

WELCOME TO **EOS** 2020

FINDING GOOD WORKERS

NEW CHALLENGES, NEW SOLUTIONS

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45TH ANNUAL ECONOMIC OUTLOOK SEMINAR

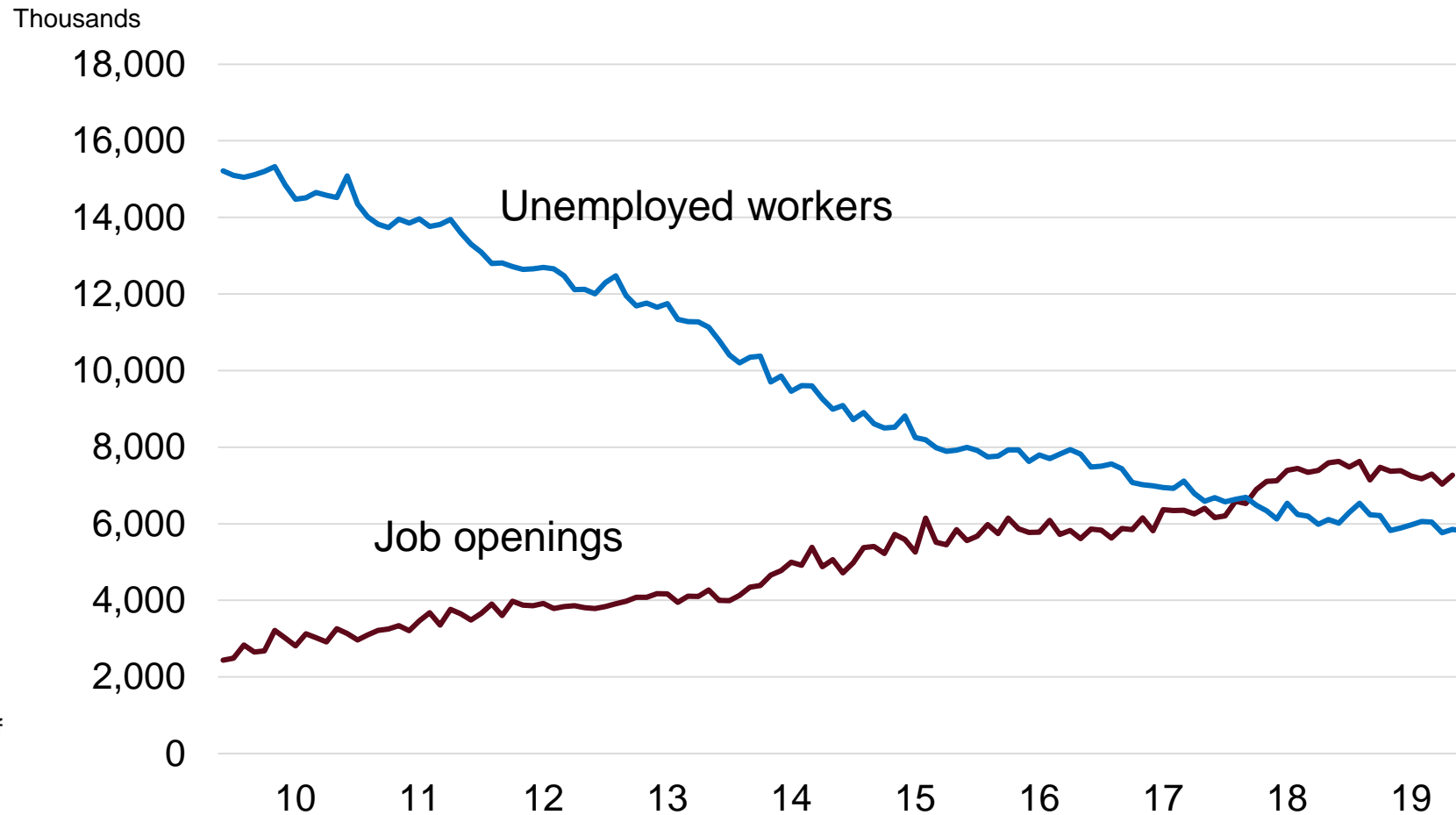


Finding Good Workers: A Good Problem?

- Tight labor markets are pushing up wages, good for workers
- Low unemployment has always been the goal of economic policy
- Wage pressures from tight labor markets have yet to show up in inflation
- There are “bad jobs” as well as “good workers”
- “The market will fix it”
- Unemployment rates are an inadequate measure of labor market health
- Tight markets reveal daunting challenges producing workers with the right skills
- Some solutions are better than others
- Solutions that tap into under-utilized resources and/or match skill with jobs better are especially attractive



Less Than One Unemployed Worker for Every Job Opening in the U.S. Economy Today



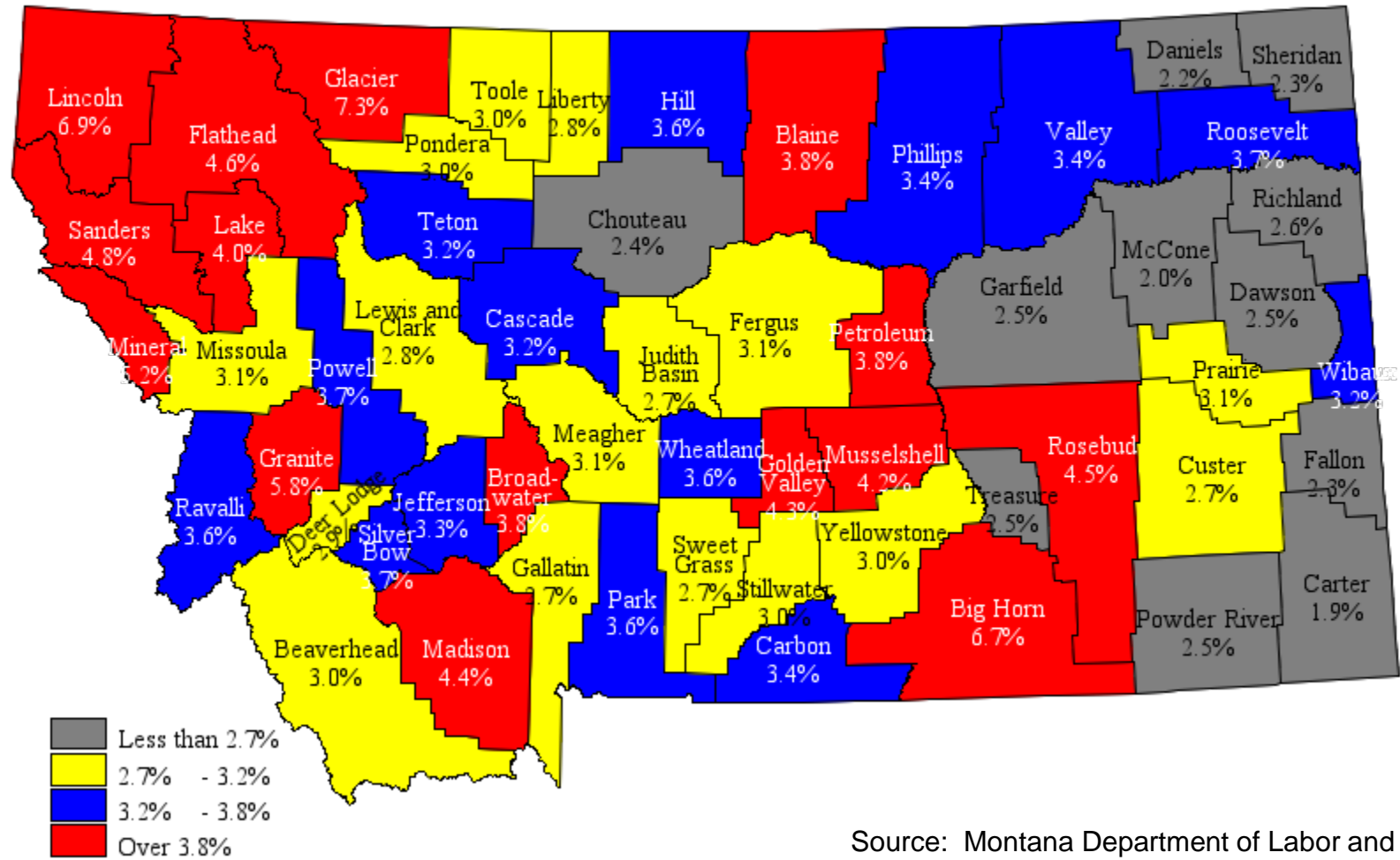
Source: U.S. Bureau of Economic Analysis



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Finding Good Workers

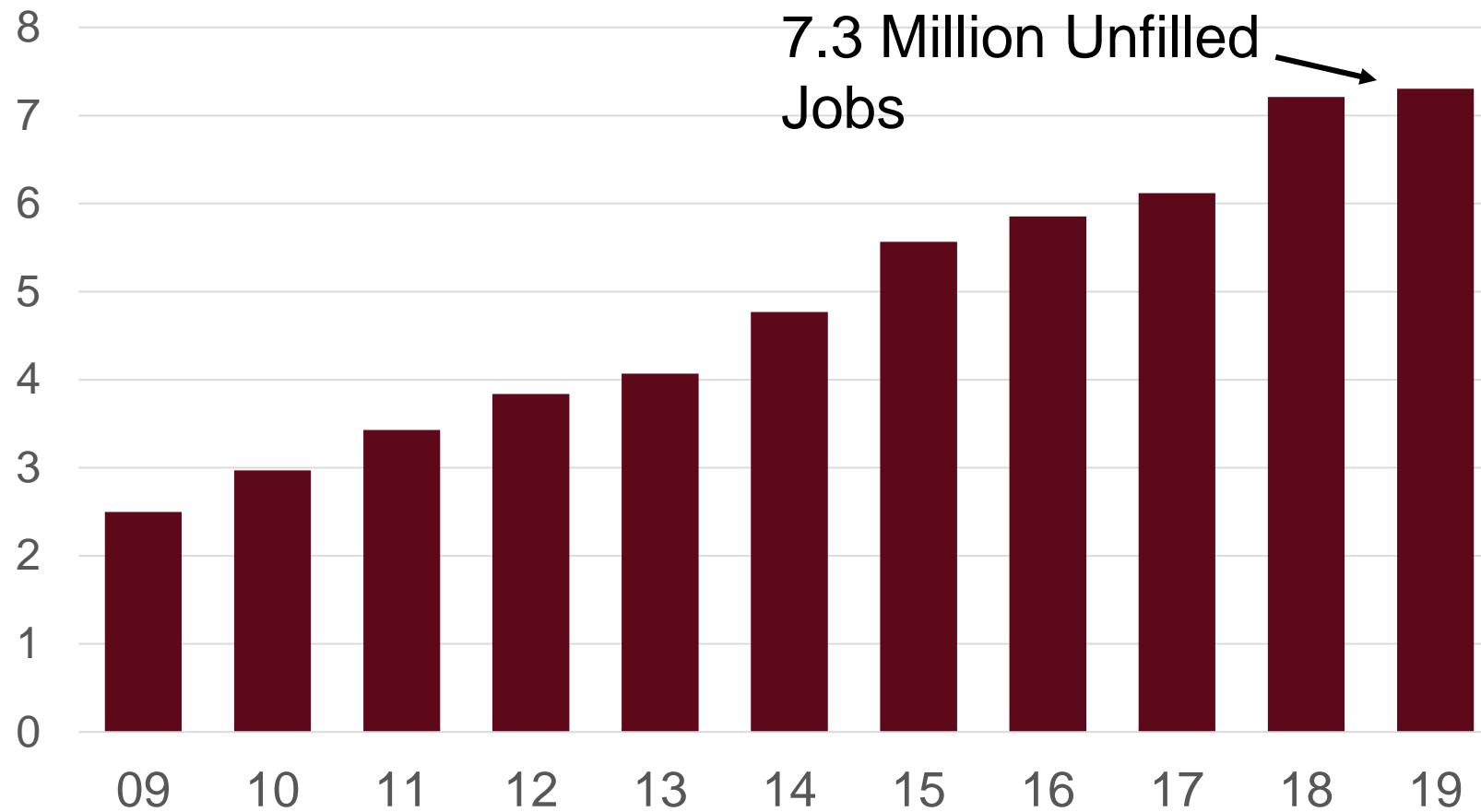
Unemployment Rates, Nov 2019



Source: Montana Department of Labor and Industry

Number of Unfilled Positions Has Doubled in the Last 8 Years

Total Unfilled Job Vacancies, U.S., Millions



Source: OECD

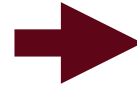
Why?

- 1. Demographics**
- 2. Skill Mismatch**
- 3. Generational Change**
- 4. Everything Else**



The Broad Footprint of Demographic Change

**Growth in Older
Population Shares**

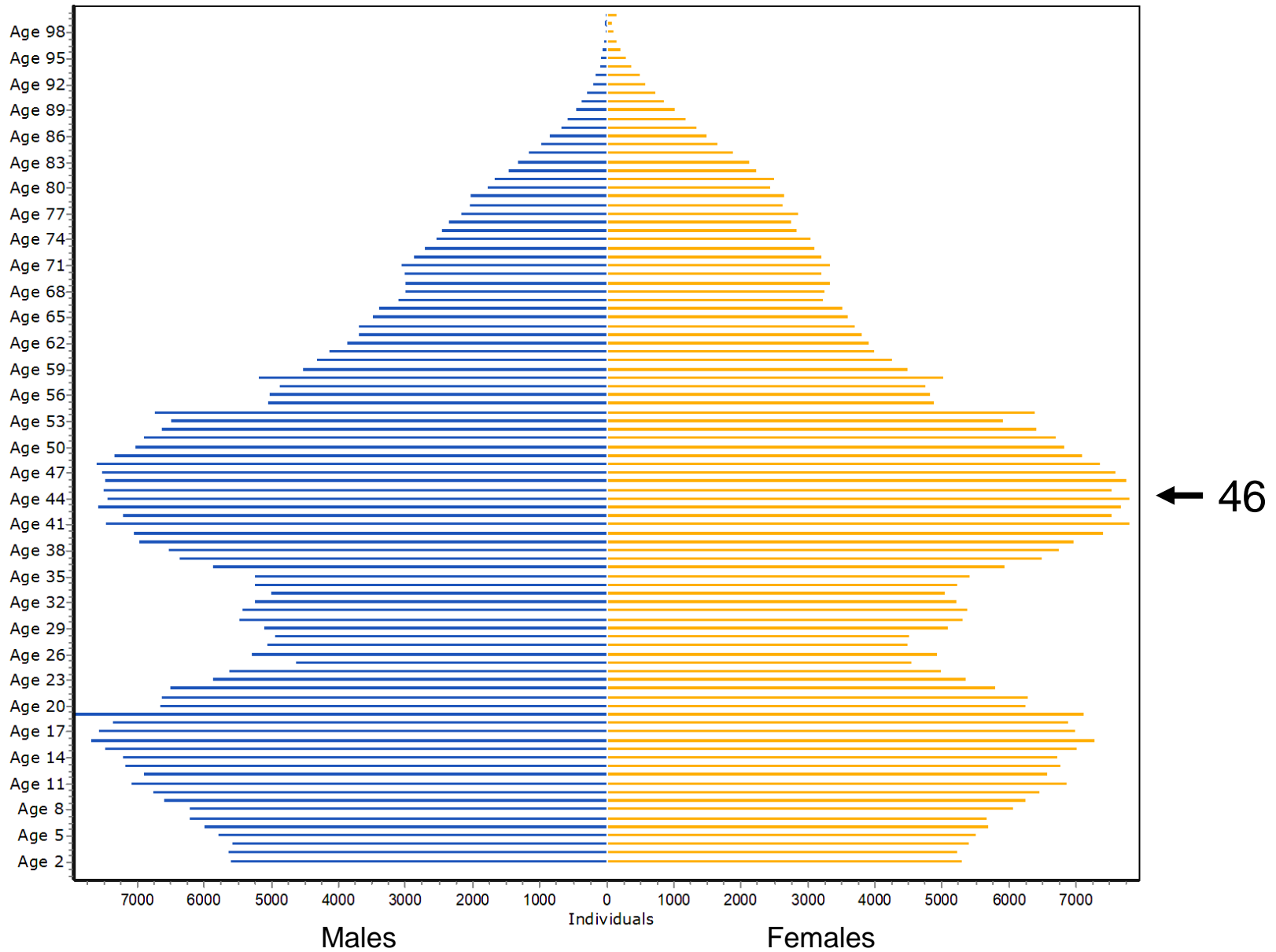


- Economic Growth
- Inflation
- Asset Returns
- Real Estate
- Public and Private Pensions
- Oh yes ... the labor market!



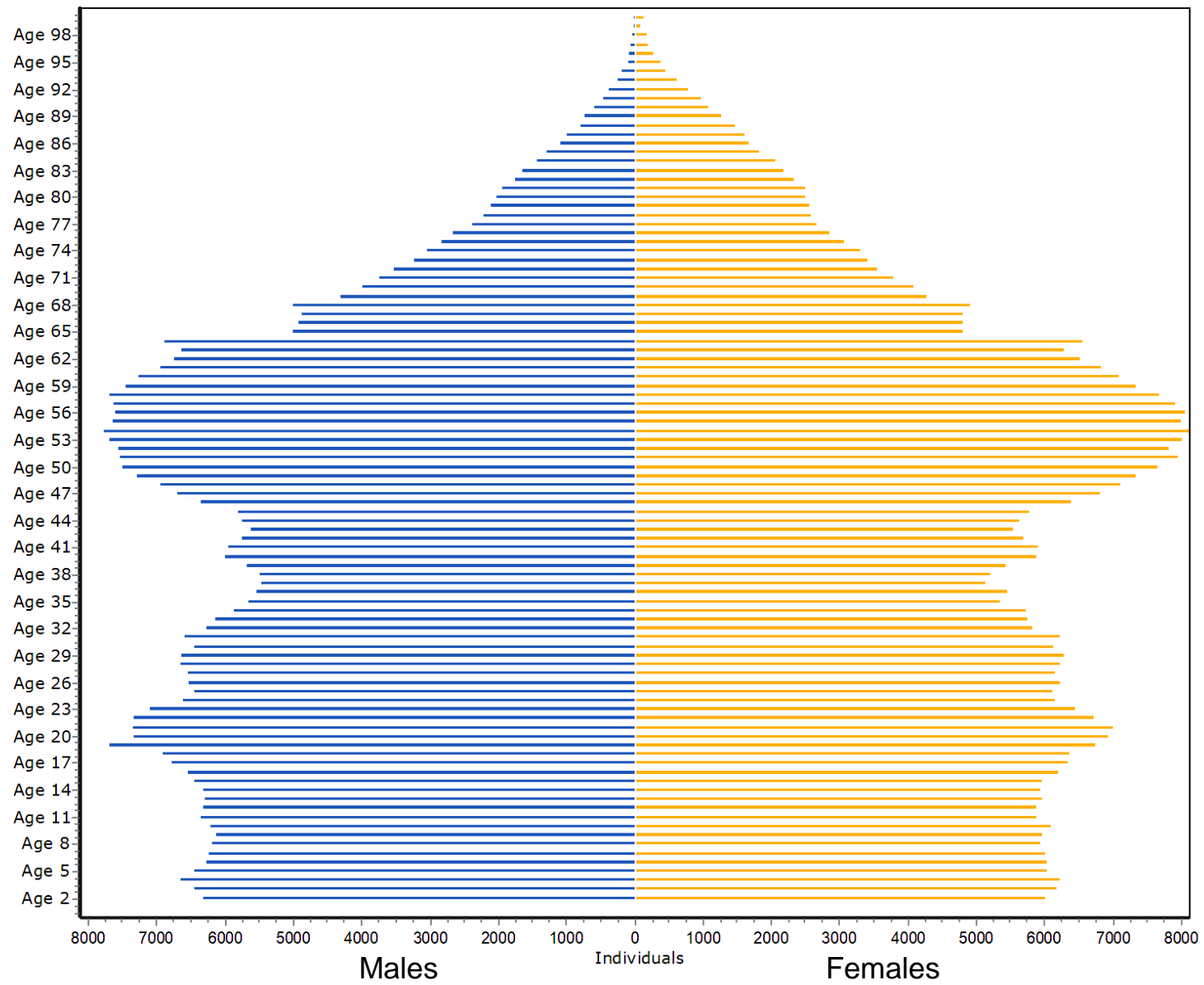
Montana Population Tree

Year:
2001



Montana Population Tree

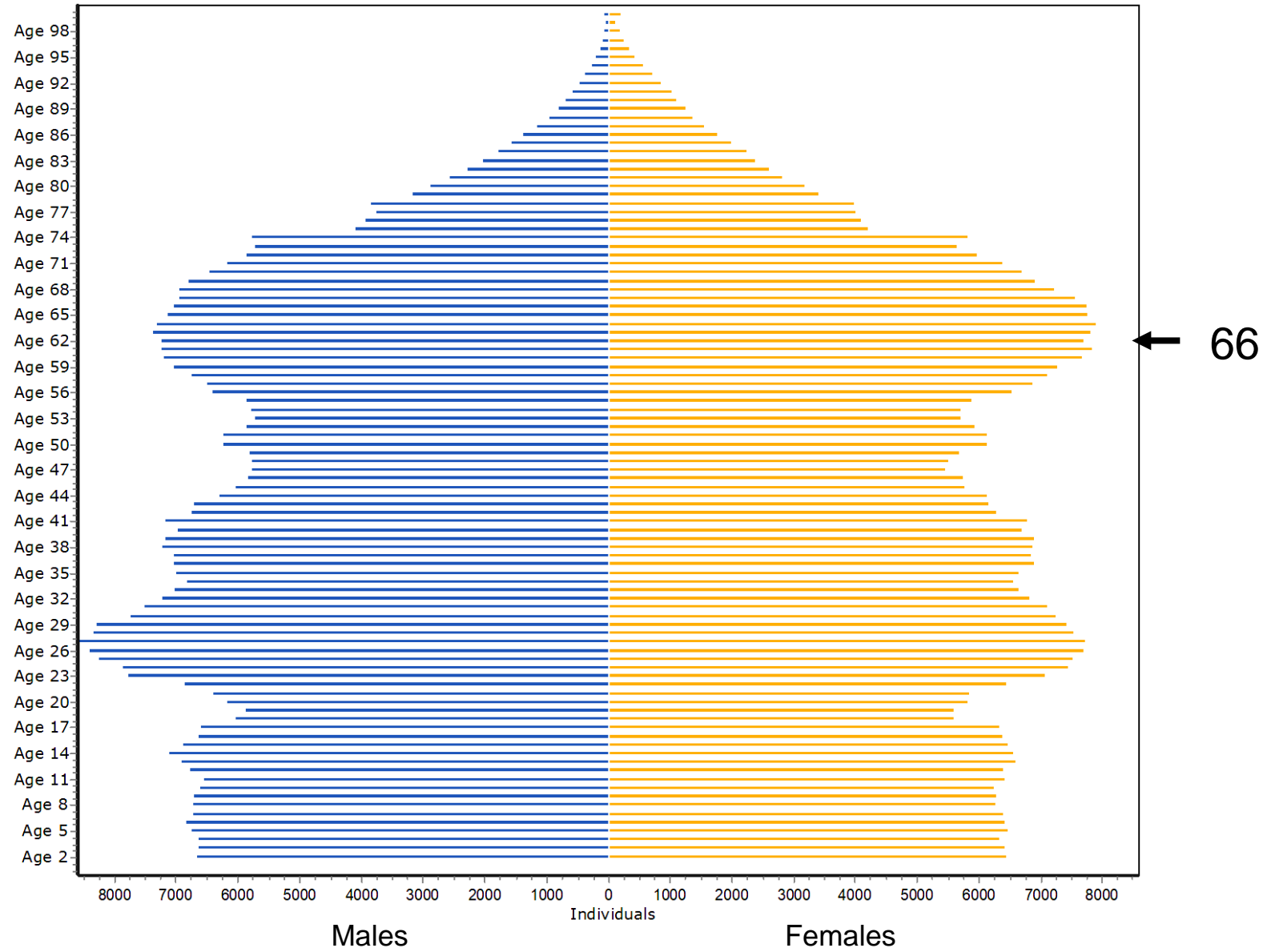
Year:
2011



← 56

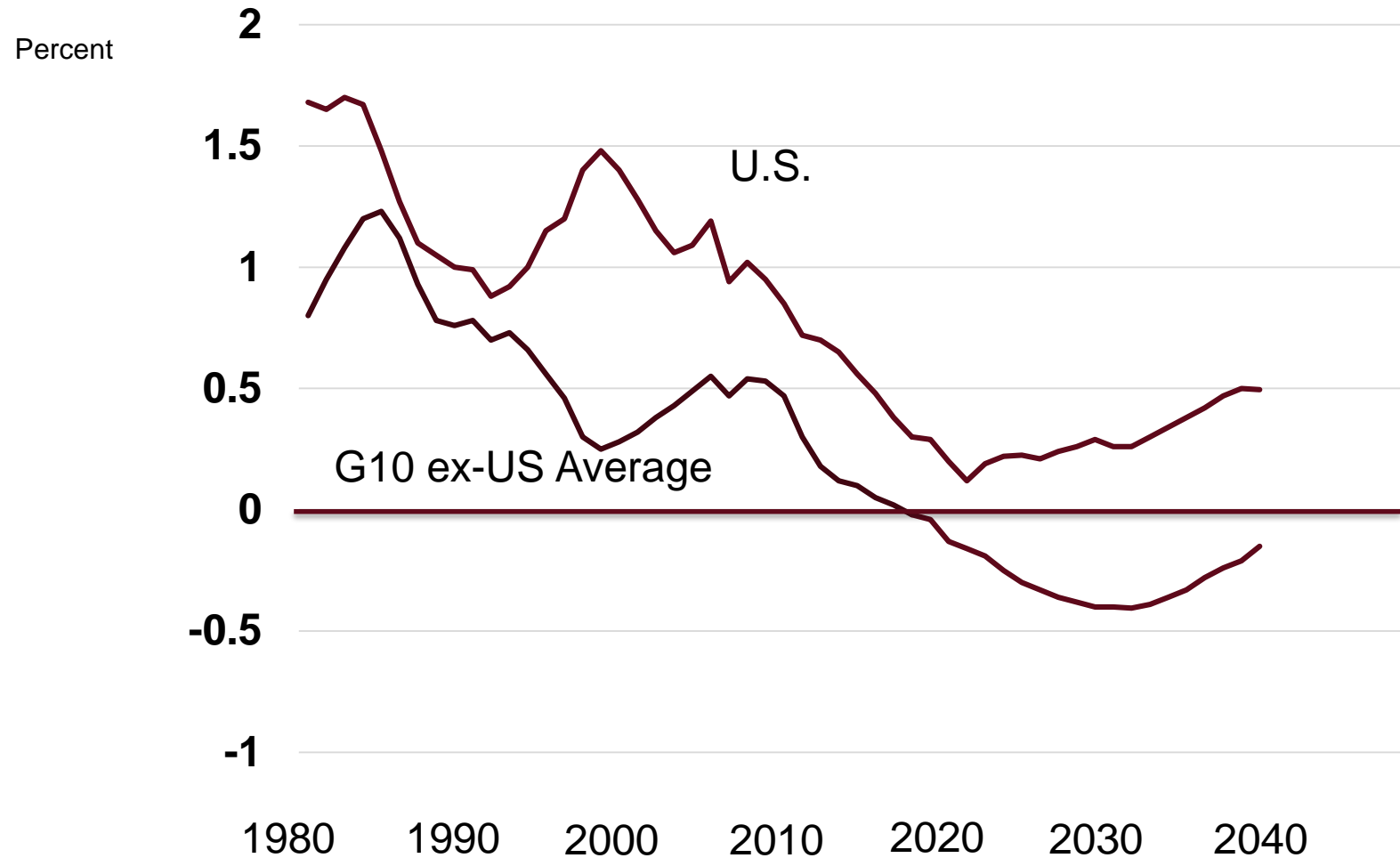
Montana Population Tree

Year:
2021



Working Age Population Set to Expand in the U.S.

Growth in Working Age Population (20-64), Percent



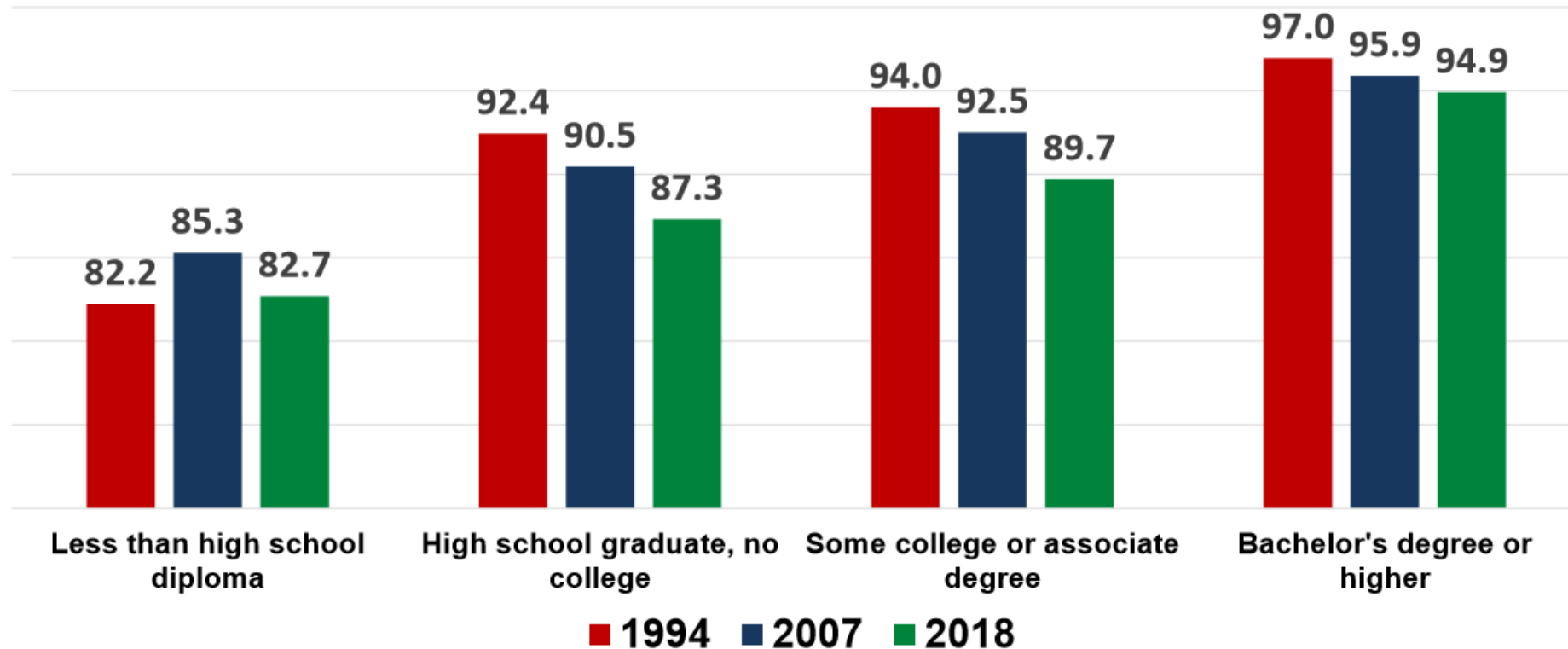
Source: Census Bureau, United Nations, Morgan Stanley Research

Total Population, Share of 80+ and 60+ Groups

	Total Population		Share of 80+		Share of 60+	
	Population (millions)	Growth (%p.a.)	Share of 80+ (%)		Share of 60+ (%)	
	2017	1985-2017	1985	2017	1985	2017
World	7,550	1.4	0.9	1.8	8.8	12.7
France	65	0.5	3.2	6.2	18.2	25.7
Germany	82	0.2	3.2	6.3	19.9	28.0
Italy	59	0.1	2.6	7.1	18.7	29.4
Japan	127	0.1	1.7	8.1	14.5	33.4
United Kingdom	66	0.5	3.1	5.1	20.8	23.9
United States	324	0.9	2.6	3.8	16.7	21.5



Labor force participation rates of White men 25 to 54 years old by education, annual averages

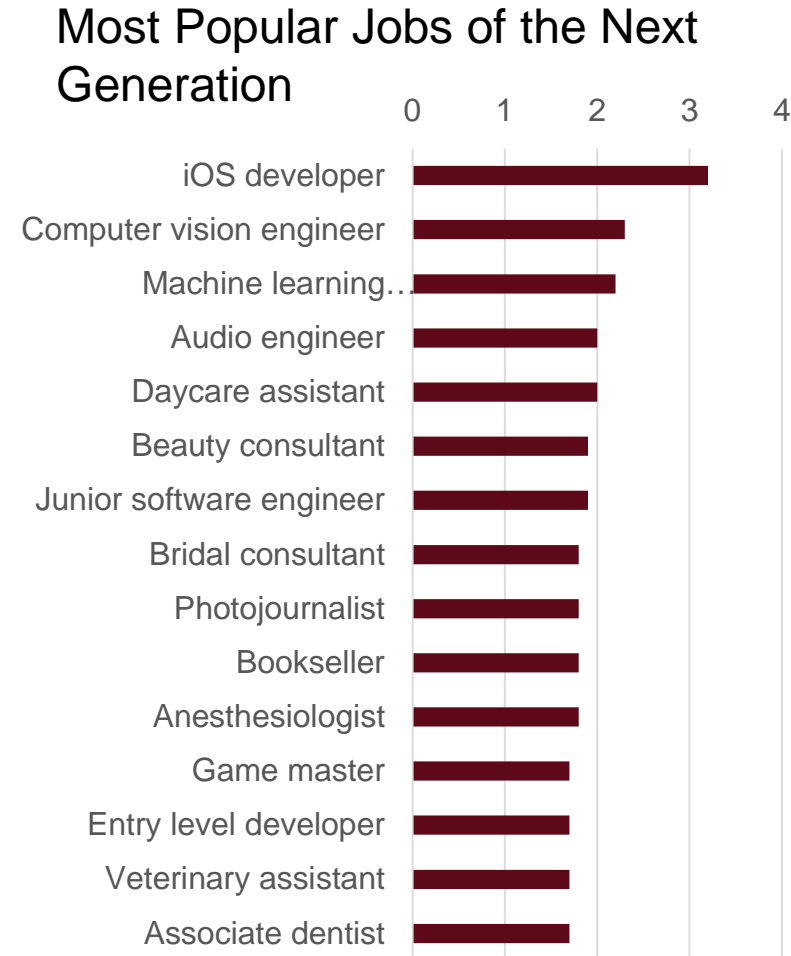


Source: Bureau of Labor Statistics, Current Population Survey.



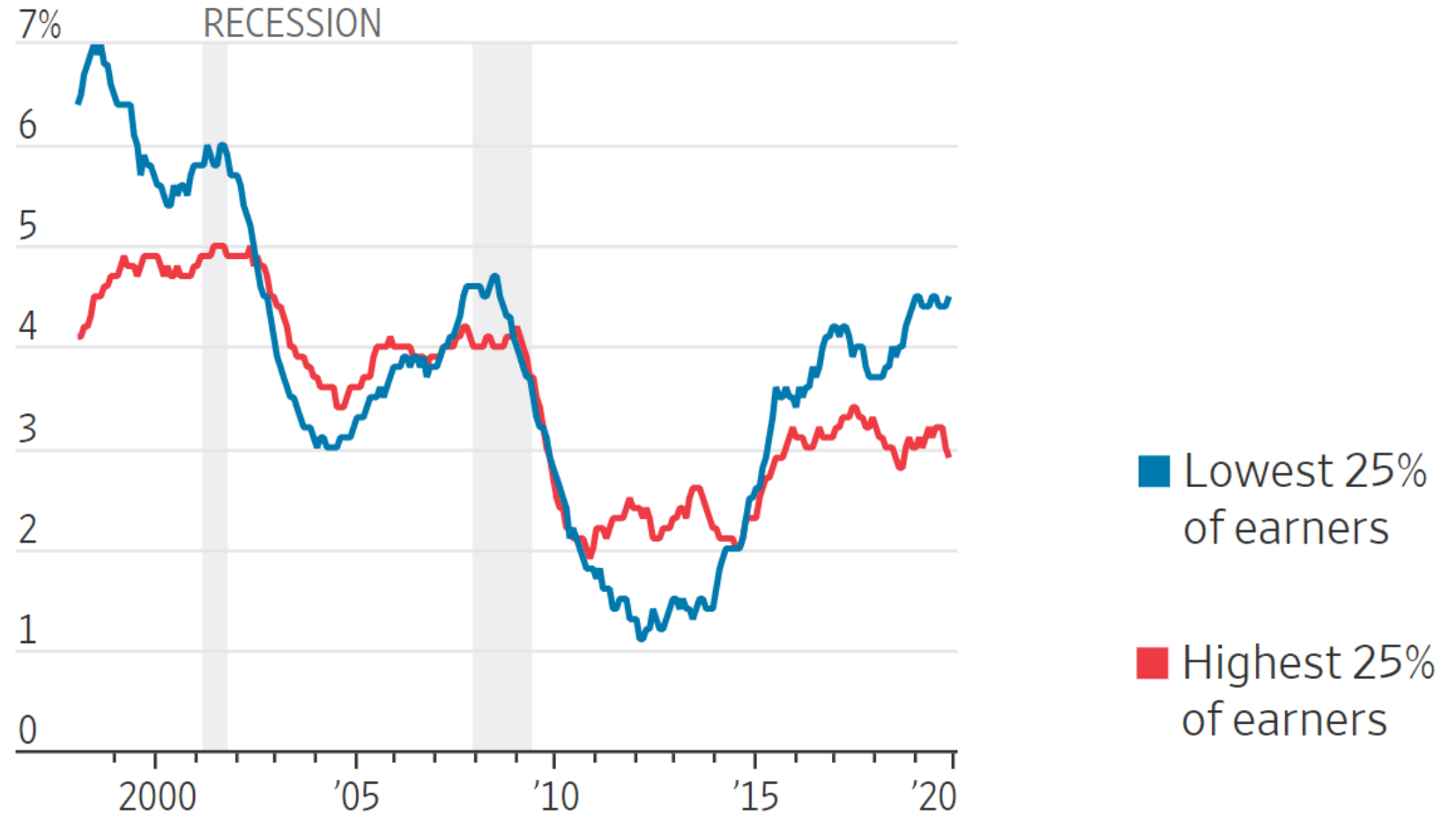
More Challenges in the Pipeline?

- Gen Z (born 1996-2010) value job satisfaction, college education, flexible hours more than Millennials
- Half of the most popular jobs they looked at on Indeed are tech jobs (right)
- 3 percent say they want a job in the construction trades (NAHB survey)
- 63 percent of those undecided about careers would not consider construction trades even if pay were above \$100,000



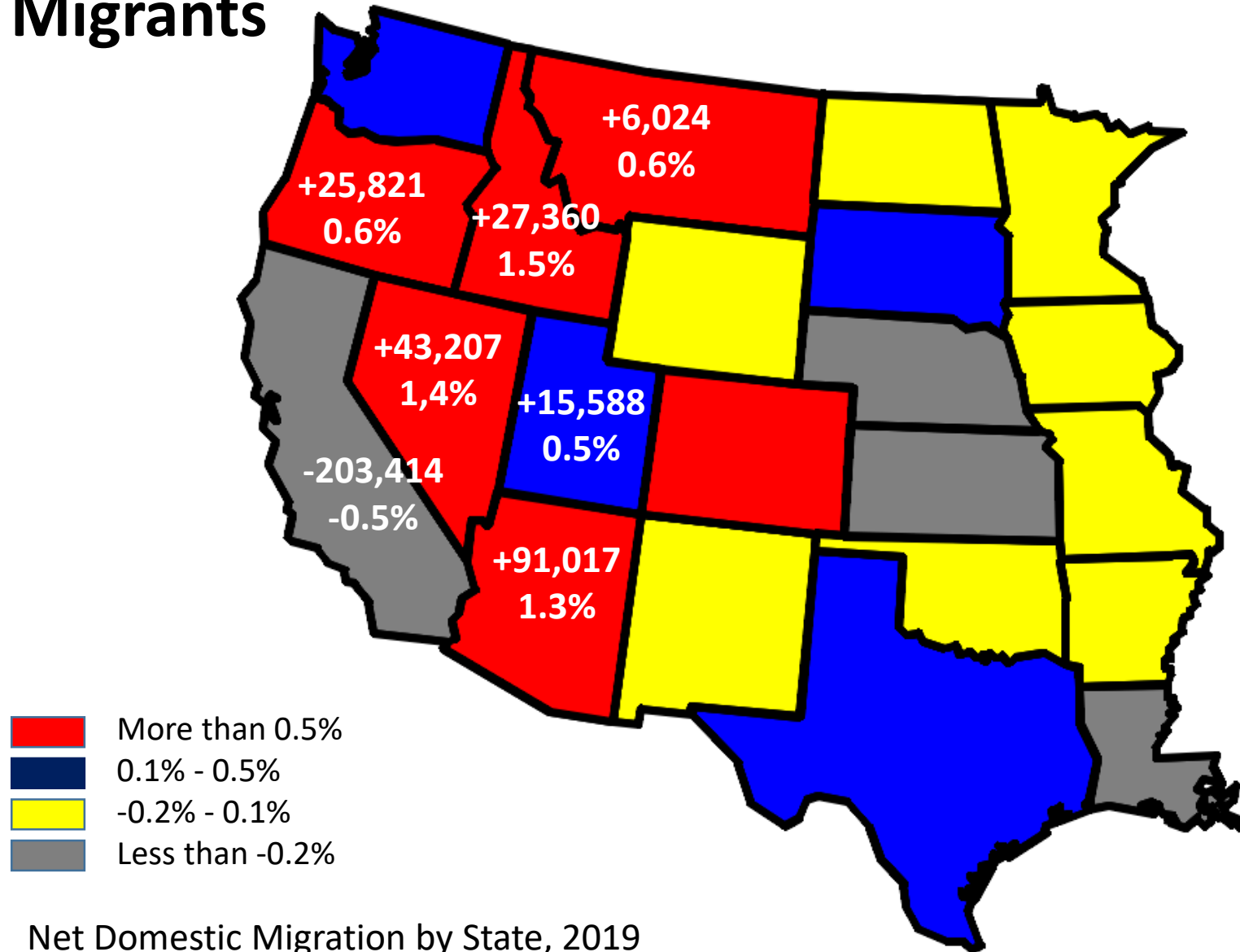
Source: Indeed.com

Wages Are Accelerating, Especially for the Lowest Paid Workers



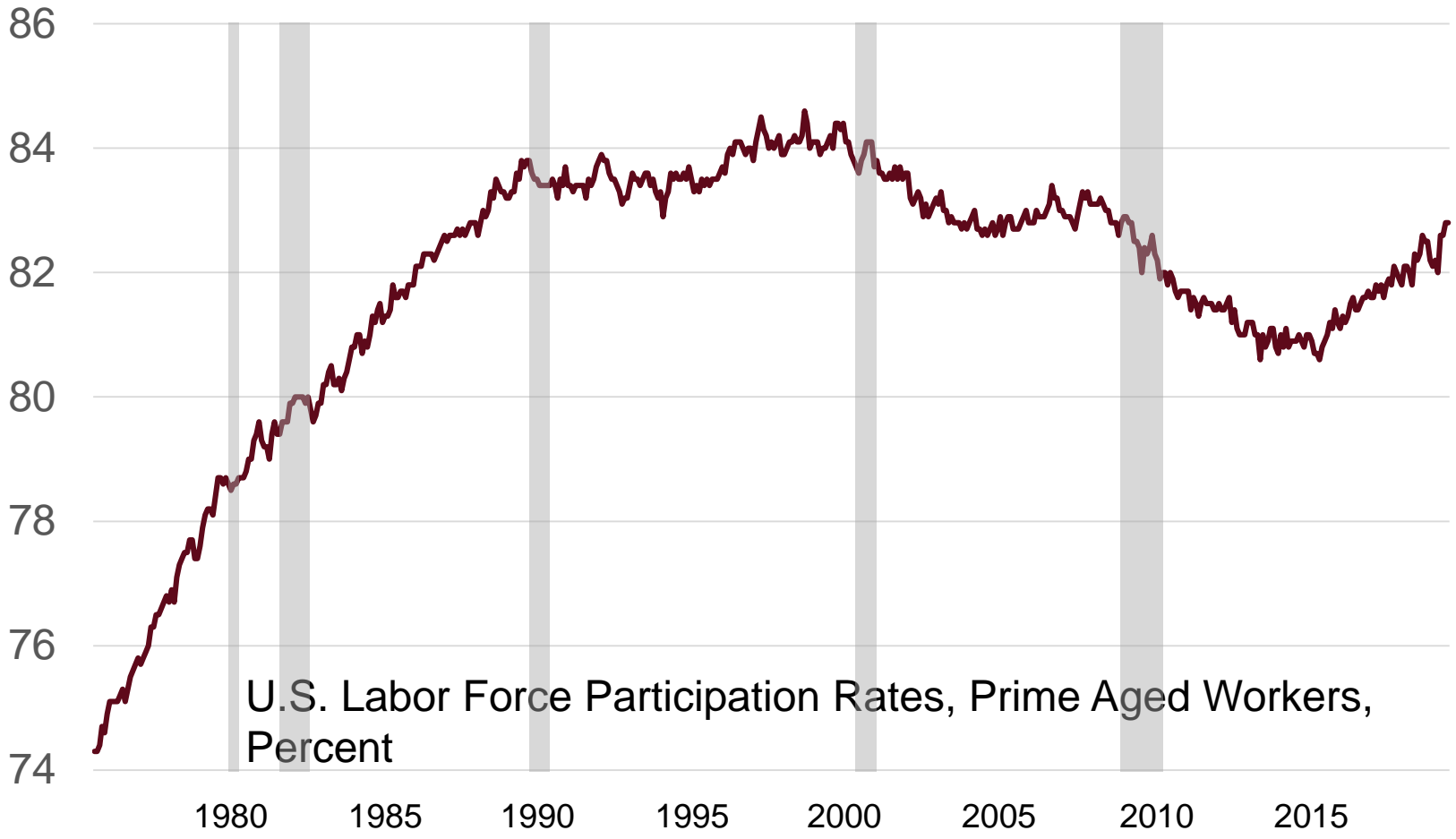
Source: Federal Reserve Bank of Atlanta

Non-California West Continues to Attract New Migrants

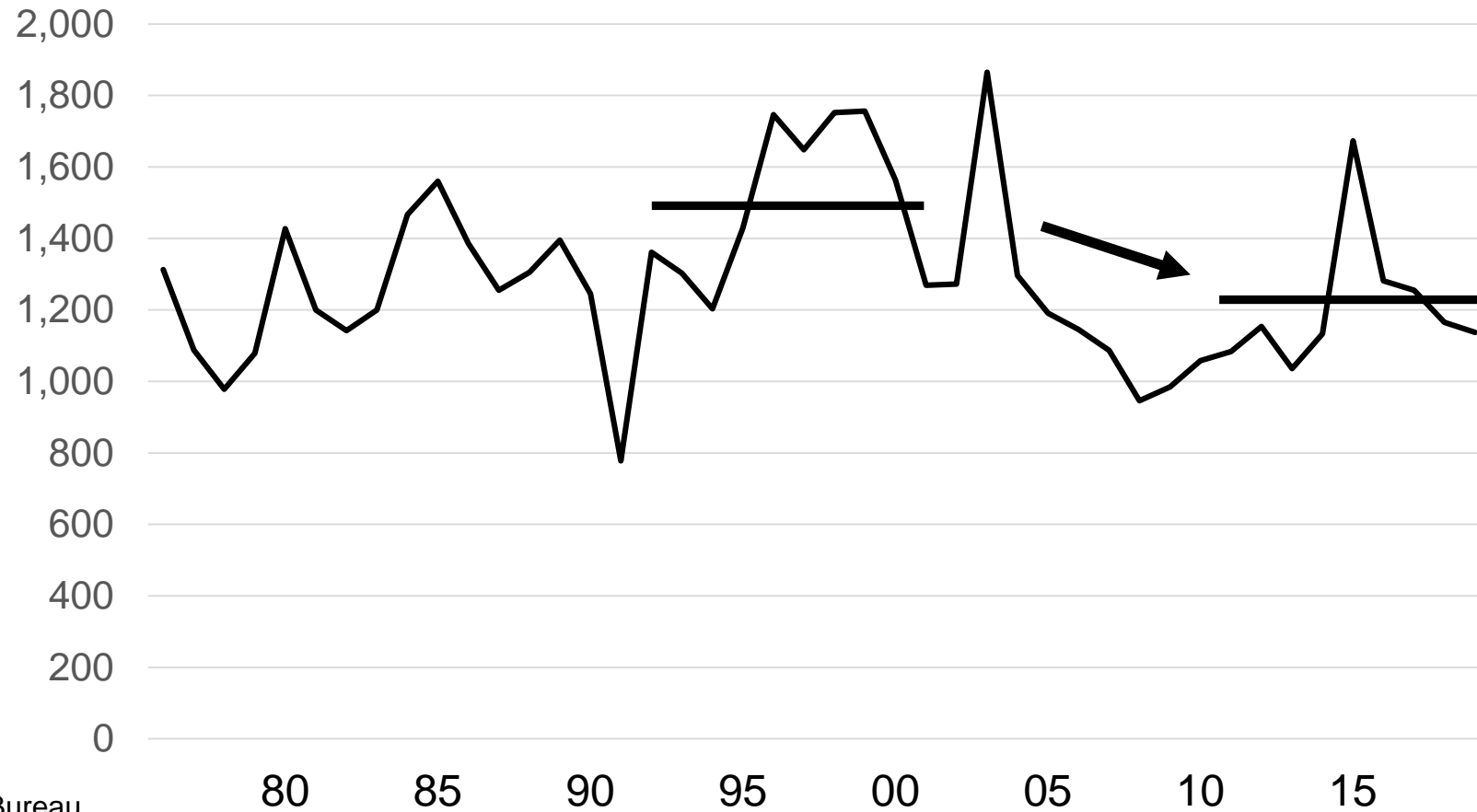


- More than 0.5%
- 0.1% - 0.5%
- 0.2% - 0.1%
- Less than -0.2%

The Market is Working: Strong Hiring is Drawing More Workers Into the Labor Market

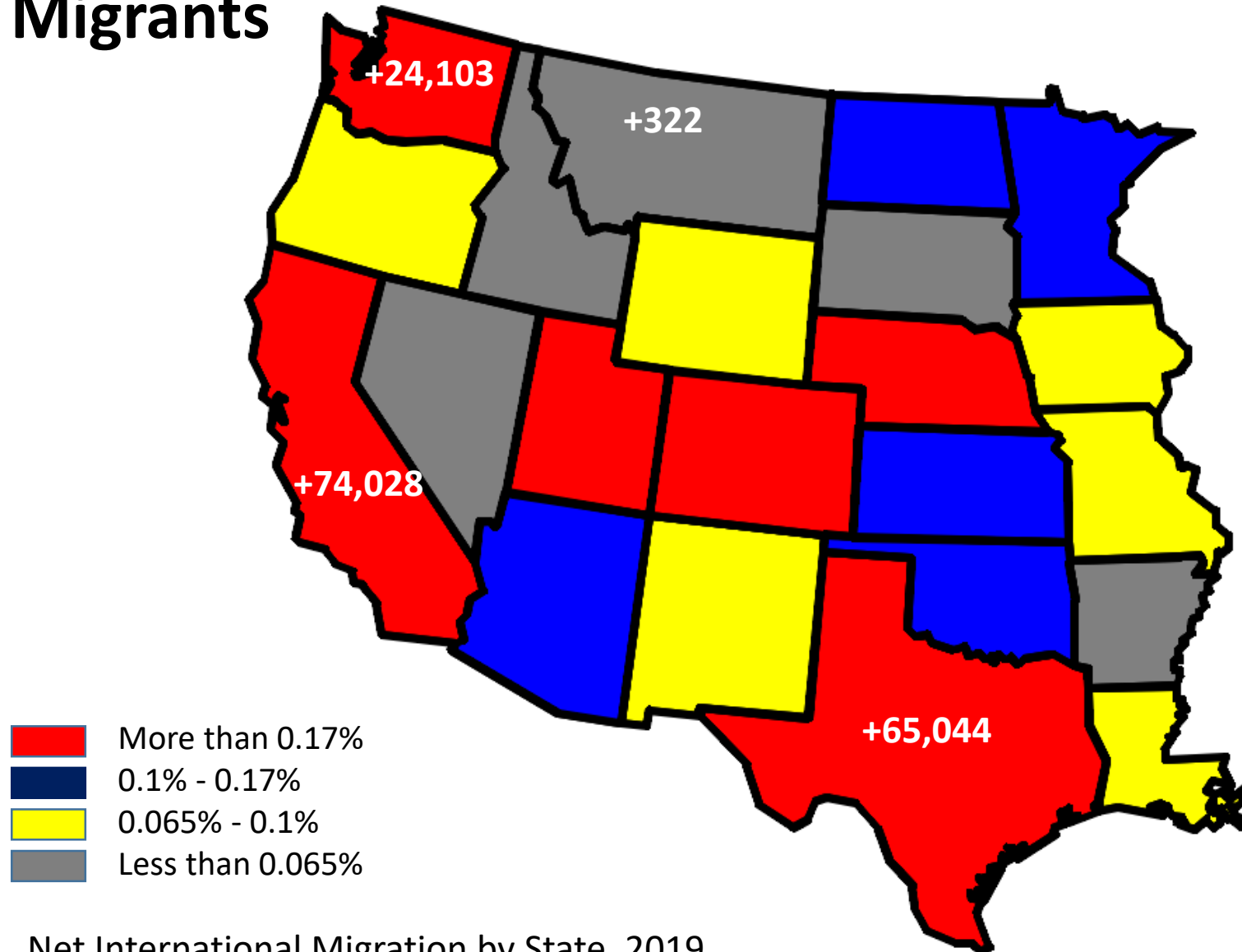


International Migration is Lower than in the 1990s



Source: U.S. Census Bureau

Border and Urban States Attract Foreign Migrants



- More than 0.17%
- 0.1% - 0.17%
- 0.065% - 0.1%
- Less than 0.065%

Net International Migration by State, 2019

Retirement Ages: Effective and Official

Retirement Age (Years)	Men		Women	
	Effective	Official	Effective	Official
Korea	72.0	61.0	72.2	61.0
Mexico	71.6	65.0	67.5	65.0
Turkey	66.1	60.0	66.3	58.0
Japan	70.2	65.0	68.8	65.0
New Zealand	68.4	65.0	66.4	65.0
Switzerland	66.0	65.0	64.3	64.0
United States	66.8	66.0	65.4	66.0
United Kingdom	64.6	65.0	63.2	63.0
Italy	62.1	66.6	61.3	65.6
Netherlands	63.5	65.5	62.3	65.5
France	60.0	61.6	60.3	61.6
Germany	63.3	65.0	63.2	65.0

Source: OECD. Red numbers indicate effective is greater than official.



Information Technology Jobs Skew Young

Workforce by age, U.S., 2019



Source: Wall Street Journal

What Companies Can Do

- **Pay people more.** This is already happening. Does it grow the total workforce?
- **Search more broadly.** Relax requirements. Look at non-traditional workers. Look outside local area, especially if remote work is feasible.
- **Invest more in training.** Hiring less qualified workers requires more training to bring them up to acceptable skill levels, even if there is a risk they will leave and take work elsewhere.
- **Reconfigure job roles.** Find ways to make existing staff more productive to cover needed functions with existing workers.
- **Recruit future workers.** Connect with middle school-aged people to raise awareness of career opportunities.
- **Automation and outsourcing.**
- **Turning down work.**



What Policymakers Can Do

(But maybe not if they want to get re-elected)

- **Boost retirement age.** Social Security and Medicare need this change eventually anyway.
- **Increase female labor force participation.** More flexibility and a big expansion in child care availability is needed.
- **Fix immigration policy.** Has always been a U.S. strength.
- **Raise teenage participation.** Compatible with college prep?
- **Re-think drug testing policies.** This is quietly happening already.
- **Reconsider occupation licensing requirements.** These make it harder for two-earner couples to migrate to job opportunities.
- **Explore employment of incarcerated population.**

