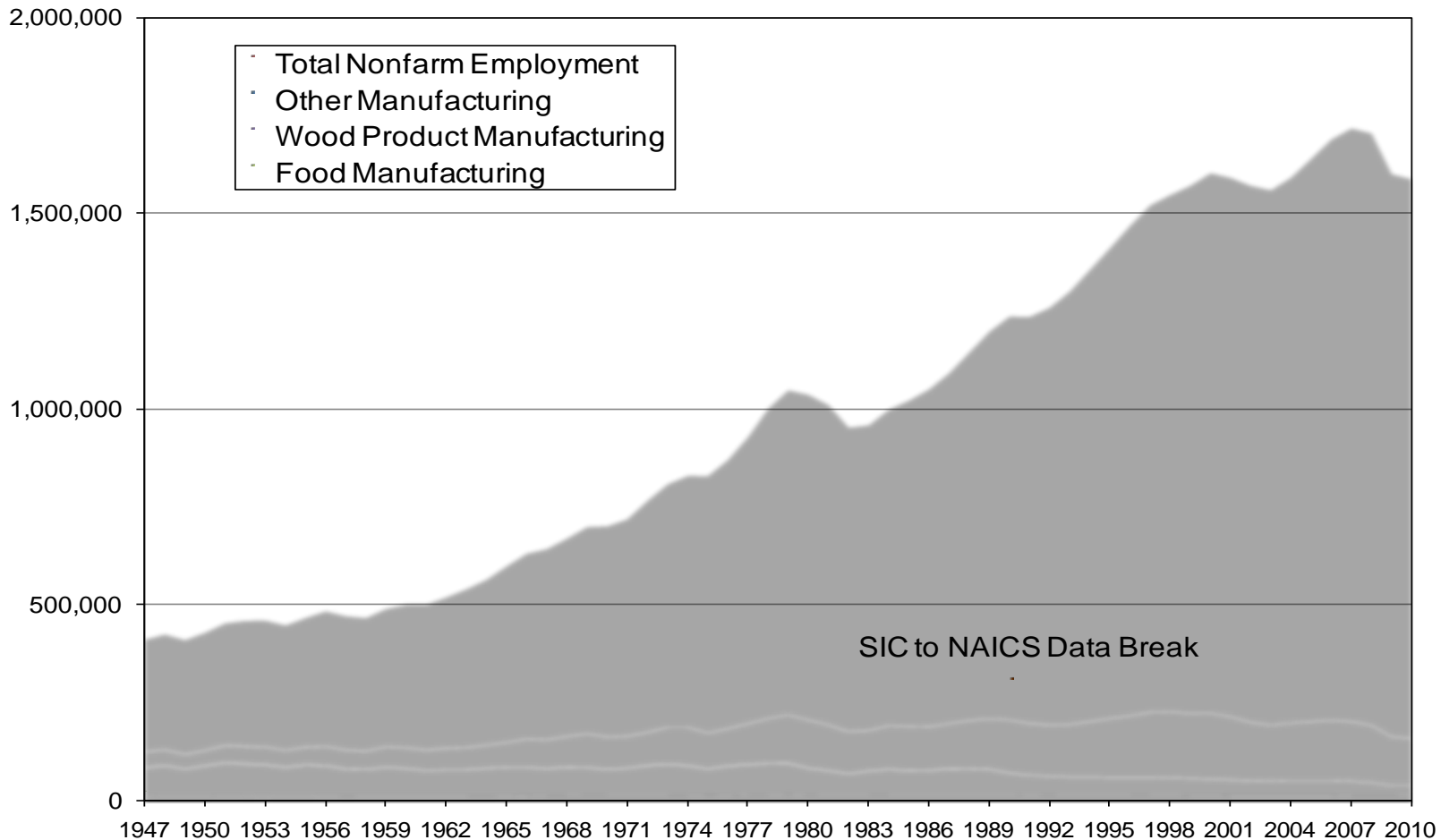
Nearly all sectors of Oregon's economy were hurt by the recession. Manufacturing and construction more so than others.

Manufacturing and construction have led Oregon's job losses.



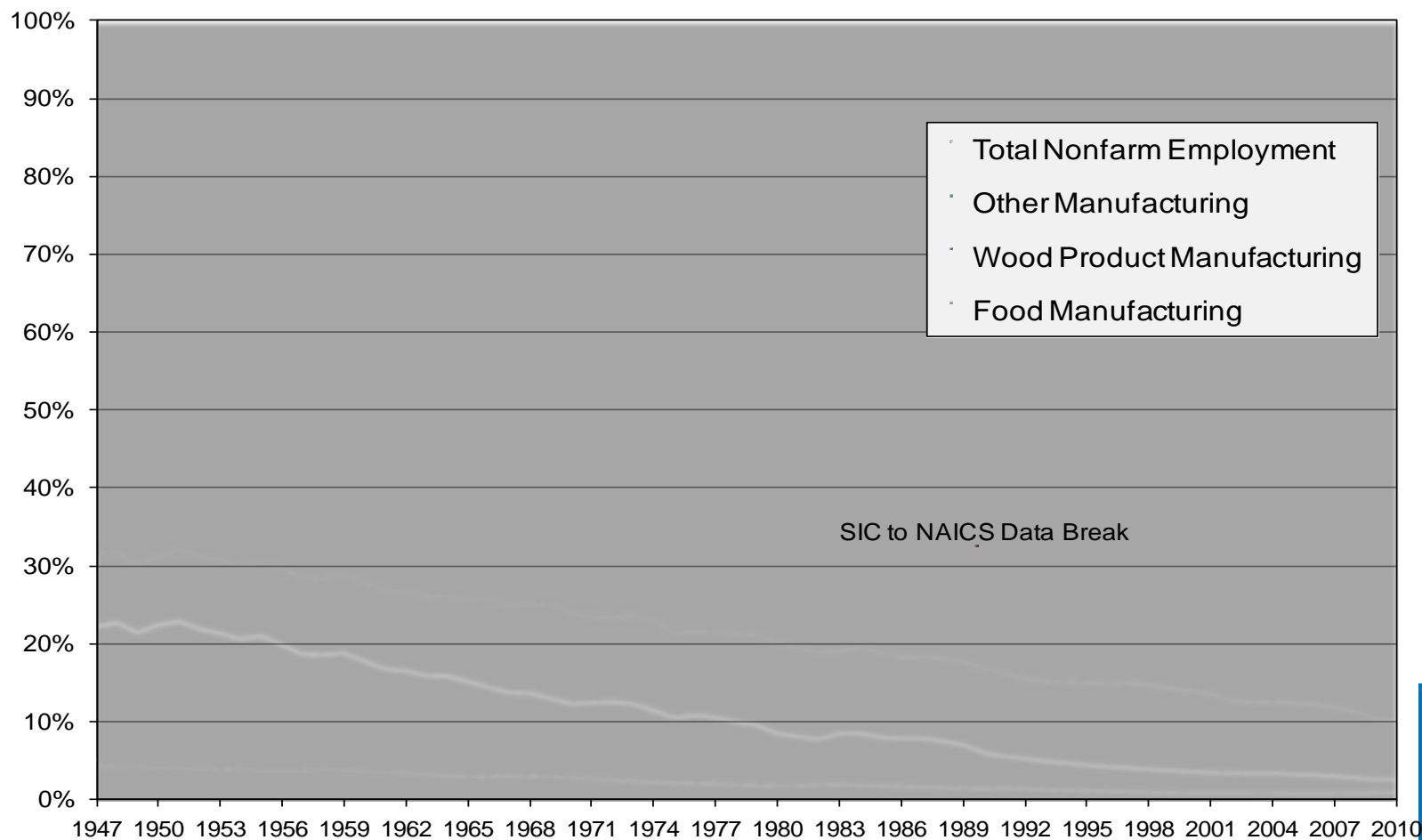
Oregon has 885,500 more jobs than 40 years ago, but about the same number of manufacturing jobs.

Oregon Nonfarm Employment (CES 1947-2010)



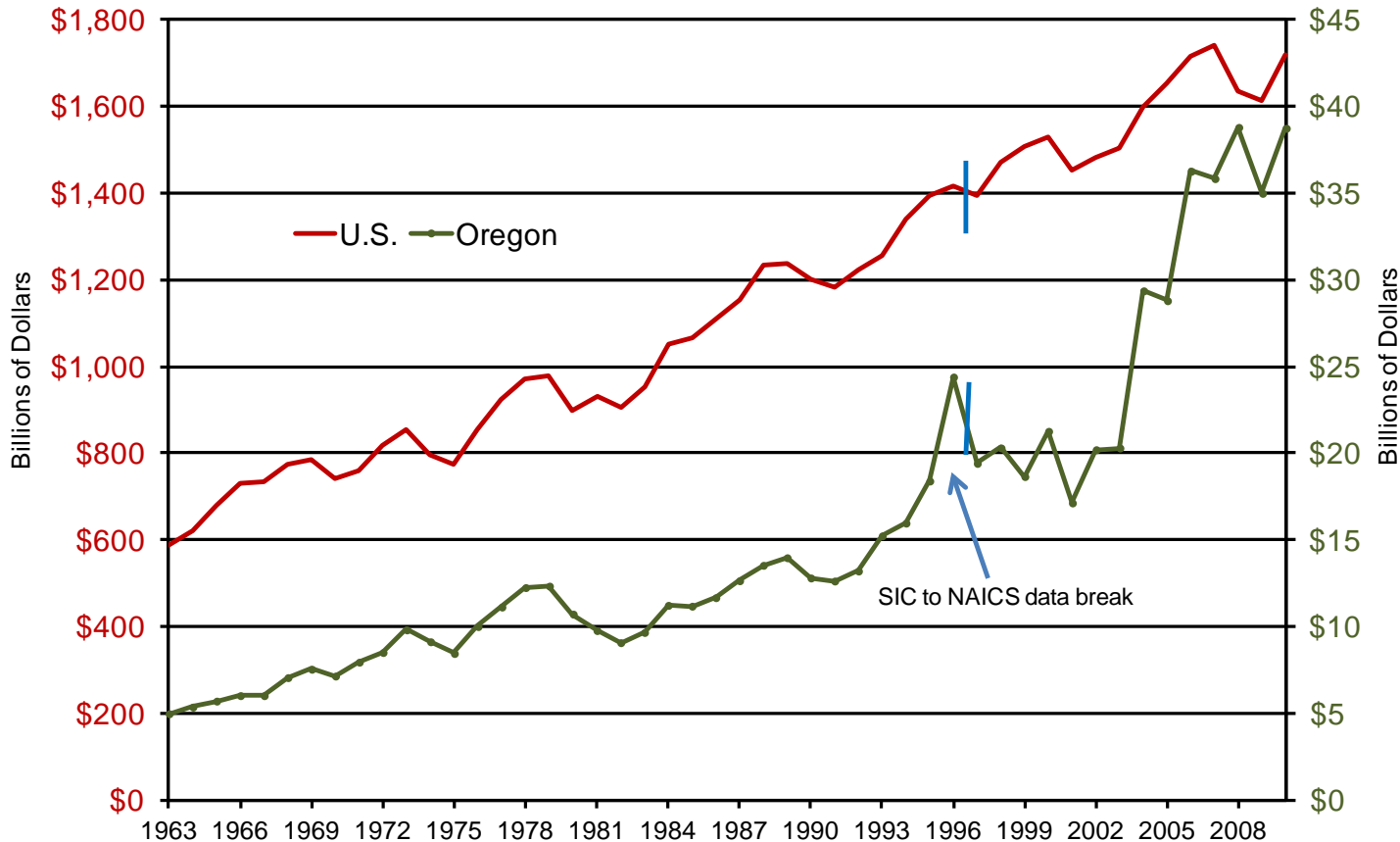
It's clear that manufacturing jobs are a smaller share of Oregon's workforce.

Share of Total Nonfarm Employment in Oregon (CES 1947-2010)



Note, however, that both Oregon and the U.S. are manufacturing more than they did 20 and 40 years ago...

U.S. and Oregon Manufacturing Output (2010 Dollars)



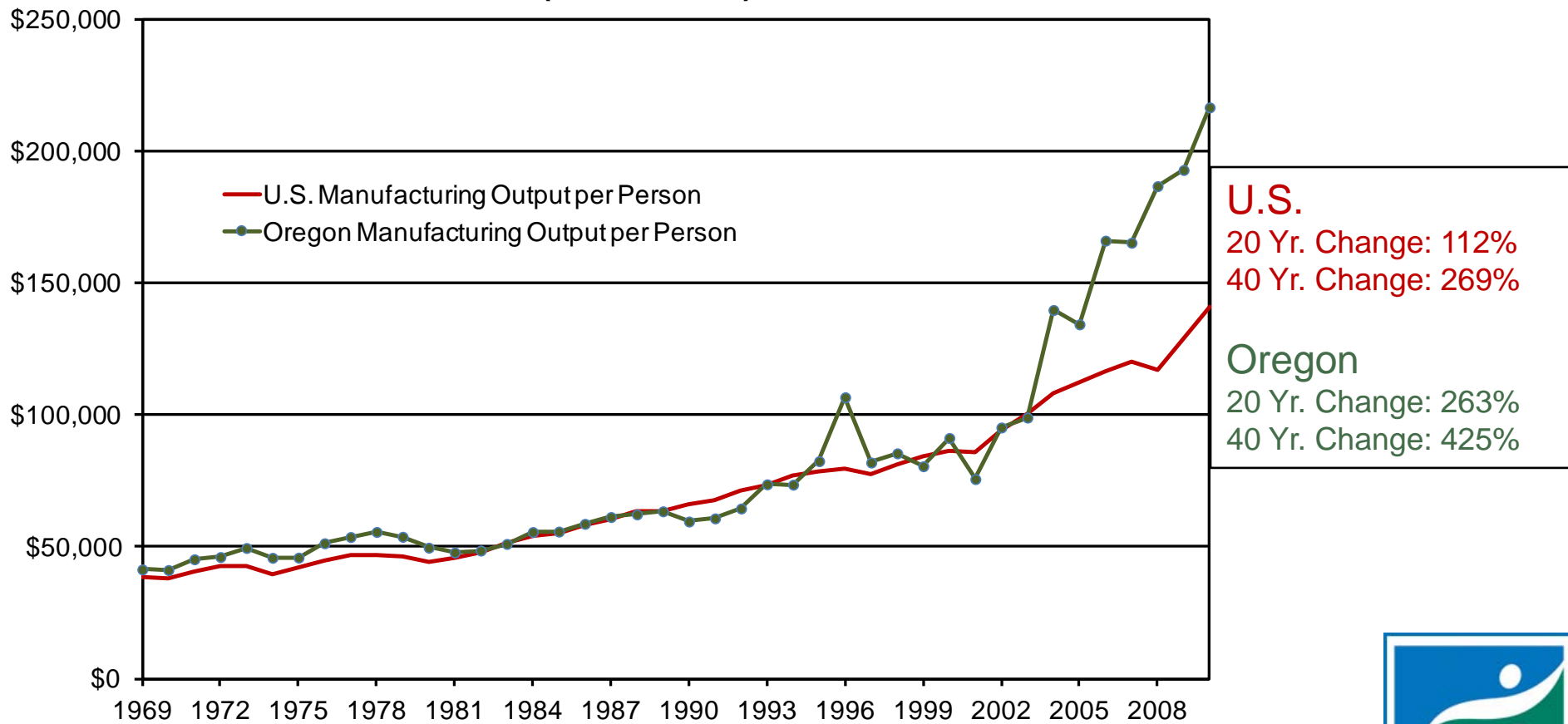
U.S.
20 Yr. Change: 43%
40 Yr. Change: 132%

Oregon
20 Yr. Change: 202%
40 Yr. Change: 440%

Source: Bureau of Economic Analysis

...and making more with each worker than they were 20 and 40 years ago.

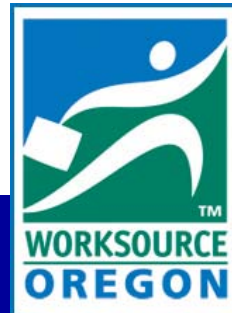
U.S. and Oregon Manufacturing Output Per Worker (2010 Dollars)



U.S.
20 Yr. Change: 112%
40 Yr. Change: 269%

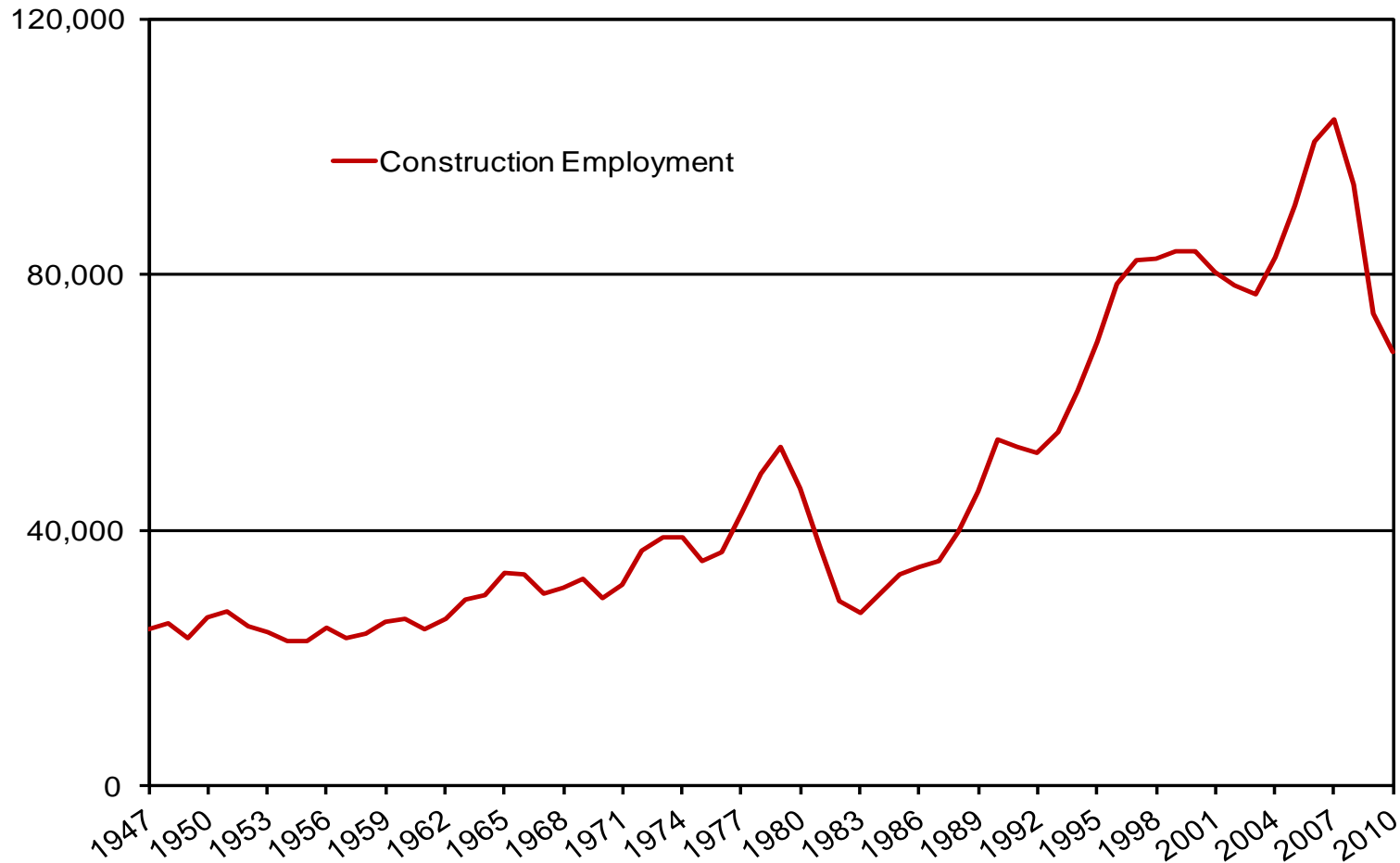
Oregon
20 Yr. Change: 263%
40 Yr. Change: 425%

Source: Bureau of Labor Statistics



Construction employment is a clear case of a bubble bursting.

Construction Employment in Oregon

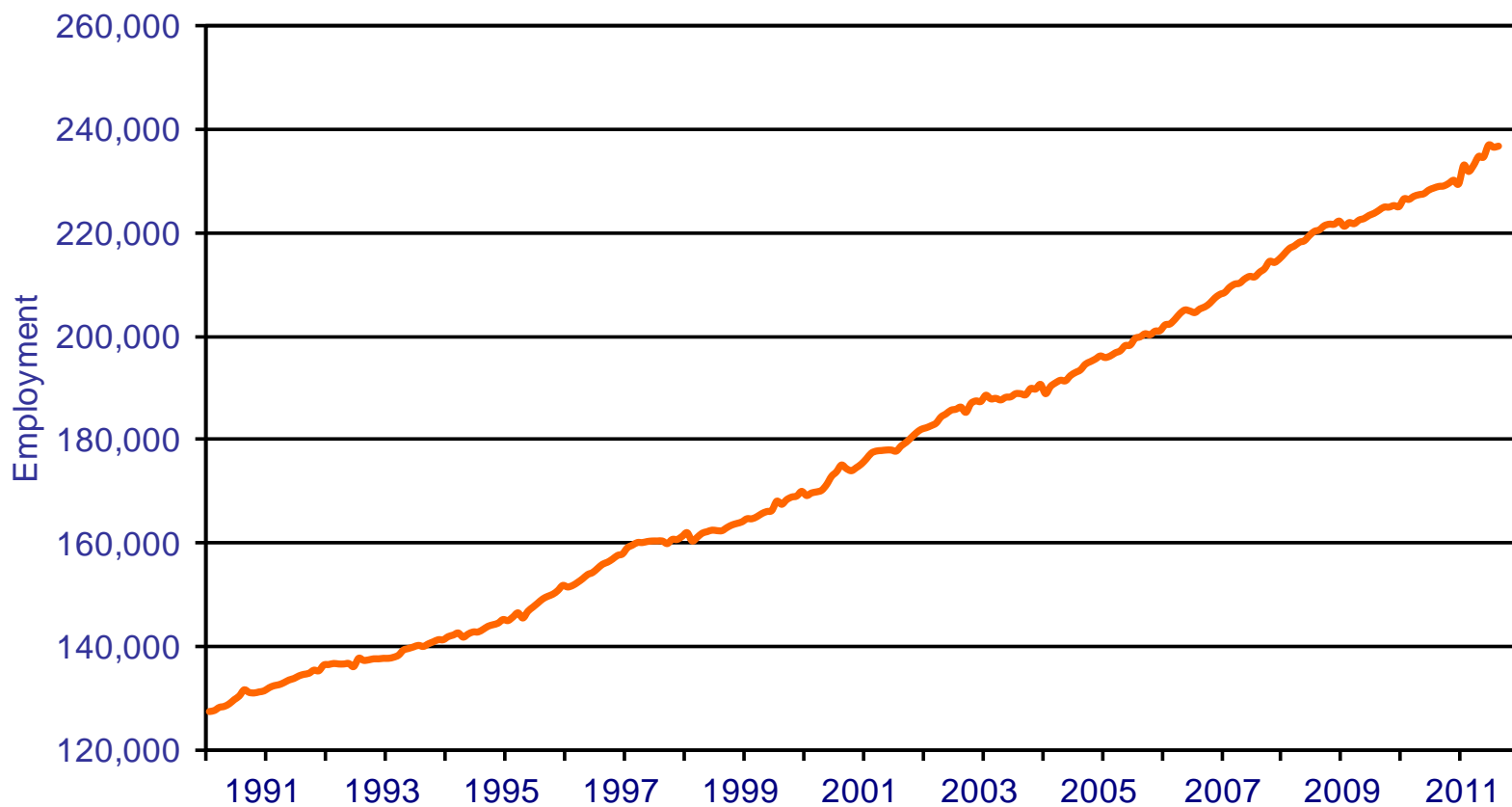


Source: Oregon Employment Department, CES 1947-2010



Structural changes are not always gloomy. Health services employment has grown because of structural demographic changes.

Seasonally Adjusted Employment in Oregon Educational and Health Services: 1990 - 2011



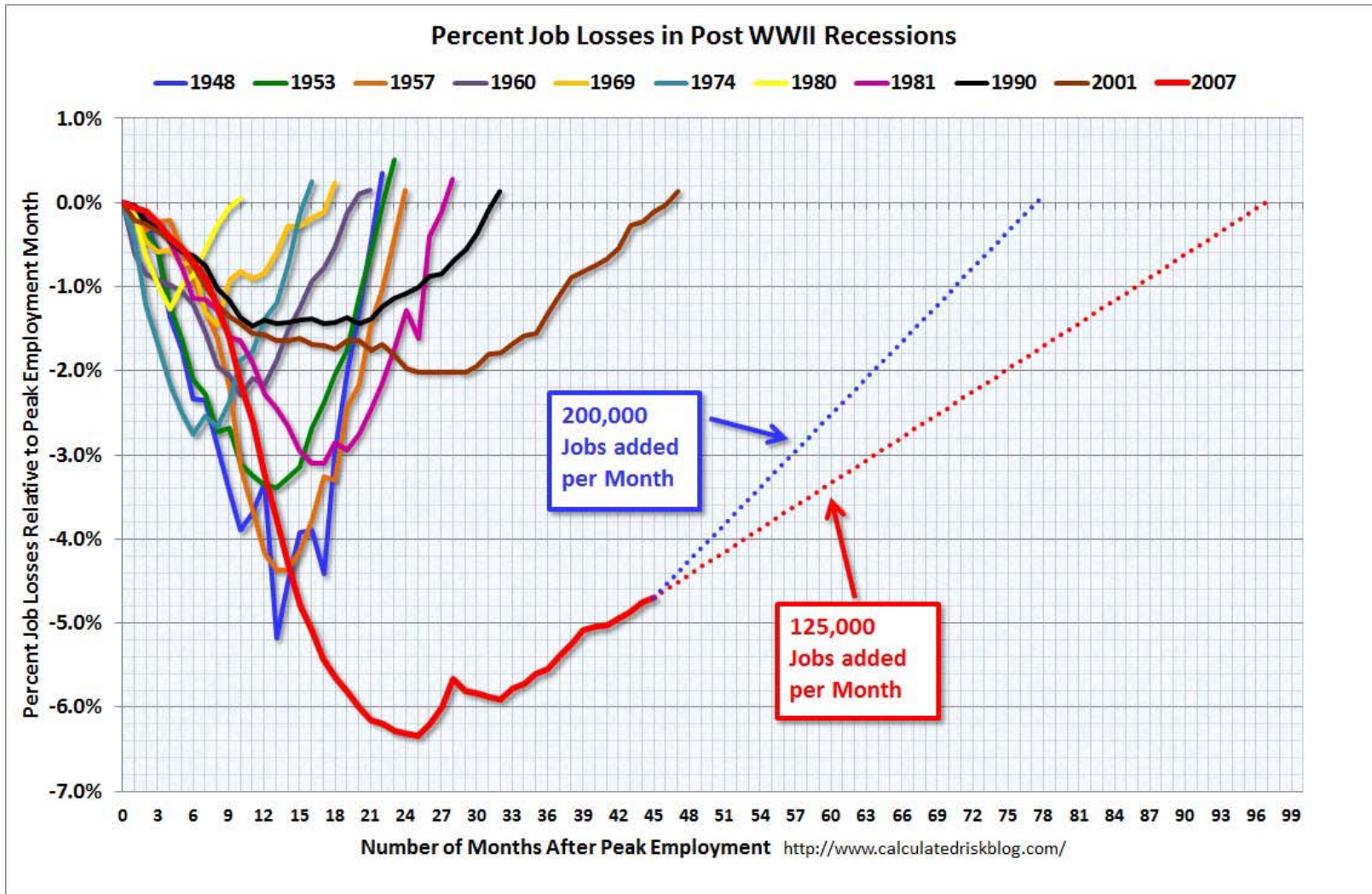
Oregon Employment Department



Challenge #3: *Slow Employment Growth*

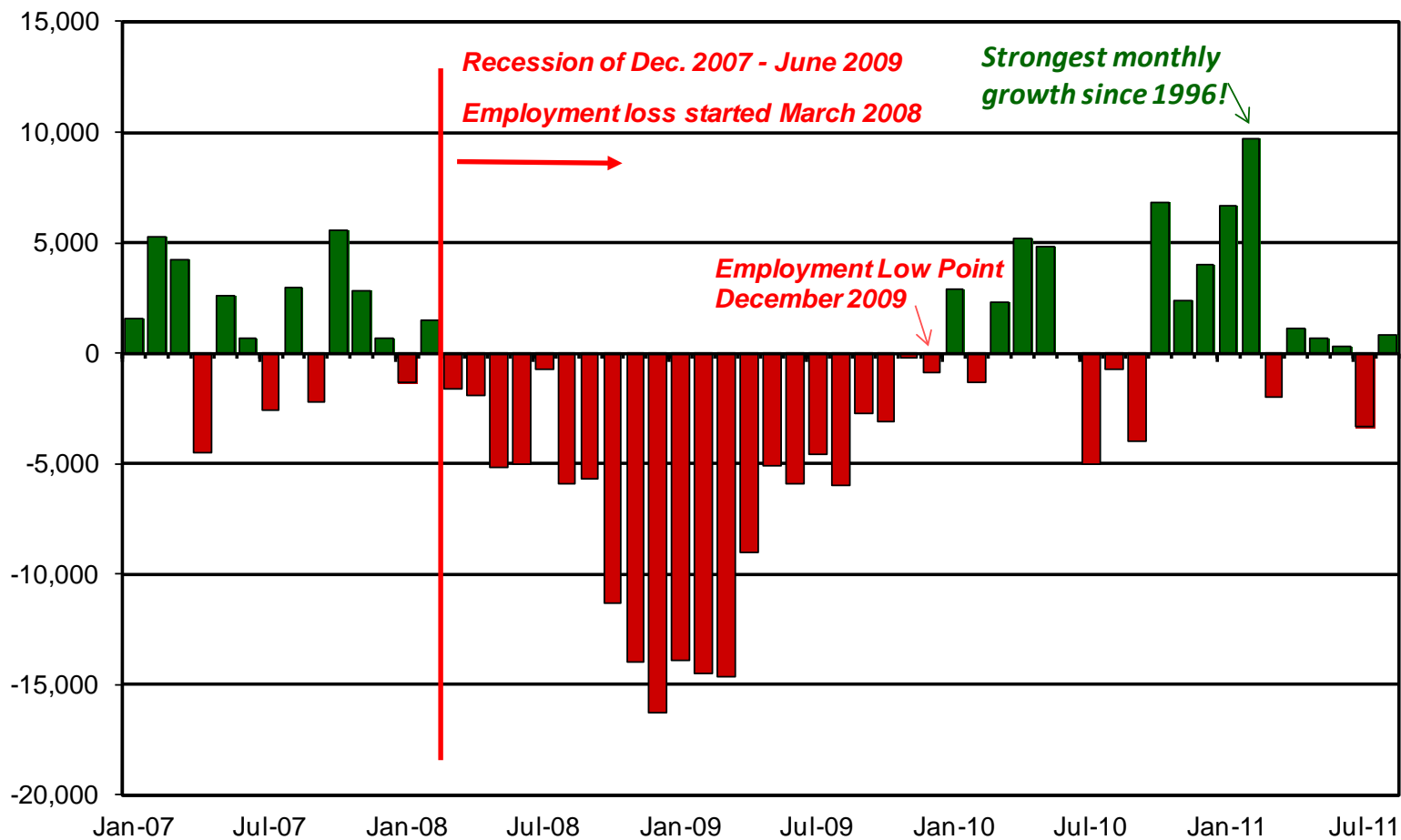
Employment growth has been slow, and will continue to be slow in the near future.

The country is facing the longest return to pre-recession employment levels since World War II.



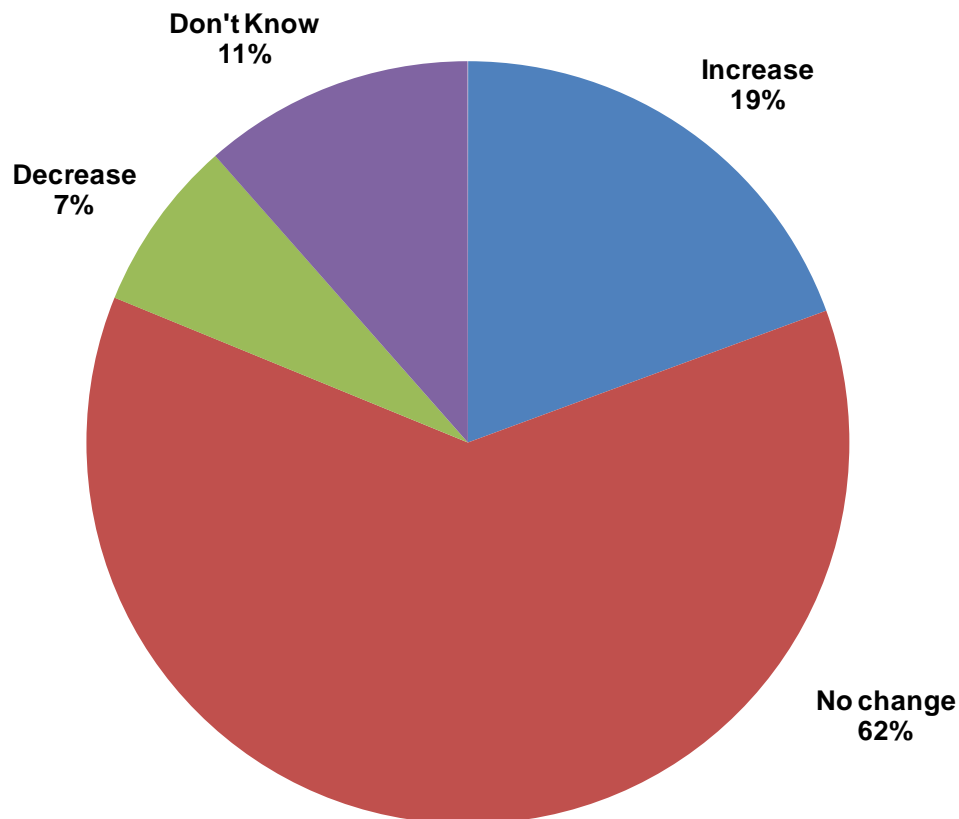
The job growth seen at the end of last year and early this year has largely stalled.

Oregon's Monthly Job Growth/Decline seasonally adjusted



Most Oregon businesses did not expect a change in their employment levels during this period.

Expected Change in Number of Employees Over Next Six Months



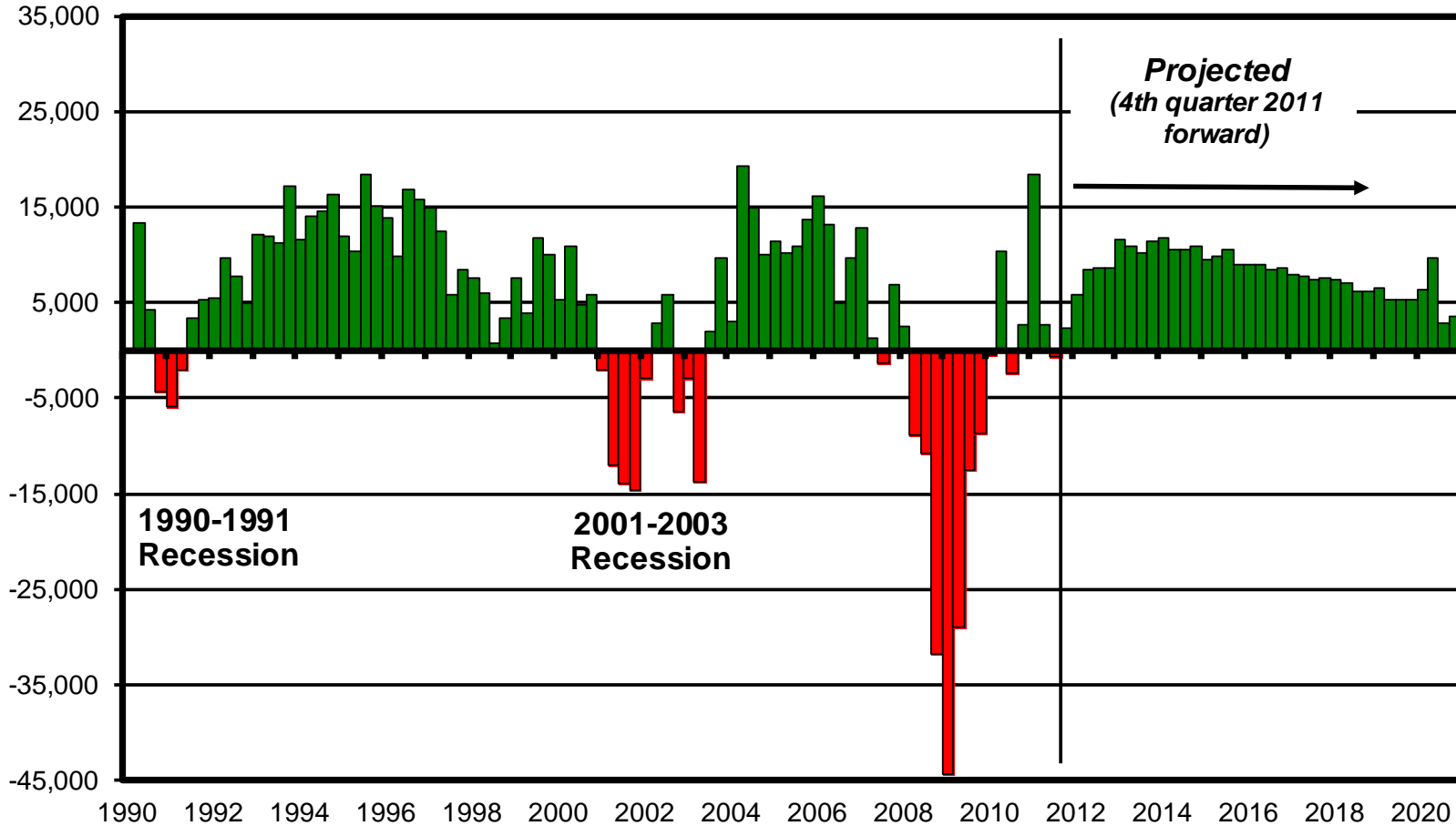
Why not hire?

- Economy (49%)
- Government (13%)
- Other (20%)
- Lack of qualified workers (5%)

Source: Oregon Employment Department, Future Hiring Survey - Spring 2011

Forecast calls for a slow return to growth.

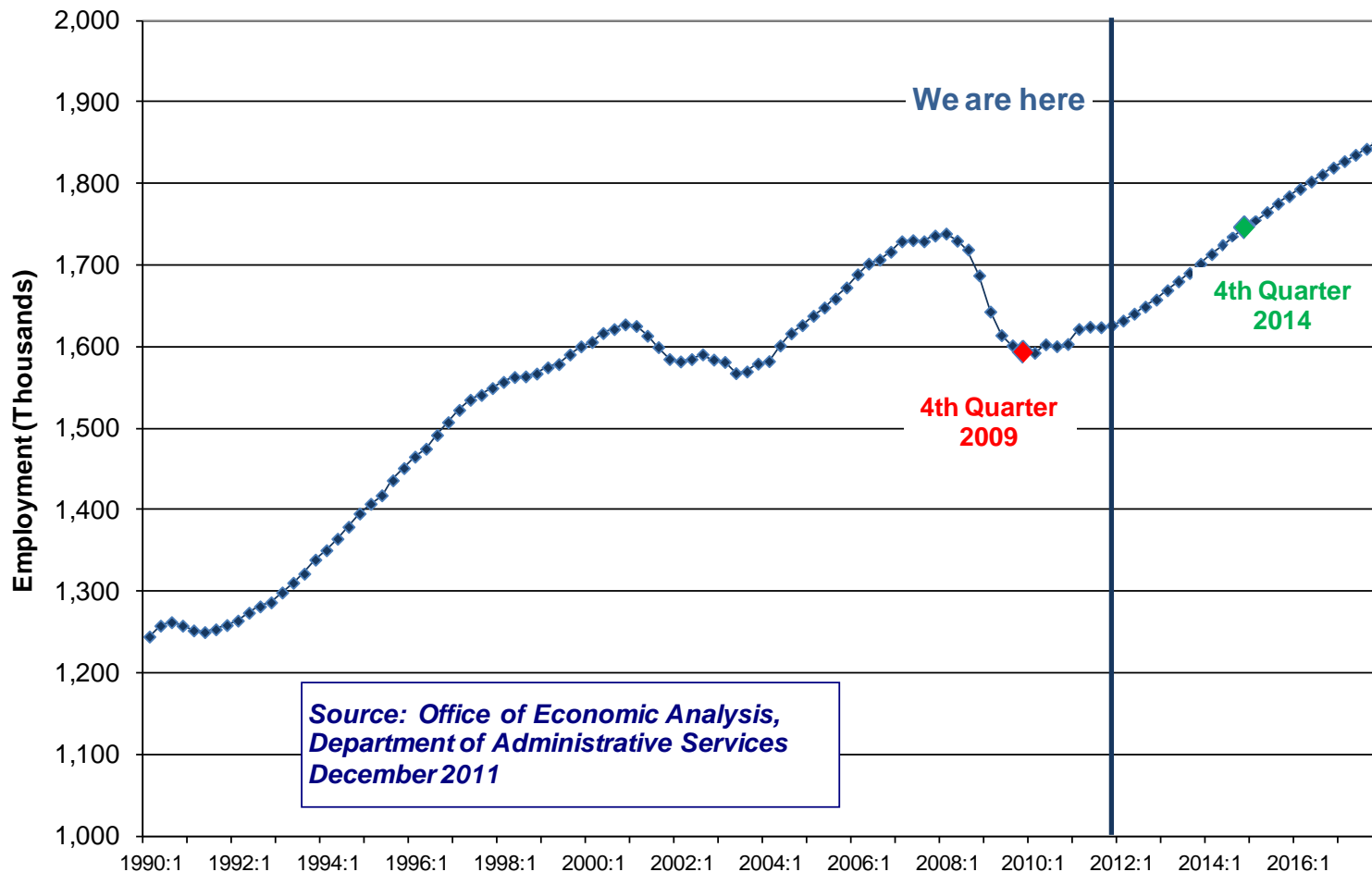
Oregon Nonfarm Employment Quarterly Change



Source: Office of Economic Analysis, December 2011 forecast.

Where do we go from here? Job losses generally ended – in a “net” sense – in the fourth quarter of 2009. But we don’t regain pre-recession employment levels until the 4th quarter of 2014.

Moving Beyond Recession ... Oregon Total Employment

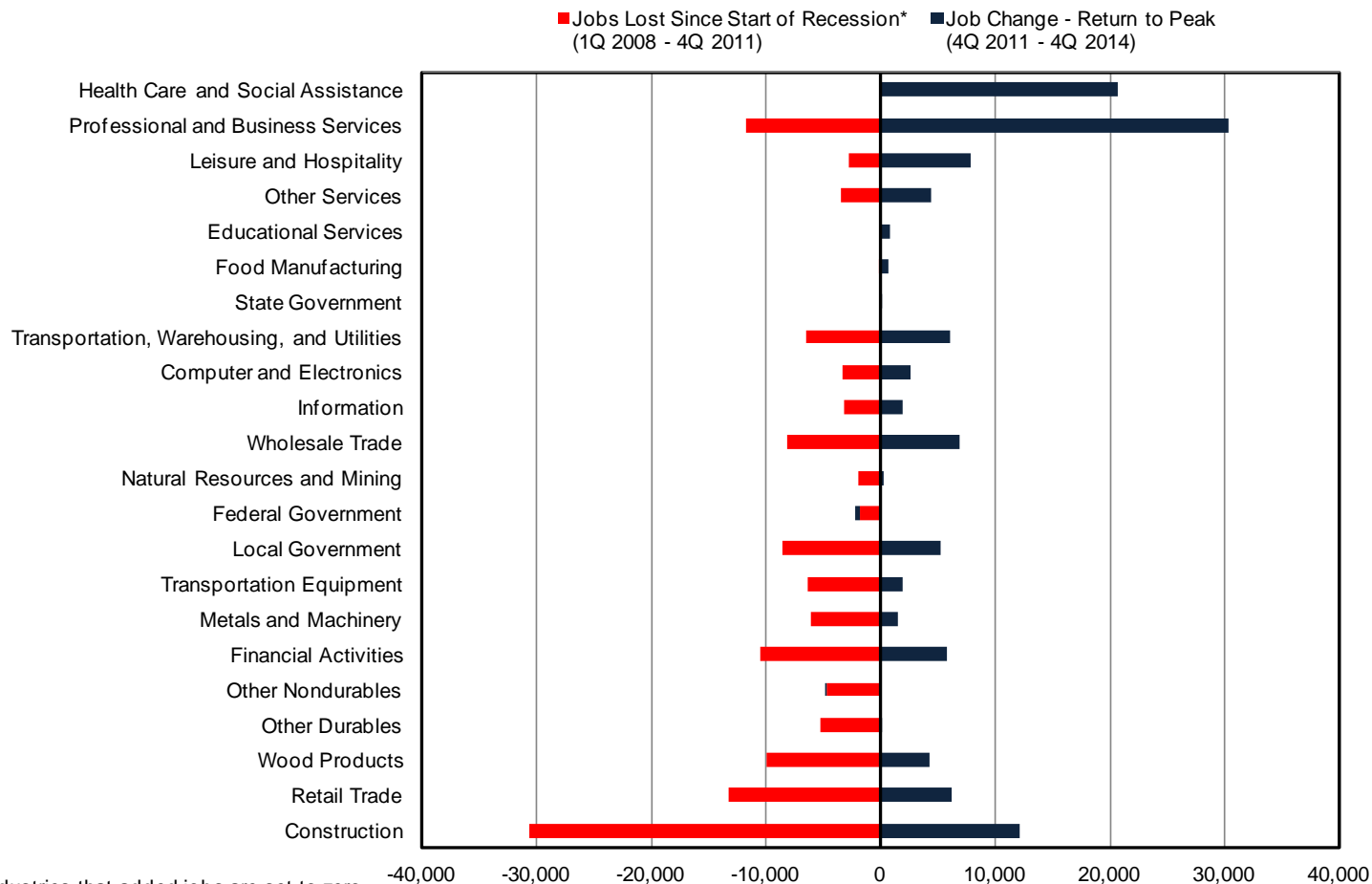


Which industries are expected to grow the most from 2010 to 2020?



Many industries won't regain their job losses by the time the entire economy does.

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



* Industries that added jobs are set to zero.

Source: OED analysis using OEA Forecast, December 2011

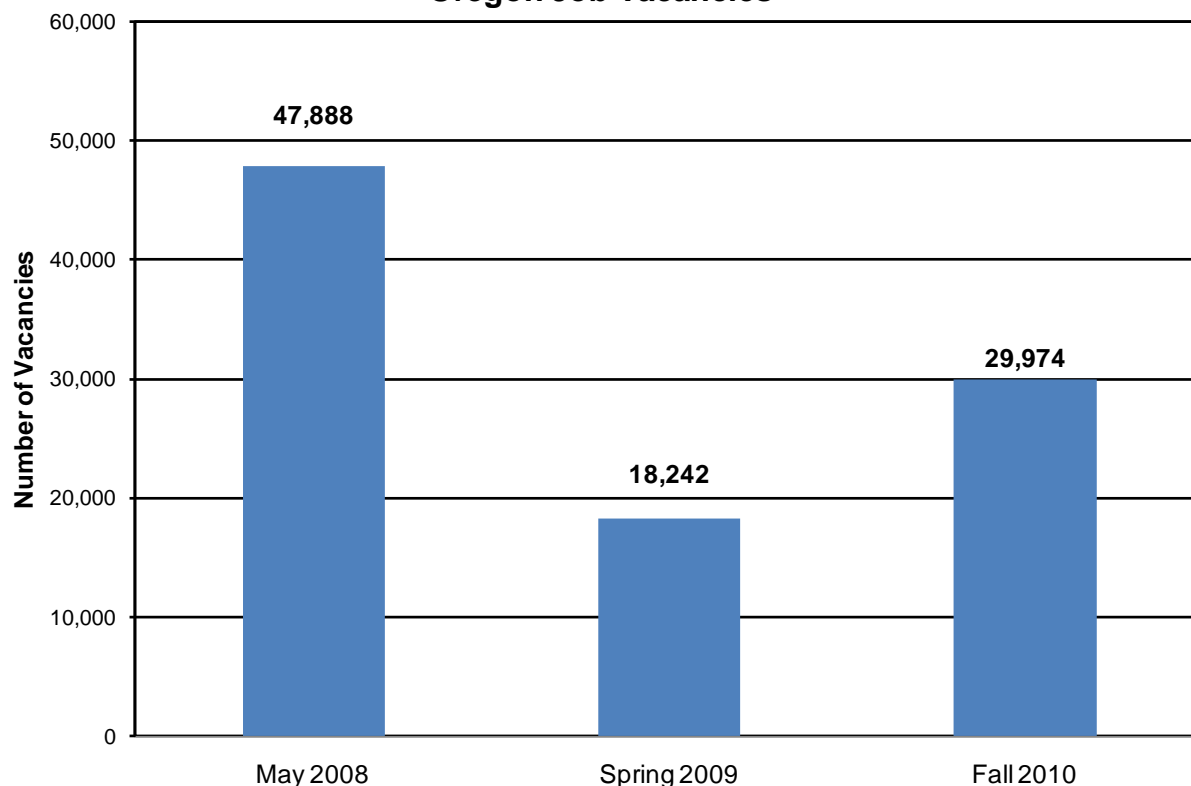


Challenge #4: *Businesses Struggling to Find Workers*

Despite high unemployment, businesses sometimes struggle to find the qualified workers they need.

Available vacancies are still few compared to the number of unemployed.

Vacancies Increasing, But Still Below Pre-Recession Levels, Oregon Job Vacancies



Rough Numbers
(October 2011):

- 180,000 unemployed
- 30,000 total vacancies
- 204,000 active job seekers
- 7,300 vacancies in iMatchSkills

How can businesses be struggling to find workers?

Nationally, employers say they are having difficulty filling vacancies.

- According to a 2011 global survey by Manpower Group, **52 percent of employers in the U.S. reported difficulty filling jobs.**
- The number one job listed as difficult to fill was ***skilled trade workers. Machinists/machine operators*** made number 10.
- ***Drivers*** also made the U.S. top 10 list, coming in at number four.
- Employers surveyed throughout the Americas cited ***“lack of experience”*** and ***“lack of ‘hard’ job skills or technical skills”*** as the top reasons for these vacancies.
- *“Providing additional training and development to existing staff”, “broadening search outside of local region”, and “appointing people without job skills currently, but with potential to learn/grow”* were listed as the top strategies in the Americas for overcoming shortages.

Even with so many unemployed workers, there are still a number of job openings out there that are hard to fill.

According to a recent CNN article, some hard-to-fill occupations are:

- *Advanced manufacturing engineer*
- *Truck driver*
- *Registered nurse*
- *Professional cook*
- *Aircraft mechanic*
- *Solutions architect*
- *Wind technician*
- *Accountant*
- *Web developer*



Despite declining employment over the past few decades, manufacturers are saying they're having a hard time finding skilled workers.

An article by *Reuters* may explain why:

- The manufacturing workforce is older, and facing more retirements.
- There are fewer science, technology, engineering and math majors than in previous years.
- College graduates are discouraged from pursuing manufacturing jobs.
- There's an ongoing transition from medium-skilled, repetitive tasks to more highly-skilled, high-technology work.
- Employers cite a disconnect between outdated vocational training and what's required on the job.

Dr. Peter Capelli, Wharton's Center for Human Resources

- “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



With so many unemployed people, how can there be a gap between applicant qualifications and the education and skills employers want?

This is a complex question, some possible answers are...

- Lack of worker mobility
- Differing attitudes across generations
- Businesses' attitudes towards workers
- Structural changes in an industry and overall economy
- Not enough graduates in high-demand fields
- Long-term unemployment may degrade skills

Employment Department starting targeted skills surveys in 2012.

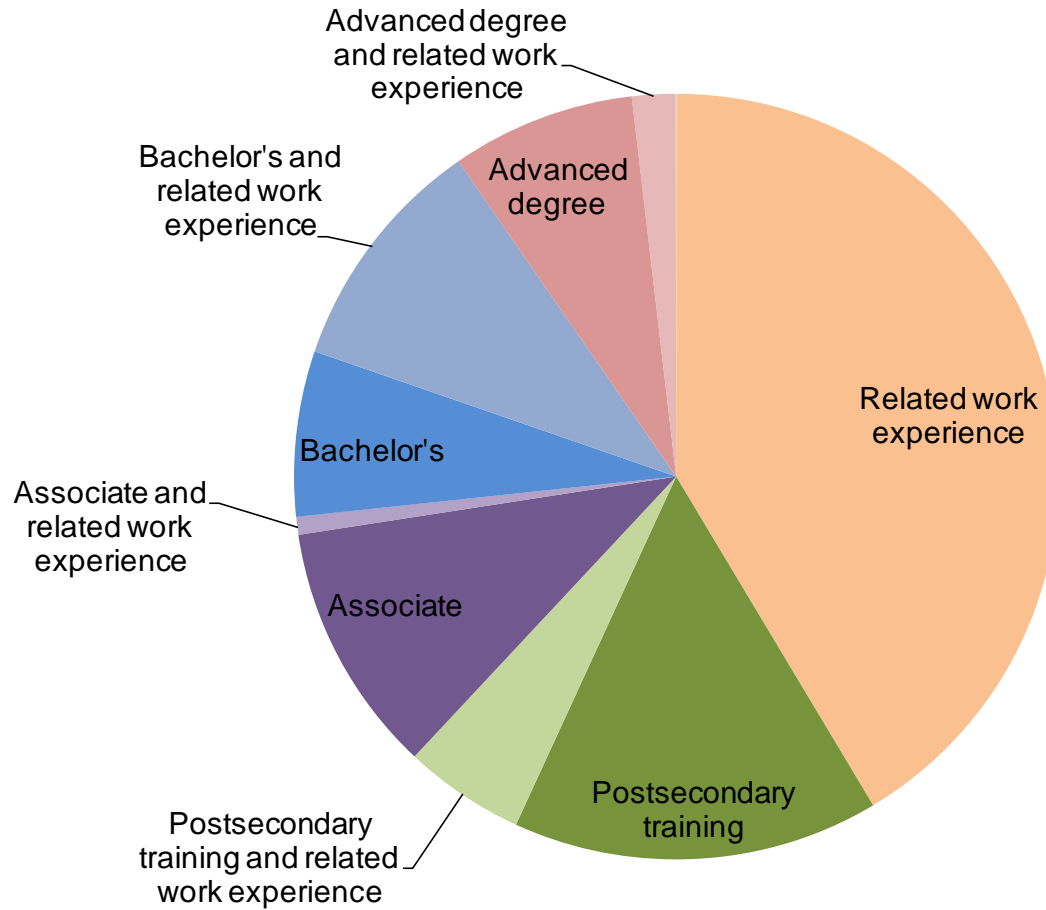
Challenge #5:

Connecting Training to Workforce Needs

It's essential that workforce-related training be very tailored towards businesses' actual needs.

To be competitive in most occupations, workers need to have some higher training or education.

Oregon Employment by Competitive Training Requirements, 2008



So the challenge is to make sure that training is relevant for the job or career goals of the individual.

Top 2009-2010 Completers by Program (University, Community College,
Apprenticeship, Job Corps, and Private Career School)

	<u>Completers</u>
Business, Management, Marketing, And Related Support Services	10,235
Health Professions And Related Clinical Sciences	8,997
Liberal Arts And Sciences, General Studies And Humanities	5,271
Education	5,071
Construction Trades	2,945
Personal And Culinary Services	2,363
Social Sciences	2,360
Visual And Performing Arts	1,590
Psychology	1,382
Biological And Biomedical Sciences	1,162
Mechanic And Repair Technologies/Technicians	1,107
Engineering	1,101
Multi/Interdisciplinary Studies	1,000
English Language And Literature/Letters	911
Computer And Information Sciences And Support Services	902
Transportation And Materials Moving	888
Communication, Journalism, And Related Programs	807
Engineering Technologies/Technicians	803
Security And Protective Services	762
Public Administration And Social Service Professions	724
Legal Professions And Studies	687
Family And Consumer Sciences/Human Sciences	676
Foreign Languages, Literatures, And Linguistics	633
Natural Resources And Conservation	606
Agriculture, Agriculture Operations, And Related Sciences	571
History	504

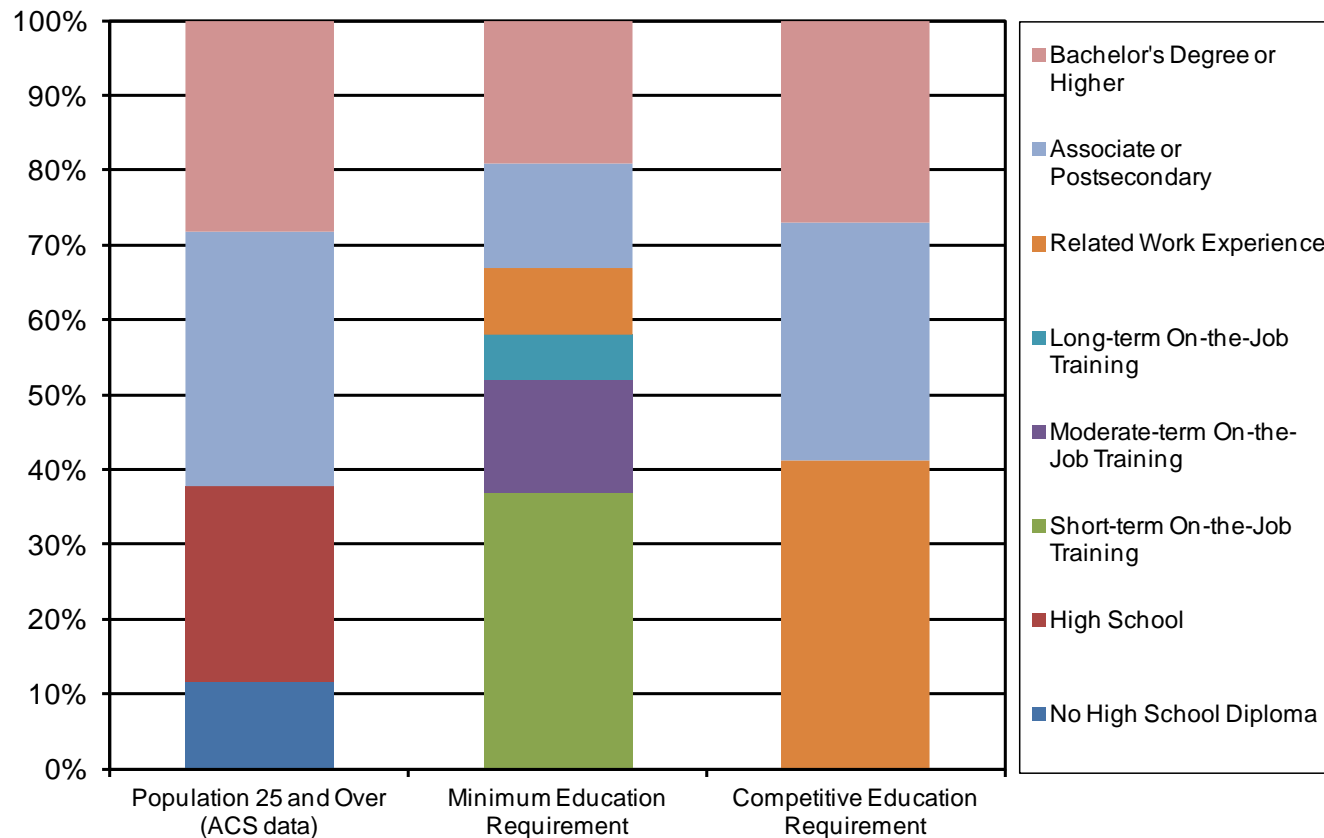
Oregon's education
and training system is
preparing 57,000
people each year, up
from 52,000 in 2007-
2008.

Source: IPEDS, ODE Private Career Schools, BOLI, Job Corps



Focusing primarily on the competitive education requirements
 ...Oregon's current population appears to have broadly
 sufficient levels of education for the jobs projected in 2018.

**Education Requirements of Oregon Jobs (2018)
 and Education Status of Oregon Population (2005-09)**



On the surface it looks like Oregon is producing enough graduates to meet the demands of employers. Below the surface, things become more complicated?

- Simply having about the right number of bachelor's degrees (for example) does not imply that we have the right number of people with the right bachelor's degrees.
- We know that some businesses struggle to find workers with the right technical and workplace skills to meet their needs, even in tough economic times.
- We know that in normal economic times, businesses are struggling to find workers with the right “soft skills” to meet their needs.



Challenge #6:

Younger Workers Damaged by Recession

Getting a slow start to their career leads to:

- Lower wages, slower wage increases, and lower lifetime earnings
- Slower career progression
- Less prepared to deal with unemployment
- A career path they never knew they would be on

Recent college graduates face fewer employment opportunities and lower wages...but some have fared better than others.

According to a *New York Times* article:

- Median starting salary for 2009 and 2010 grads was \$3,000 less than those that graduated in 2006 to 2008
- **About 56 percent of 2010 grads had at least one job by spring 2011, compared to 90 percent of 2006 and 2007 grads**
- Grads with education or engineering degrees were more likely to find work than those majoring in the humanities



Recent graduates are having a tough time getting by.

- A 2011 Rutgers national survey of 2006 - 2010 college graduates* found:
 - Just under one-quarter live with their parents
 - 82 percent are working in some fashion, but only 53 percent are employed full-time
 - 30 percent had jobs that were not very closely, or not at all related to their academic work
 - Just over one-quarter said their first job was “just a job to get by” (as opposed to a career or stepping stone)
 - **More than half (56%) believe their generation will have less financial success than the previous generation**

*With four-year degrees

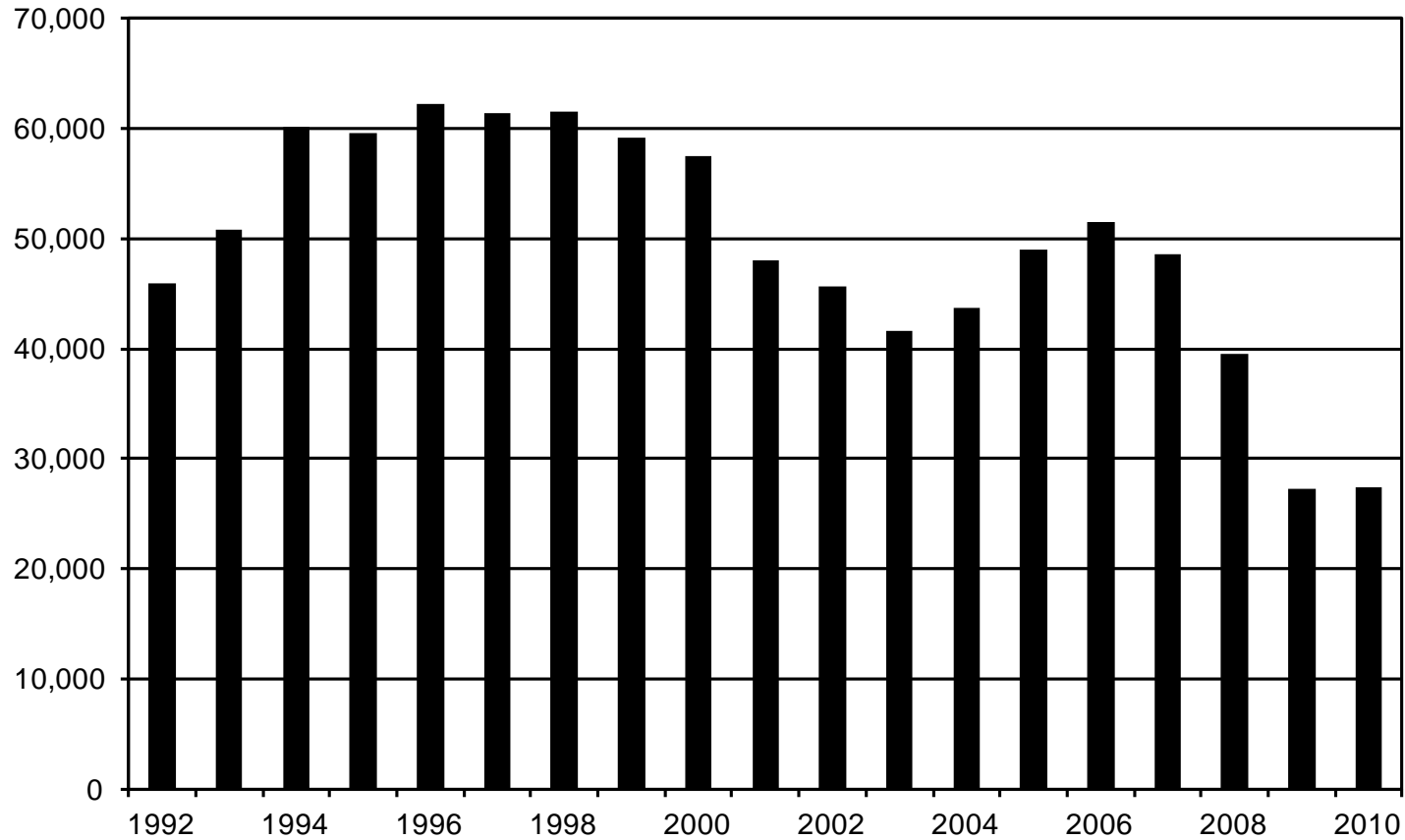
Living with their parents is one way to get by.

- Percent of men age 25 to 34 living with parents:
2005 = 14%
2011 = 19%
- Percent of women age 25 to 34 living with parents:
2005 = 8%
2011 = 10%
- This trend began before the recession and has continued beyond it.



Fewer than one-half the number of teenagers were getting hired during the last few summers.

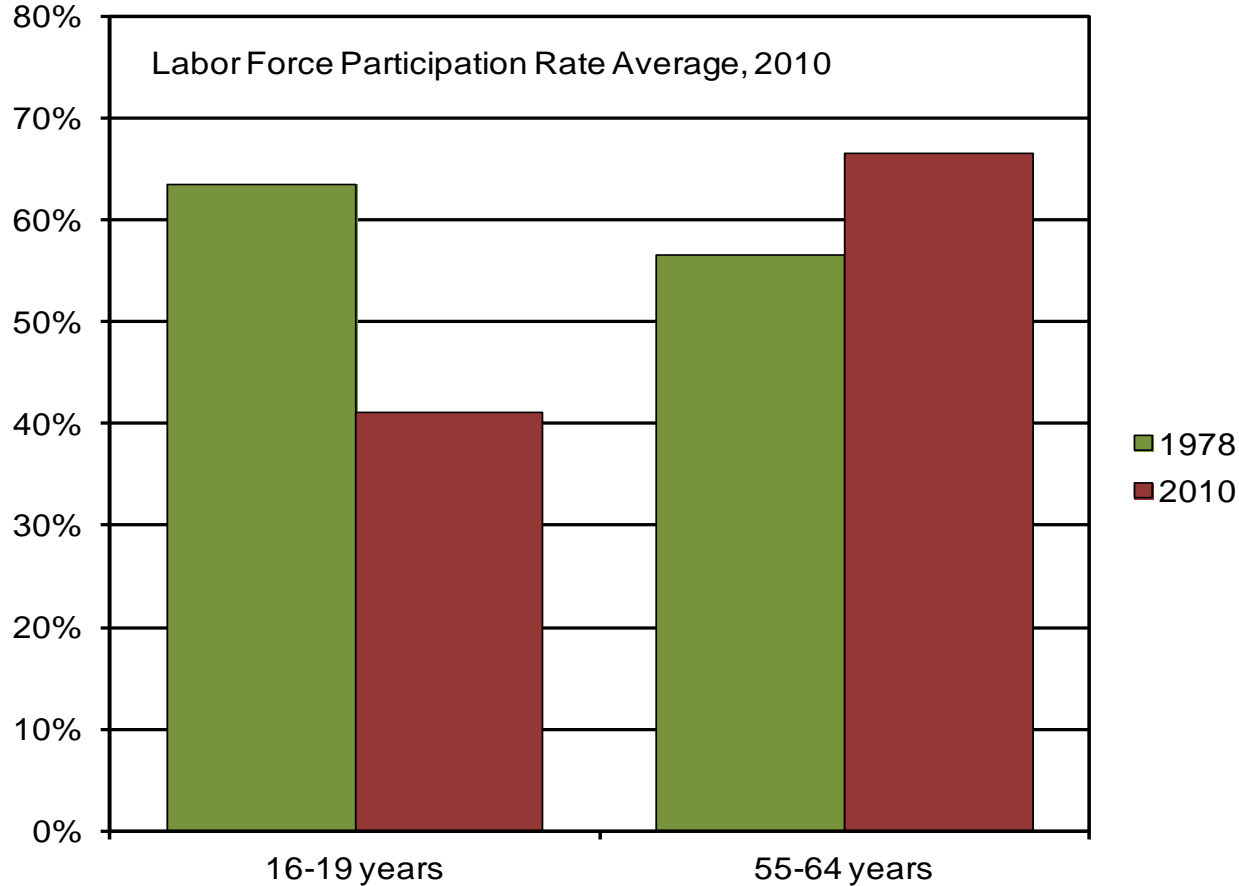
**Teen Hiring Halved in Recession, Accelerating a Downward Trend
Oregon, Third Quarter New Hires Ages 14-18**



Source: U.S. Census Bureau, Local Employment Dynamics

Do fewer working teens matter? Their jobs are probably just being filled by older workers.

Oregon Labor Force Participation Rate 1978 and 2010



Source: Bureau of Labor Statistics



Challenge #7:

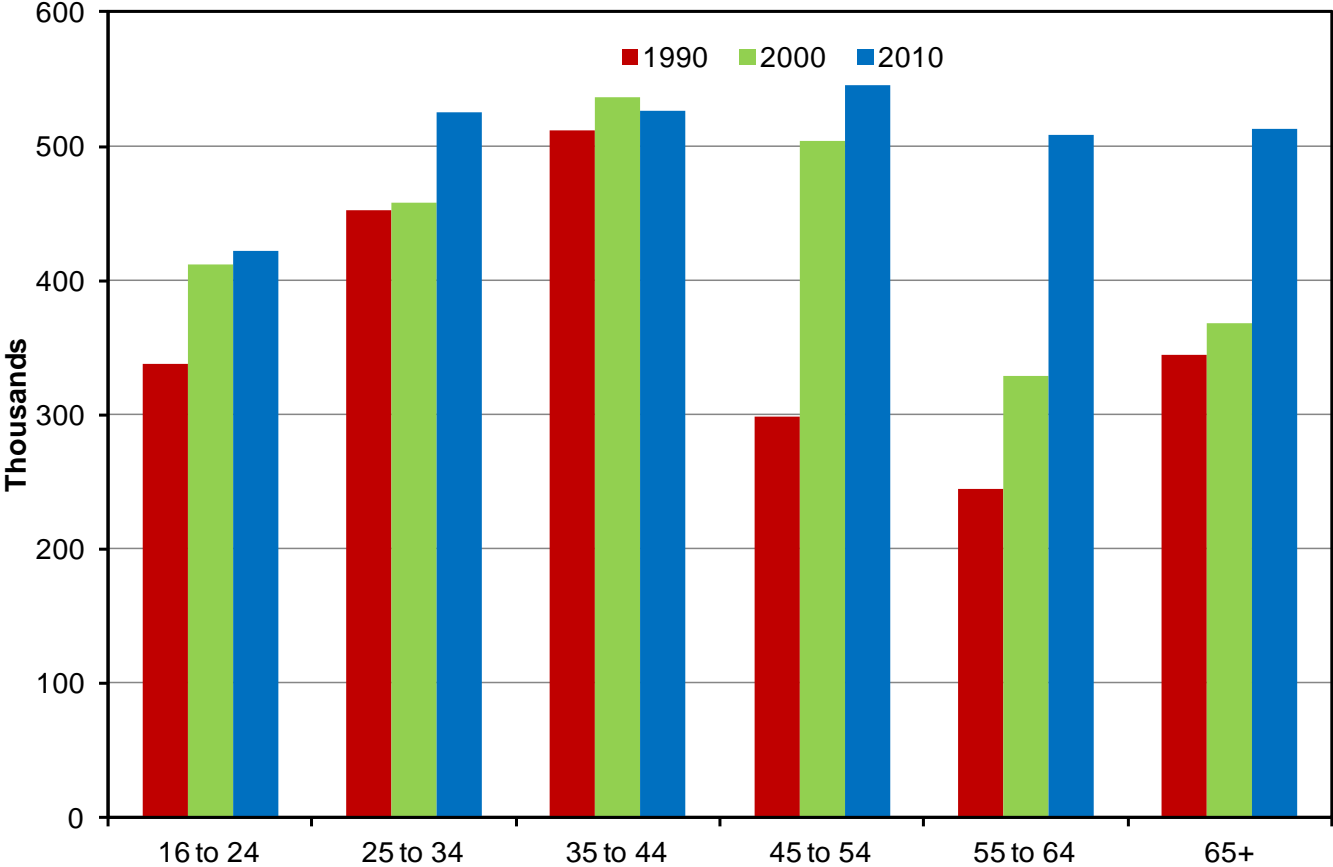
Aging Workforce and Looming Retirements

The aging workforce and baby boom retirements are almost forgotten issues...but will return as significant challenges.



Will Oregon have enough workers? There seems to be a steady supply of younger people...

Oregon's Aging Population

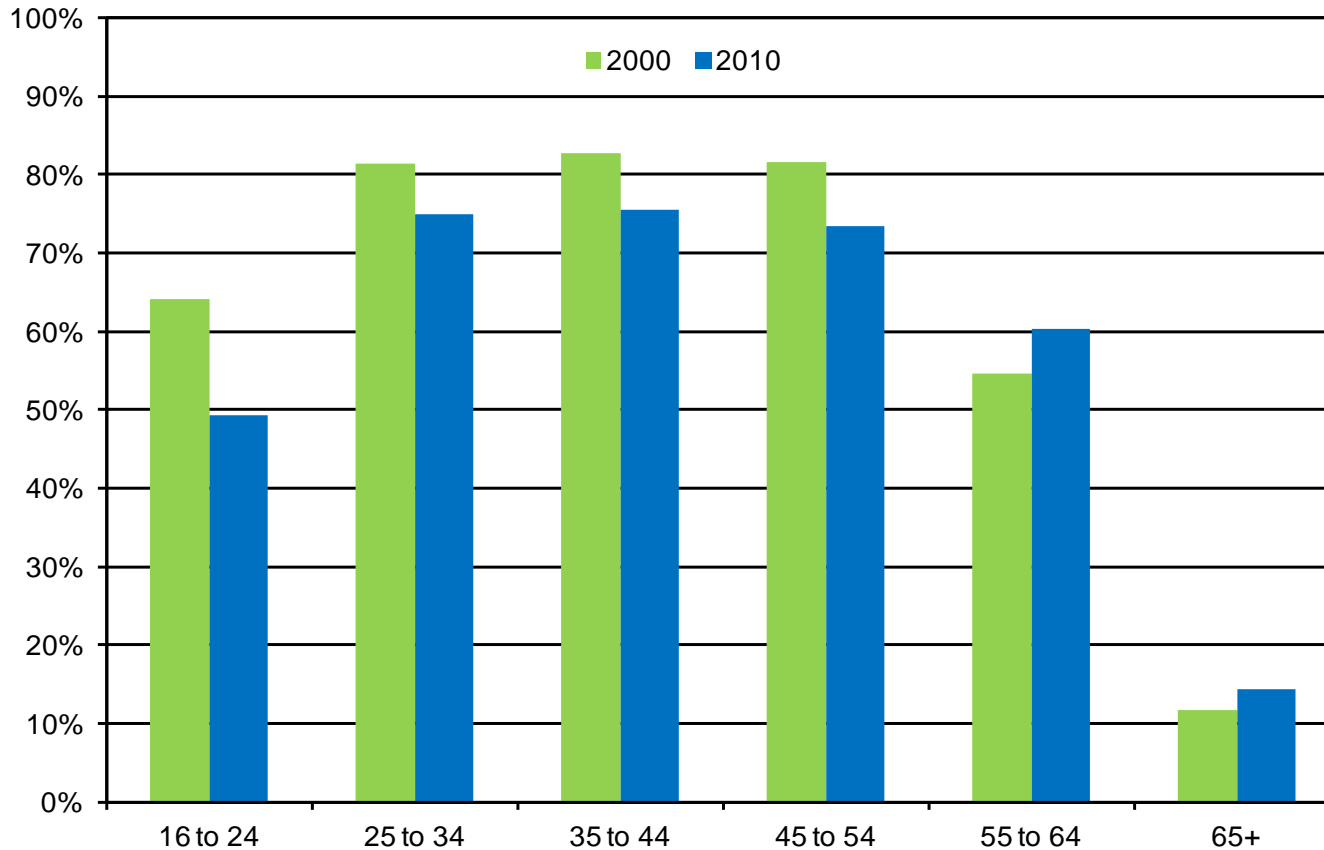


Source: U.S. Bureau of Labor Statistics



Despite increased participation in the labor force, older people are still less likely to be working than younger people.

Oregon Employment-to-Population Ratio by Age Group



Source: U.S. Bureau of Labor Statistics



At least one in five Oregon workers probably wants to retire within the next 10 years.

Rural Counties Have Higher Shares of Workers 55 and Over

Area	Number of Workers 55 and Over	Percent of All Ages	Area	Number of Workers 55 and Over	Percent of All Ages
Oregon	325,355	21%			
Wheeler	93	34%	Linn	8,900	23%
Lincoln	4,474	28%	Josephine	5,022	23%
Curry	1,739	28%	Klamath	4,924	23%
Wallowa	673	27%	Benton	7,368	22%
Grant	539	27%	Lane	29,674	22%
Gilliam	192	26%	Marion	29,256	22%
Coos	5,136	26%	Jackson	17,390	22%
Lake	517	25%	Union	2,158	22%
Tillamook	1,936	25%	Columbia	1,983	22%
Clatsop	3,662	25%	Yamhill	6,216	22%
Wasco	2,182	25%	Malheur	3,198	21%
Sherman	128	24%	Polk	3,489	21%
Harney	517	24%	Umatilla	6,005	21%
Morrow	871	24%	Hood River	2,417	21%
Jefferson	1,378	24%	Clackamas	28,878	21%
Douglas	7,776	24%	Multnomah	82,584	20%
Baker	1,271	24%	Deschutes	10,681	19%
Crook	1,207	23%	Washington	40,924	18%

Average for 3rd Quarter 2010 and prior three quarters.

Source: U.S. Census Bureau, Local Employment Dynamics



Challenge #8:

Oregon's Rural Areas Face Special Challenges

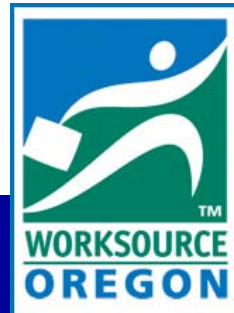
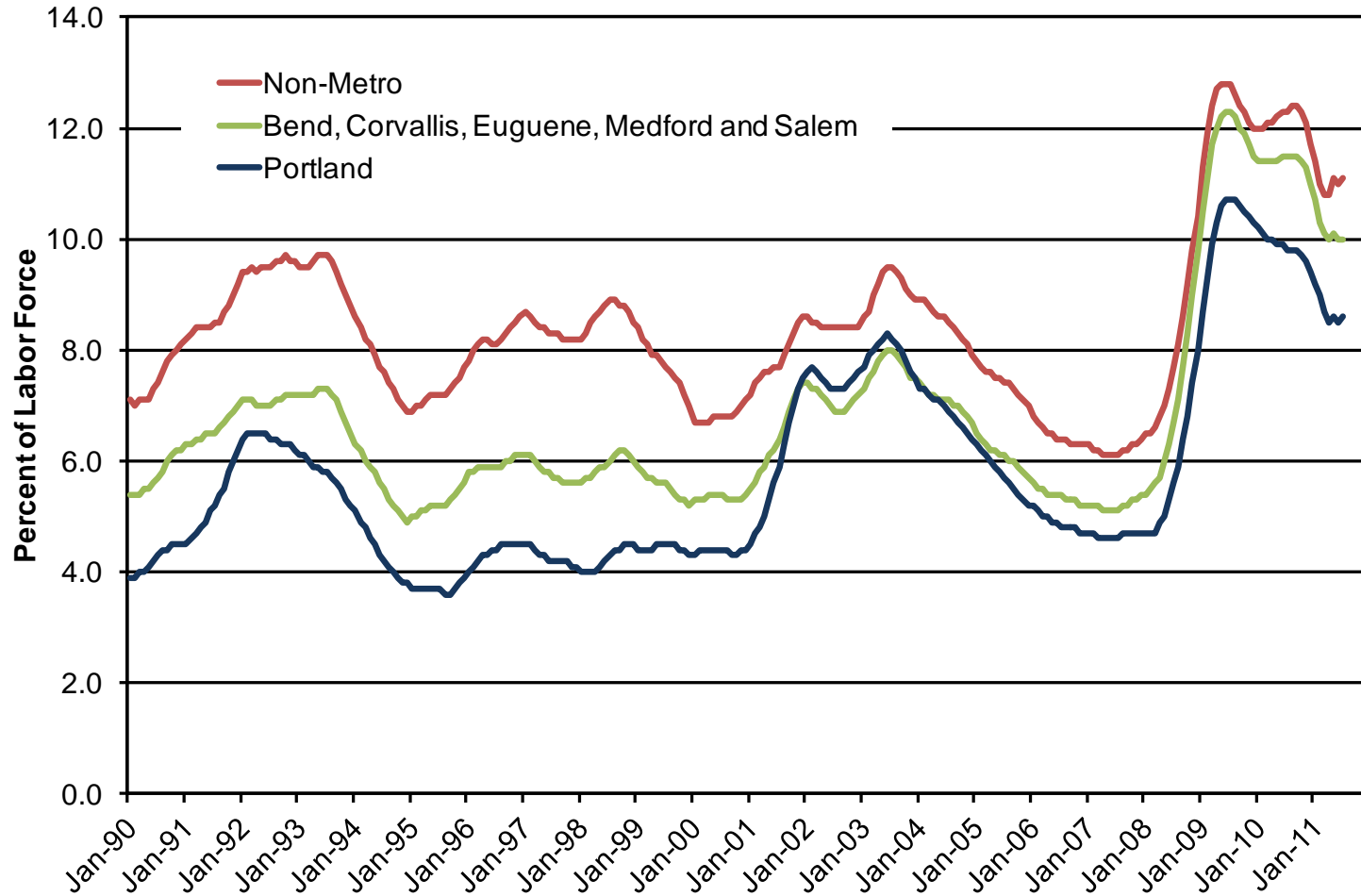
All or most of the things we've talked about so far ...

- Persistent unemployment
 - Structural changes in the economy
 - Slow employment growth
 - Businesses struggling to find workers
 - Connecting training to workforce needs
 - Younger workers damaged by recession
 - Aging workforce and looming retirements
- ... are magnified in rural areas.



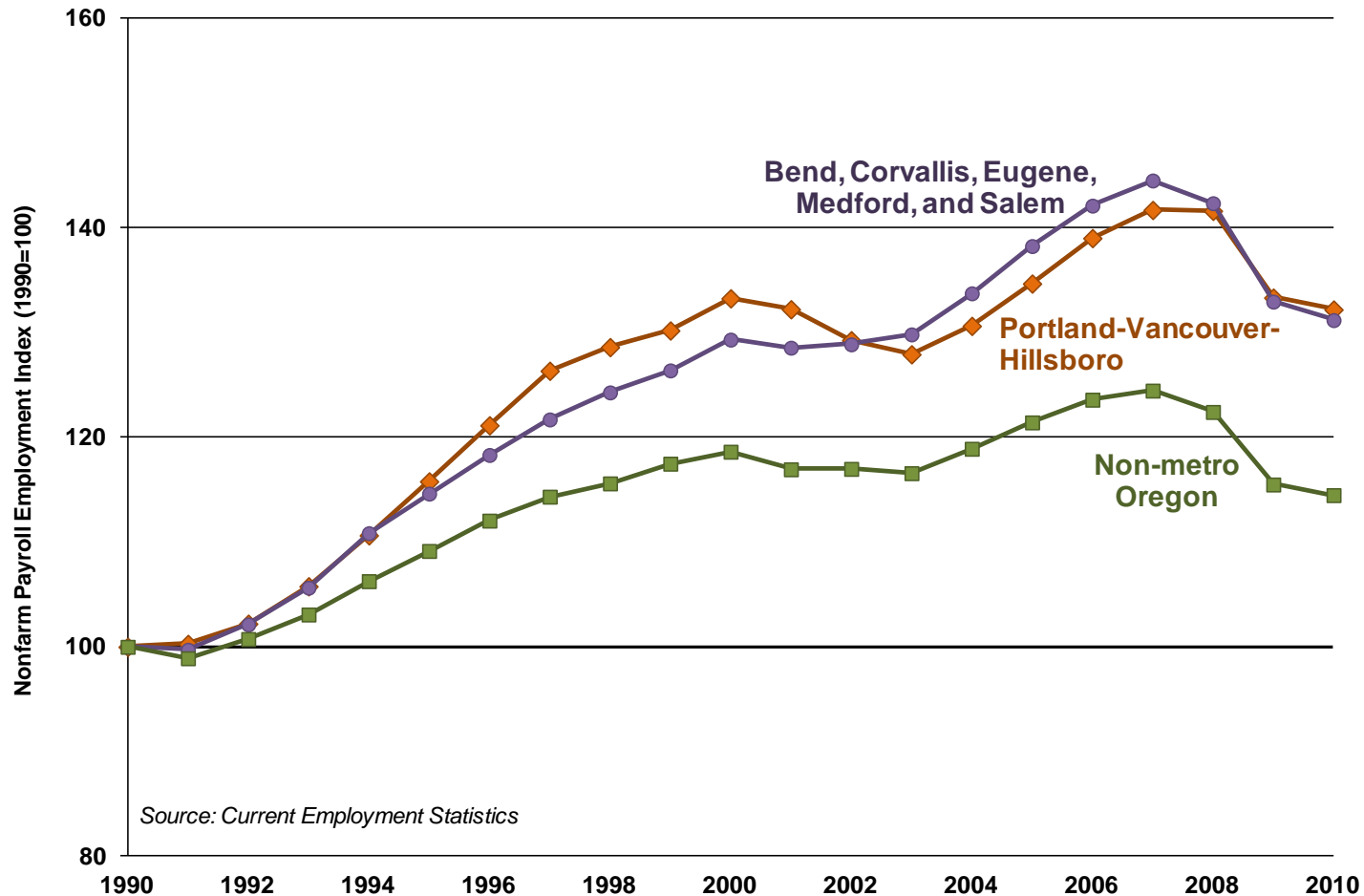
Persistently high unemployment is even higher in rural areas.

Oregon Seasonally Adjusted Unemployment Rates



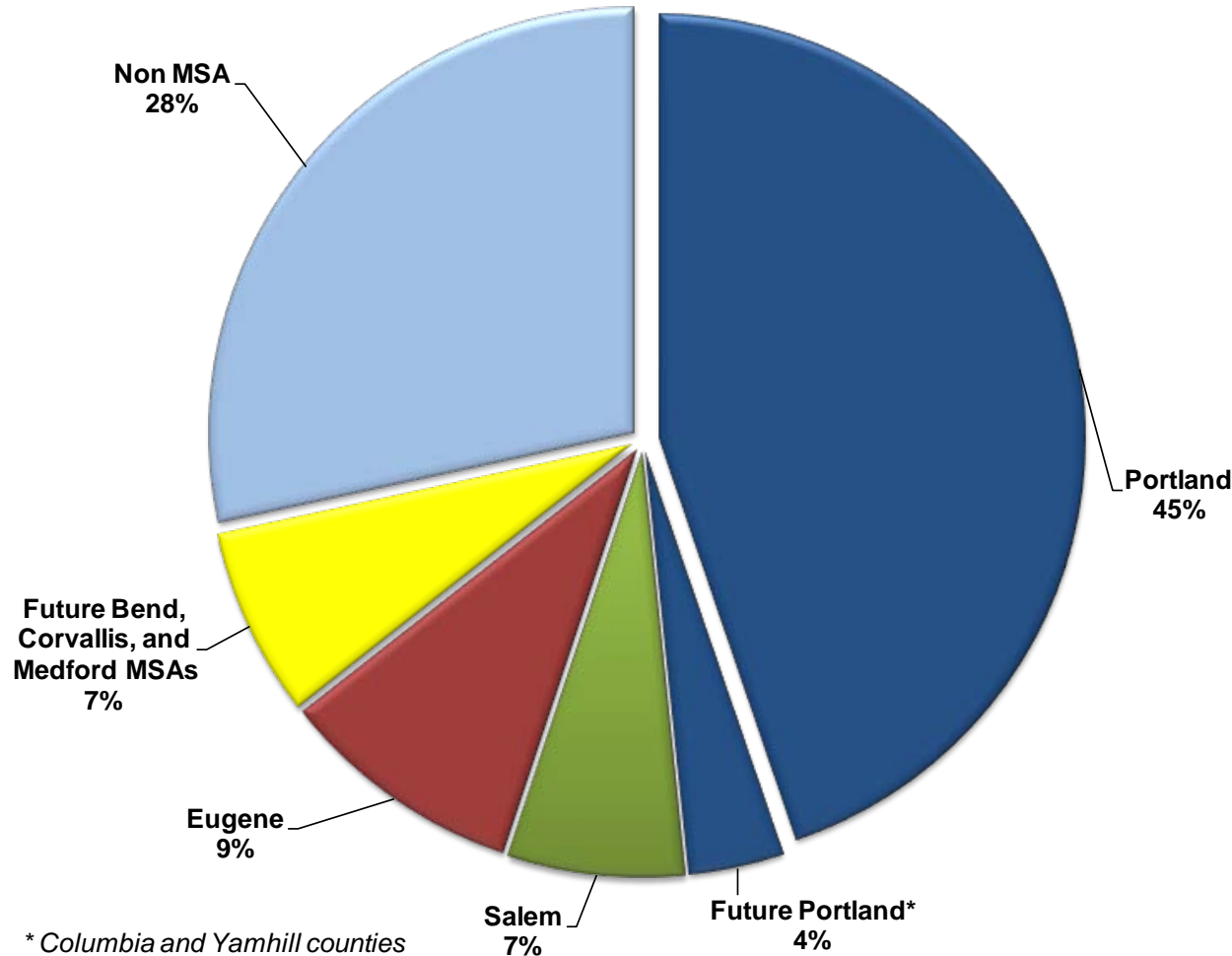
Job growth was faster in Oregon's metro areas over the last 20 years.

Nonfarm Employment Index for Non-Metro Oregon, Portland, and Other Metro Counties Combined



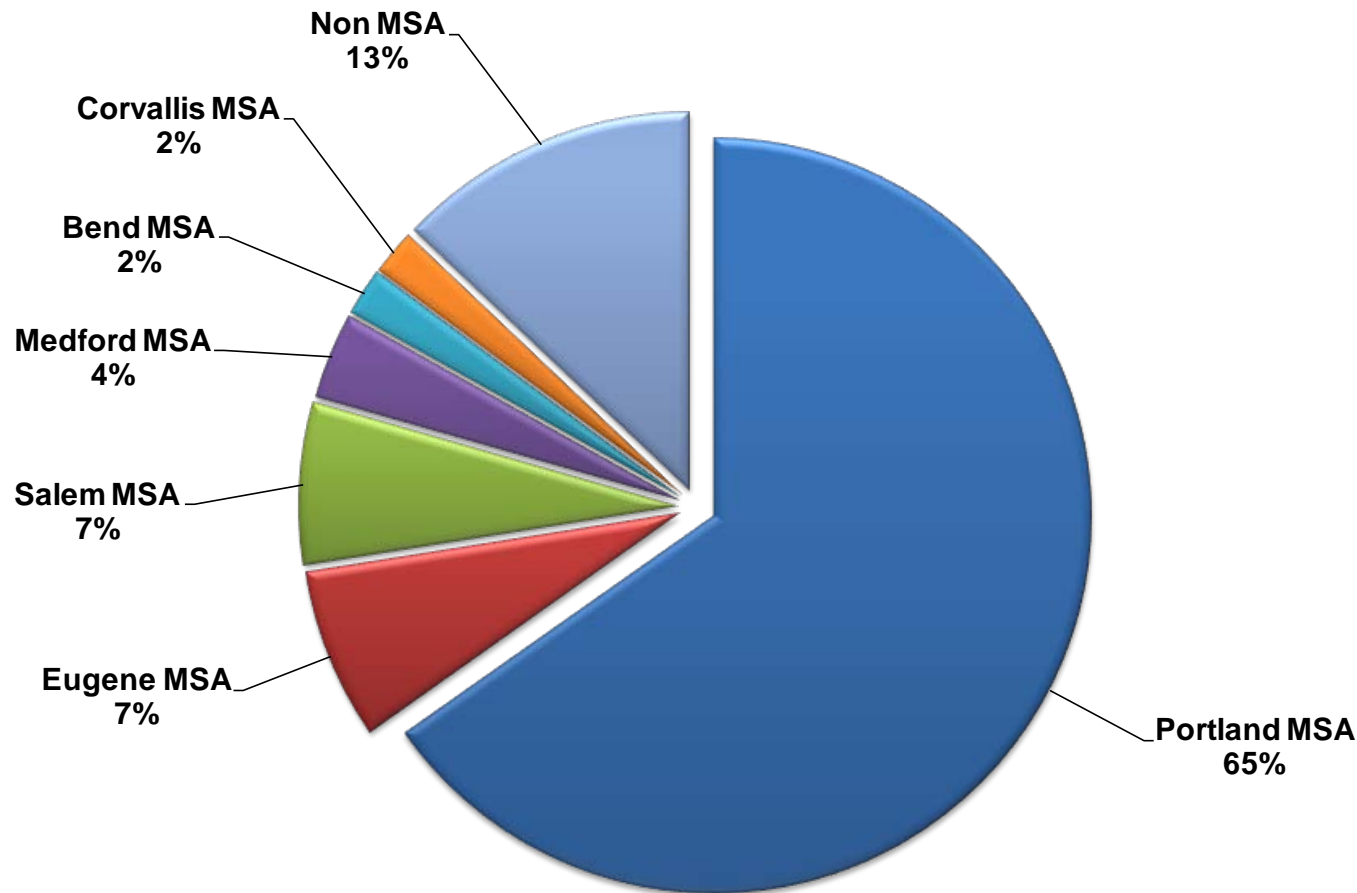
In 1979 Portland (and the Oregon counties that would later be added to the MSA) accounted for half of all manufacturing jobs.

**Oregon Manufacturing Employment by Urban Area,
1979**



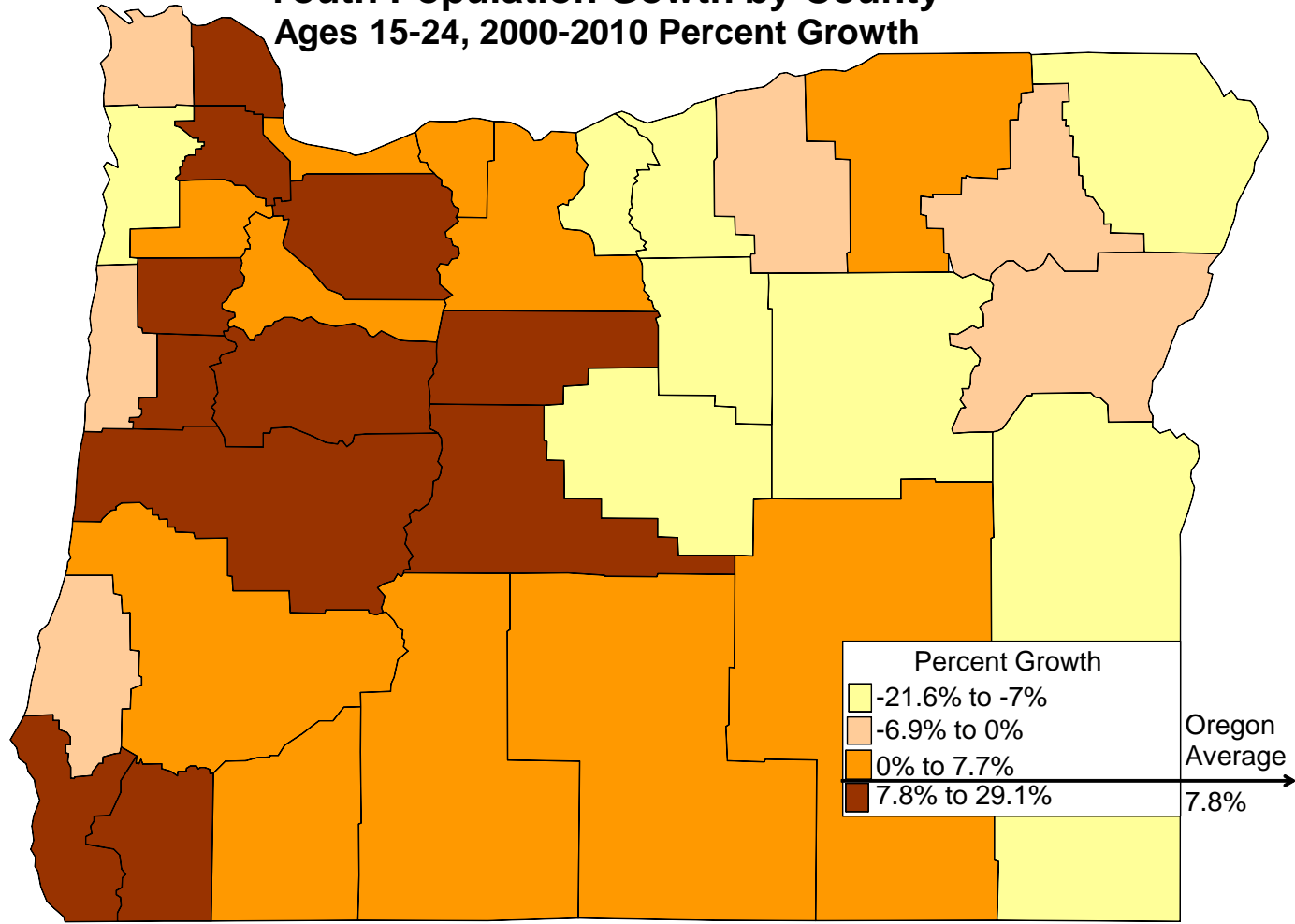
By June 2011, Portland accounted for two of every three manufacturing jobs in the state.

**Oregon Manufacturing Employment by Urban Area,
June 2011**



Coastal and eastern counties are losing their younger people.

Youth Population Growth by County
Ages 15-24, 2000-2010 Percent Growth



Source: U.S. Census Bureau, 2010



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, Grant, Malheur
- Fourteen of Oregon's counties have fewer young people today than they had ten years ago.
 - Grant, Wallowa, Sherman, Wheeler, Gilliam, Crook, Malheur, Tillamook, Lincoln, Baker, Union, Morrow, Clatsop, Coos.
- In six counties, the median age is 50 or older.
 - Lincoln, Gilliam, Grant, Wallowa, Wheeler, Curry.



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