

It's So Hard to Get Good Help

BY DEAN BAKER*

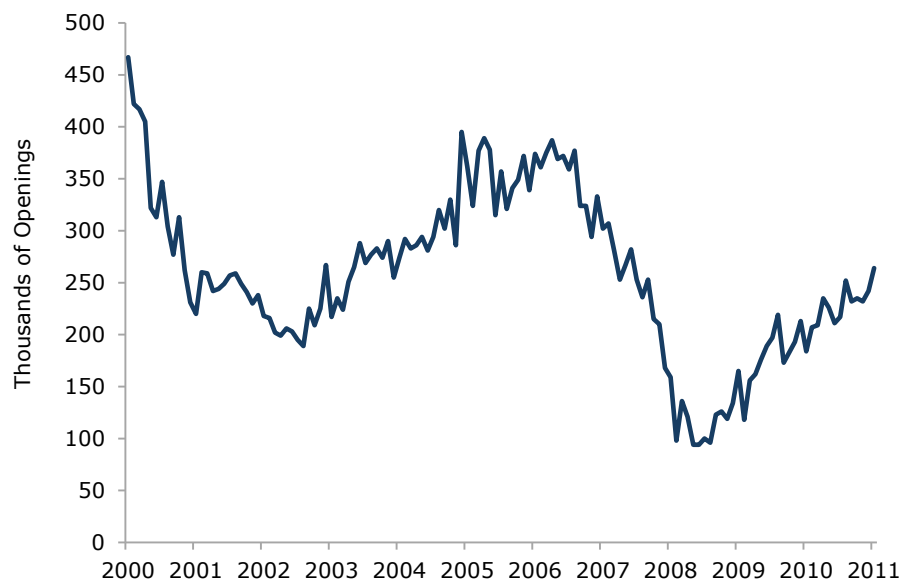
There is a growing chorus of policy analysts and pundits telling the country that we could have millions more jobs in manufacturing, if only we had qualified workers. This claim has the interesting feature that it places responsibility for the lack of jobs on workers, not on the people who get paid to manage the economy (e.g. the Fed, Congress, the White House).

It is easy for an employer to claim that he/she would hire lots of people if only he could find workers with the right skills. However economists claim that we look at what people do, not what they say.

If it really is the case that employers have job openings, but can't find workers with the necessary skills, then we should be able to find evidence for this fact. The first piece of evidence that we might expect to find is a surge in job openings. In other words, if manufacturers are unable to find workers with the necessary skills, then there should be a lot of vacant positions.

In fact, the Bureau of Labor Statistics (BLS) has data on job openings in manufacturing, shown in **Figure 1**.

FIGURE 1
Job Openings in Manufacturing, 2000-2011



Source: Bureau of Labor Statistics, Job Openings and Labor Turnover Survey



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The chart does show a recovery in the number of job openings, but we are still just getting back to the level of the middle of 2007. We are still far below the peak of the last business cycle and down by close to 40 percent from the January 2000 level, the first month in which the survey was used. The other part of this survey worth noting is that manufacturing firms report that monthly hiring is roughly keeping pace with the number of openings listed, so most of these jobs are not going unfilled for long periods of time.

There is other evidence that we would expect to see if the skills shortage story were true. If firms wanted to hire but couldn't find available workers, then we would expect that they would work their existing workforce more hours. The BLS also has a series on average hours in manufacturing, shown in **Figure 2**.

FIGURE 2
Average Weekly Hours of Production and Non-supervisory Employees in Manufacturing, 1990 - 2012

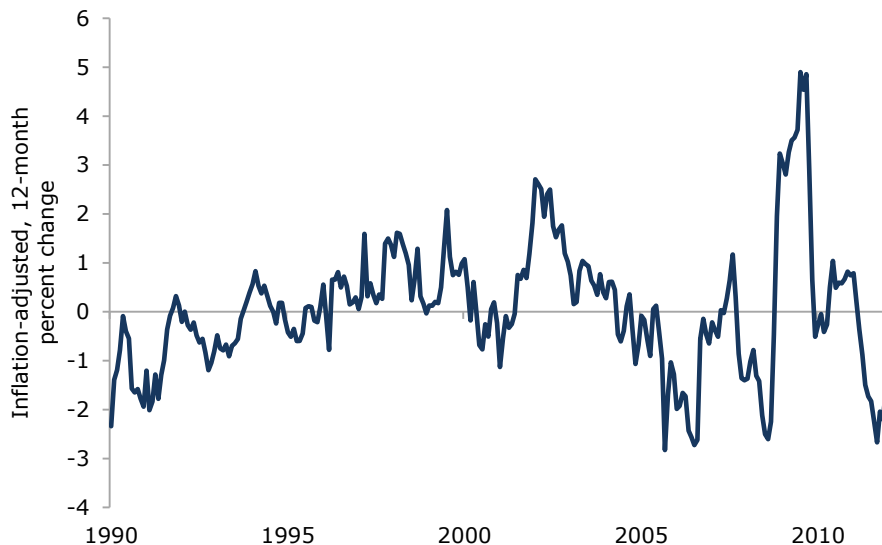


Source: Bureau of Labor Statistics, Current Employment Statistics

This measure does actually show a big rise the last three months to 41.9 hours in January, but this is a level that we saw before in the mid-90s, the last time that the manufacturing sector was consistently adding workers. At that time, the length of the average workweek was not widely cited as indicating a skills shortage. It will be interesting to see if hours remains at this level going forward, but getting back to the mid-90s level for average weekly hours is not especially compelling evidence of a shortage of qualified workers.

Finally, if there is a shortage of qualified workers then we should expect to see rapidly rising wages. The point here is straight-forward. If an employer wants to hire qualified workers and can't get them by offering the current wage, then she offers a higher wage in the hope of luring qualified workers away from competitors. This is a simple example of "supply and demand." If demand exceeds supply in typical free markets, then the price of the item should rise. In this case, an insufficient supply should mean that the wages of manufacturing workers is rising rapidly.

FIGURE 3
Real Change in Average Hourly Wage of Production and Non-Supervisory Workers in Manufacturing, 1990 - 2012



Source: Bureau of Labor Statistics, Current Employment Statistics

Figure 3 above also uses BLS data and shows real wage growth over the prior year. The chart shows a jump in real wages in manufacturing when the price of gas and other commodities collapsed in 2008 at the onset of the recession. However, in the time since this collapse, real wages have been flat or even slightly down. The most recent data show wage growth in manufacturing has not been keeping pace with inflation.

This hardly looks like the sort of wage growth that would be expected if there were a shortage of qualified workers. If employers are really desperate to find people with the right skills we might expect real wages to rise at 4-5 percent annual rate, or even faster. Employers lose money if they can't fill demand due to a lack of workers. If this is really the problem that they are facing, then they should be prepared to pay higher wages to alleviate the shortage.

In short, while there may be many businesses that complain about being unable to find workers with the necessary skills to fill manufacturing jobs, the data provide no evidence that this is a common problem. That doesn't mean that there may not be some businesses that actually do face problems finding skilled workers, however the data indicate that such problems are likely restricted to relatively narrow occupational categories or to specific regions. Skills shortages are not sufficiently widespread to affect the national labor market.

In other words, we should not be blaming the workers. It is always good for people to have more skills so that they can be more productive wherever they work, but the data do not suggest that the reason so many people are out of work is because they lack skills. Instead, the real reason that they are out of work is that our policy makers have not done what's needed to create enough jobs.