



# State of the Workforce Report

January 17, 2002



**Michael Hicks**

*Center for Business and  
Economic Research*

**Ed Strong**

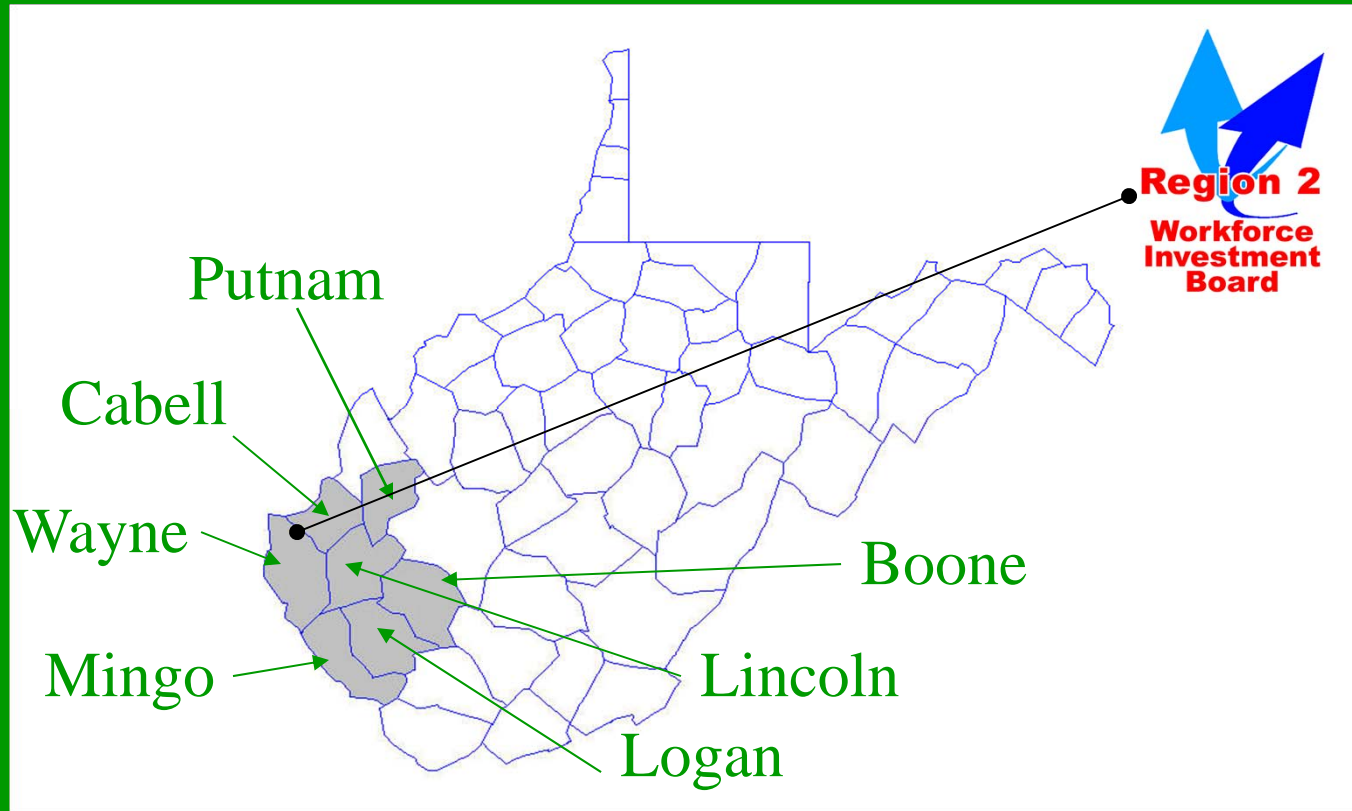
*Corporation for a Skilled  
Workforce*



# Agenda

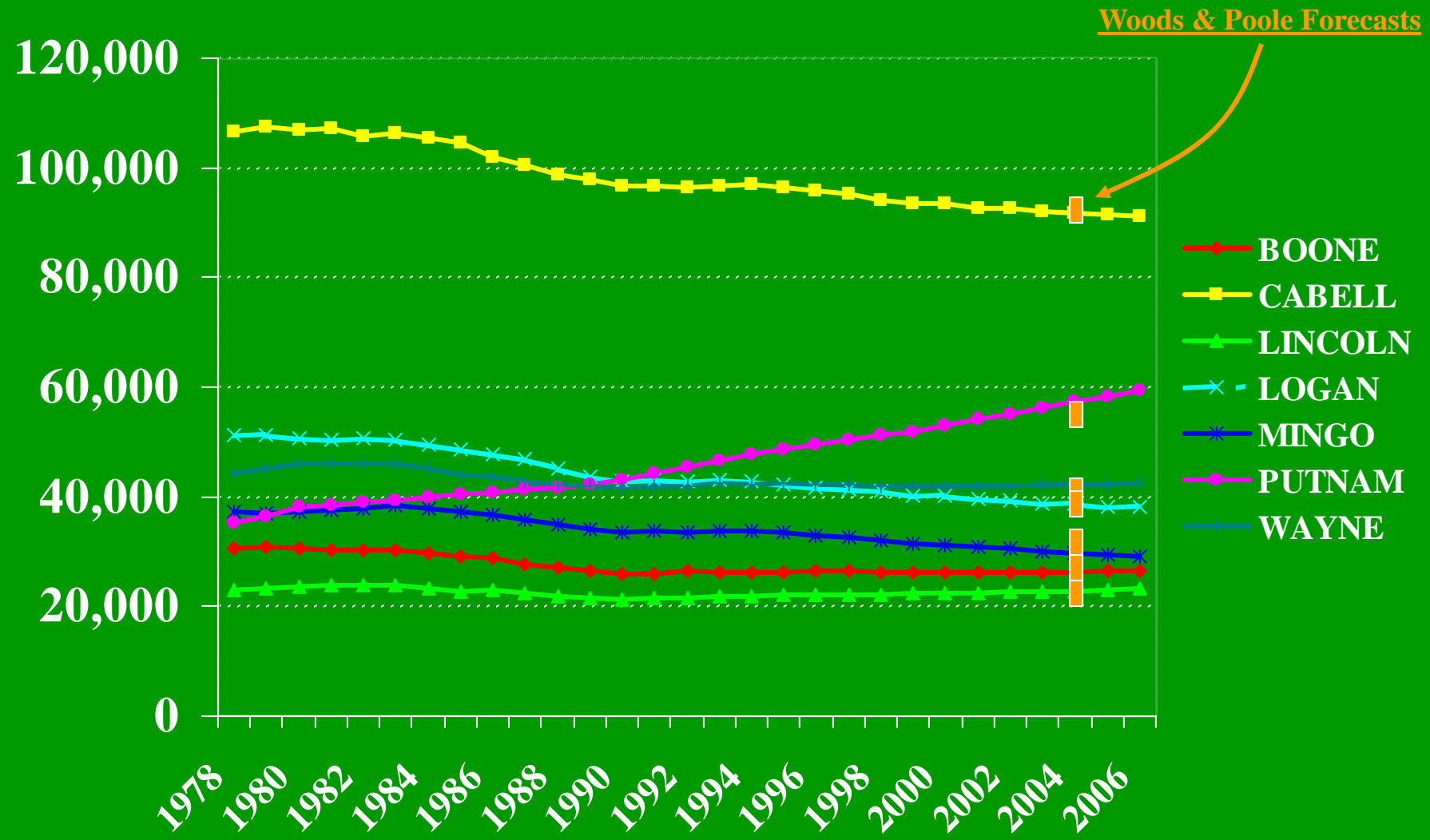
- ✓ The Region
- ✓ Economic Growth
- ✓ The Survey Findings

# The Region





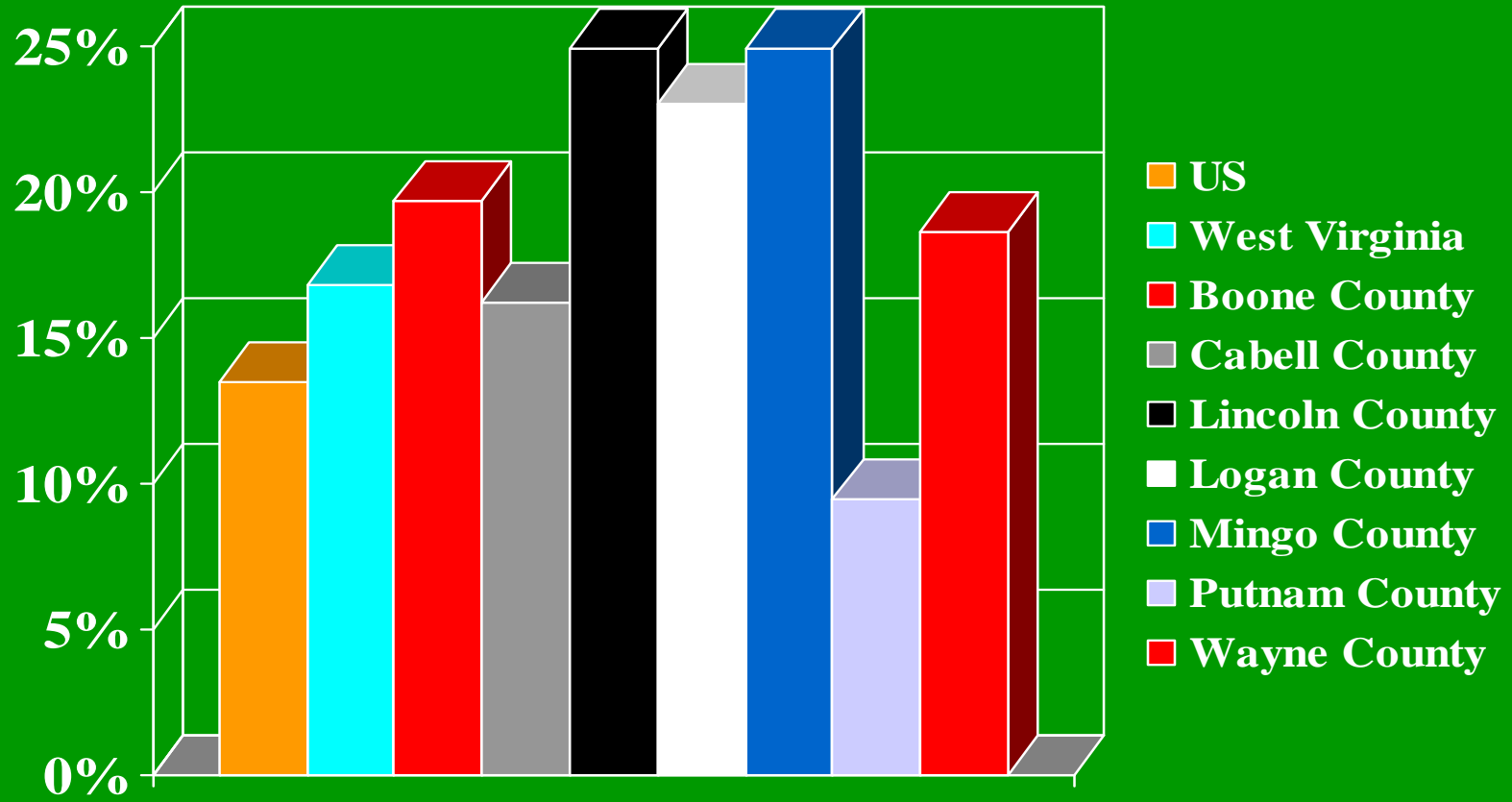
# Population Projection



Source: Center for Business and Economic Research, Woods & Poole Economics, Inc.



# Poverty Rates

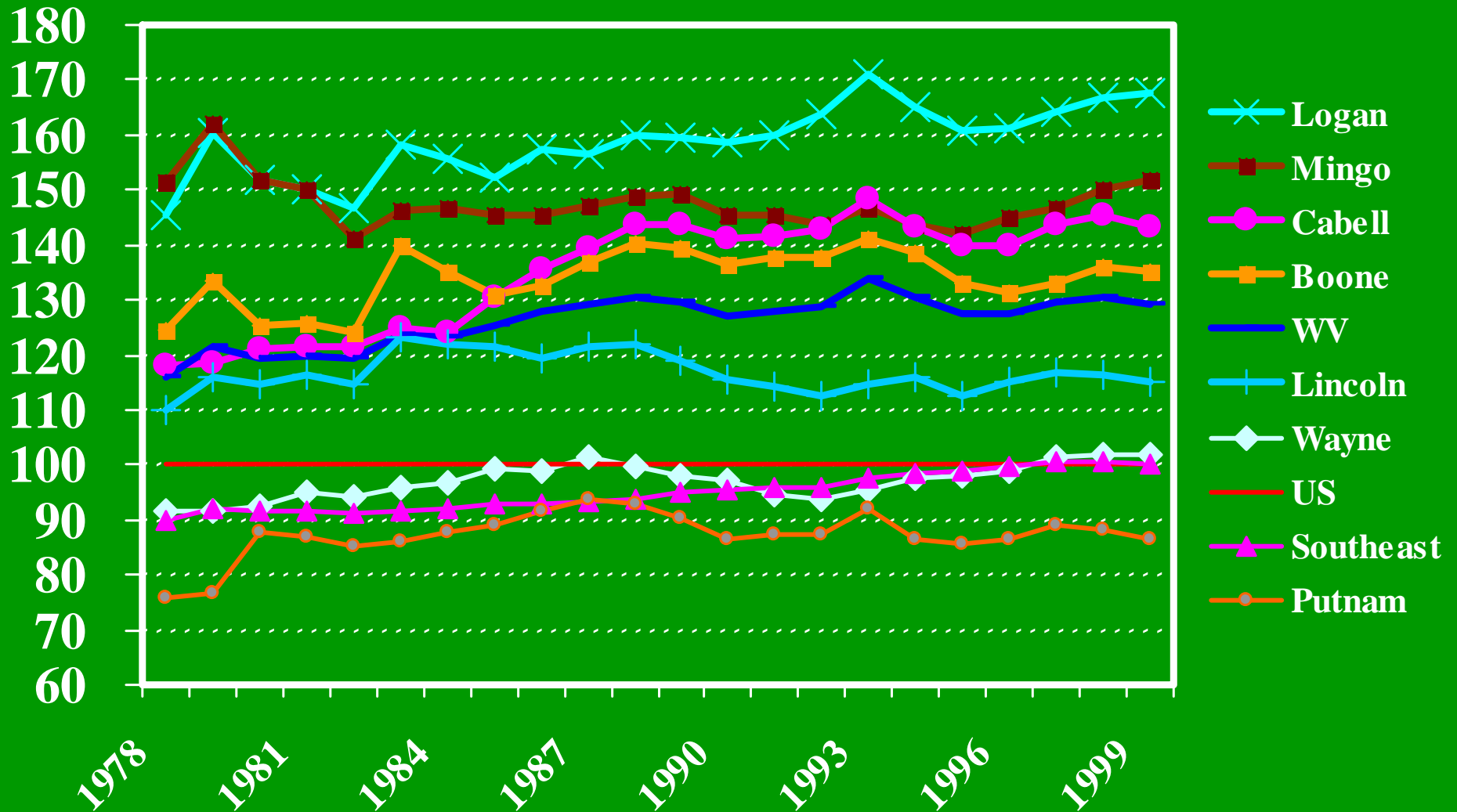


Source: U.S. Bureau of the Census



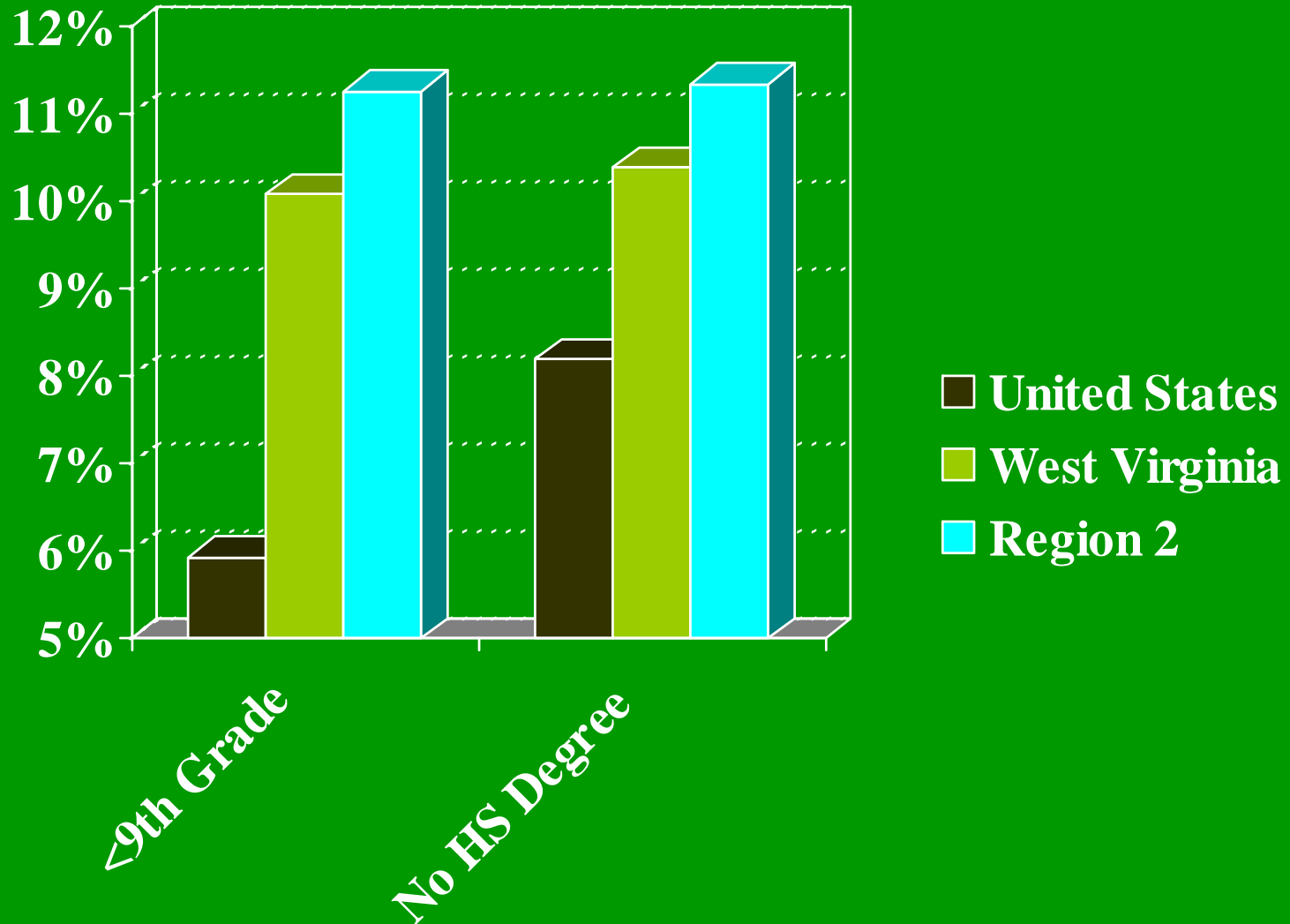
# Relative Per Capita Transfer Payments

US = 100





# >25 Years Old With No Diploma (1990 Census)

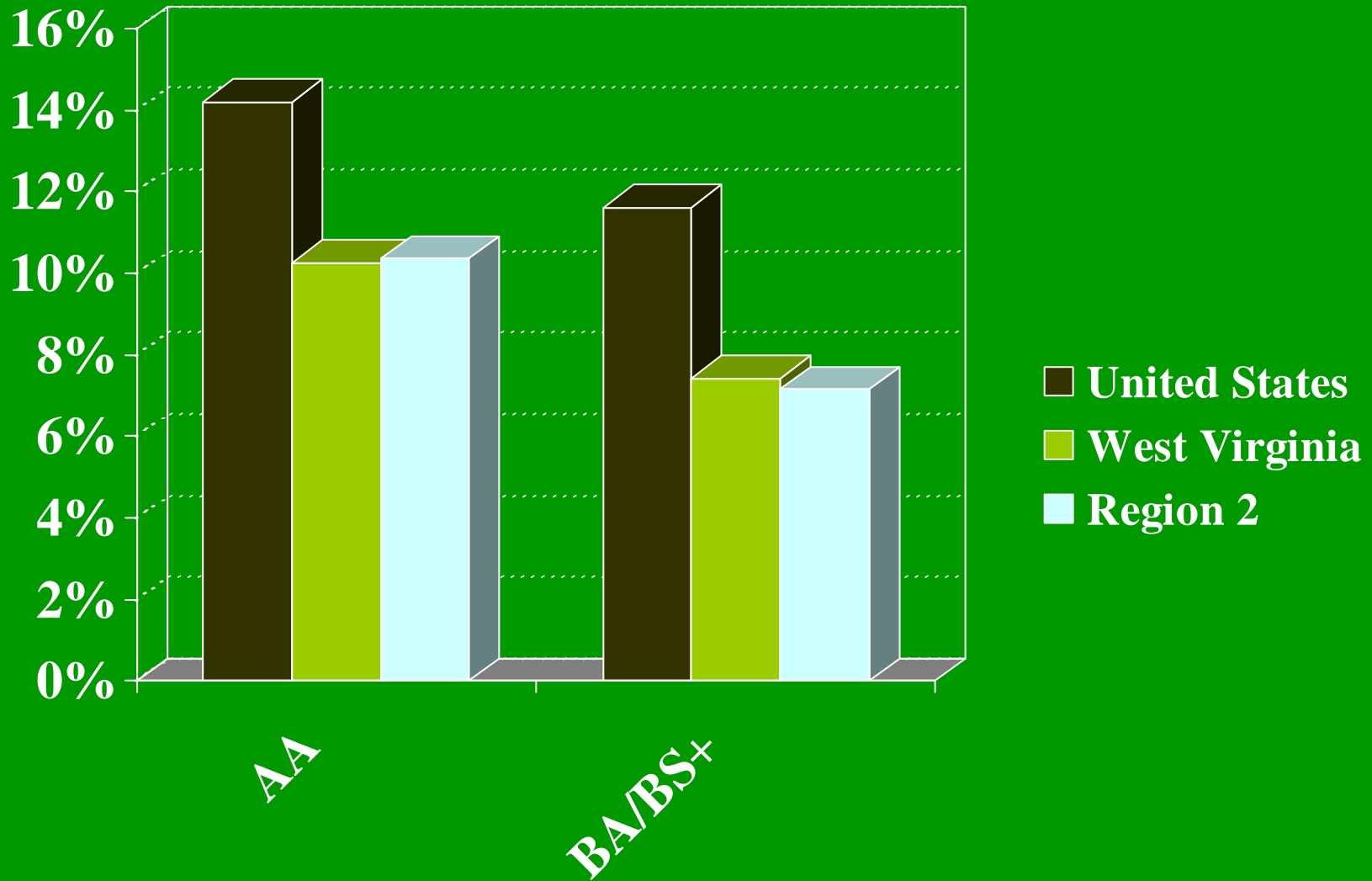


Source: U.S. Bureau of the Census



# College or University

(1990 Census)

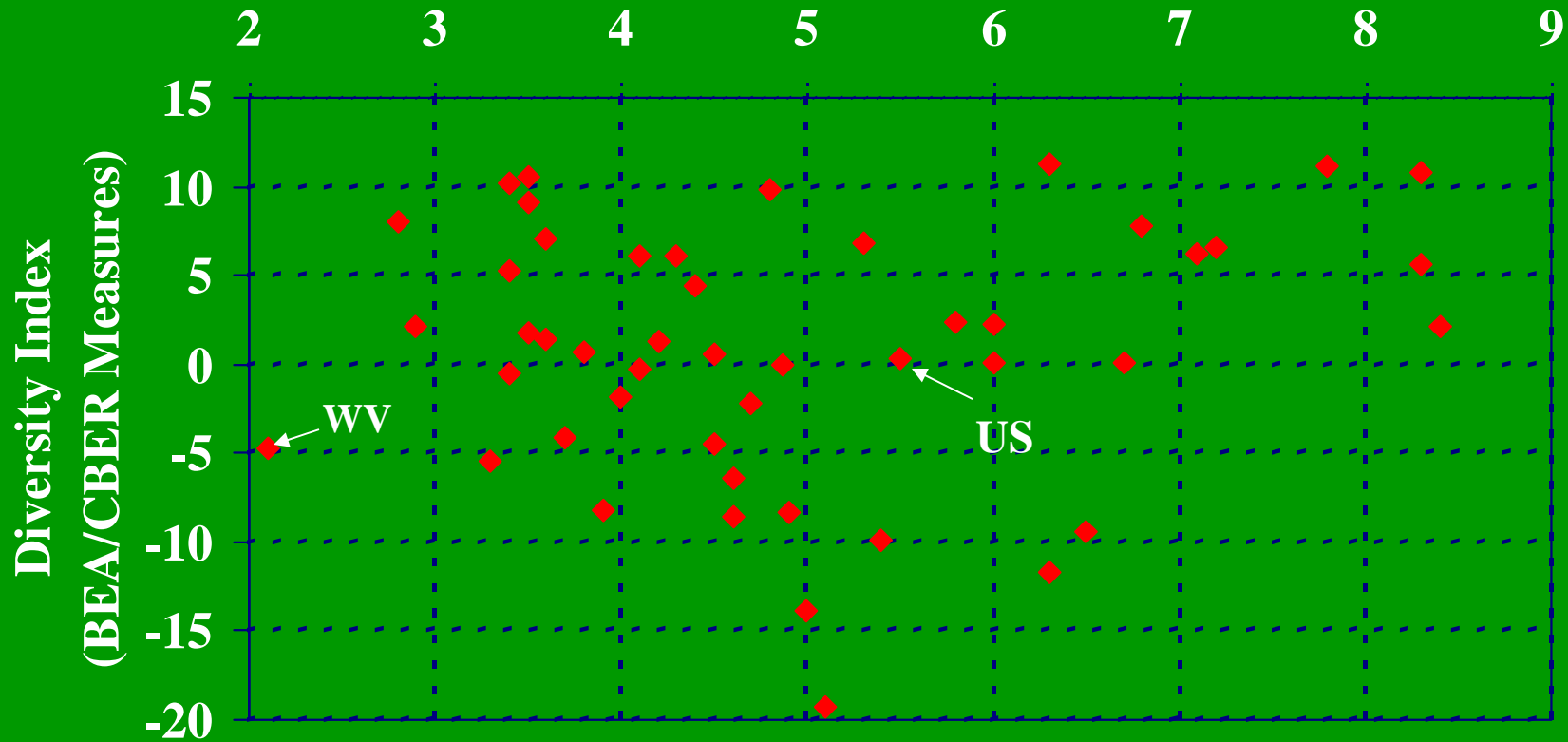


Source: U.S. Bureau of the Census



# Economic diversity & growth: is it really a problem?

Growth Rate (in per capita income, 1997-8)





# Regional Summary



- ✓ Population is much older than average (5+ years on average).
- ✓ Educational attainment is lower than average.
- ✓ Much of regional economy composed of stable, non-cyclical transfer payments (SSI, medicare, military retirement, etc.)
- ✓ Poverty Rates much higher than national average.
- ✓ Labor Force participation rates are climbing.
- ✓ Per capita income (hence buying power) is among the nation's lowest.
- ✓ Considerable inter-regional variation in industry, but not markedly dissimilar from US as a whole.



# Economic Growth

## Public Capital

- ✓ Physical Infrastructure
- ✓ Flow of Services
- ✓ Social Overhead Capital
- ✓ *Explains less than 10% of state differences*

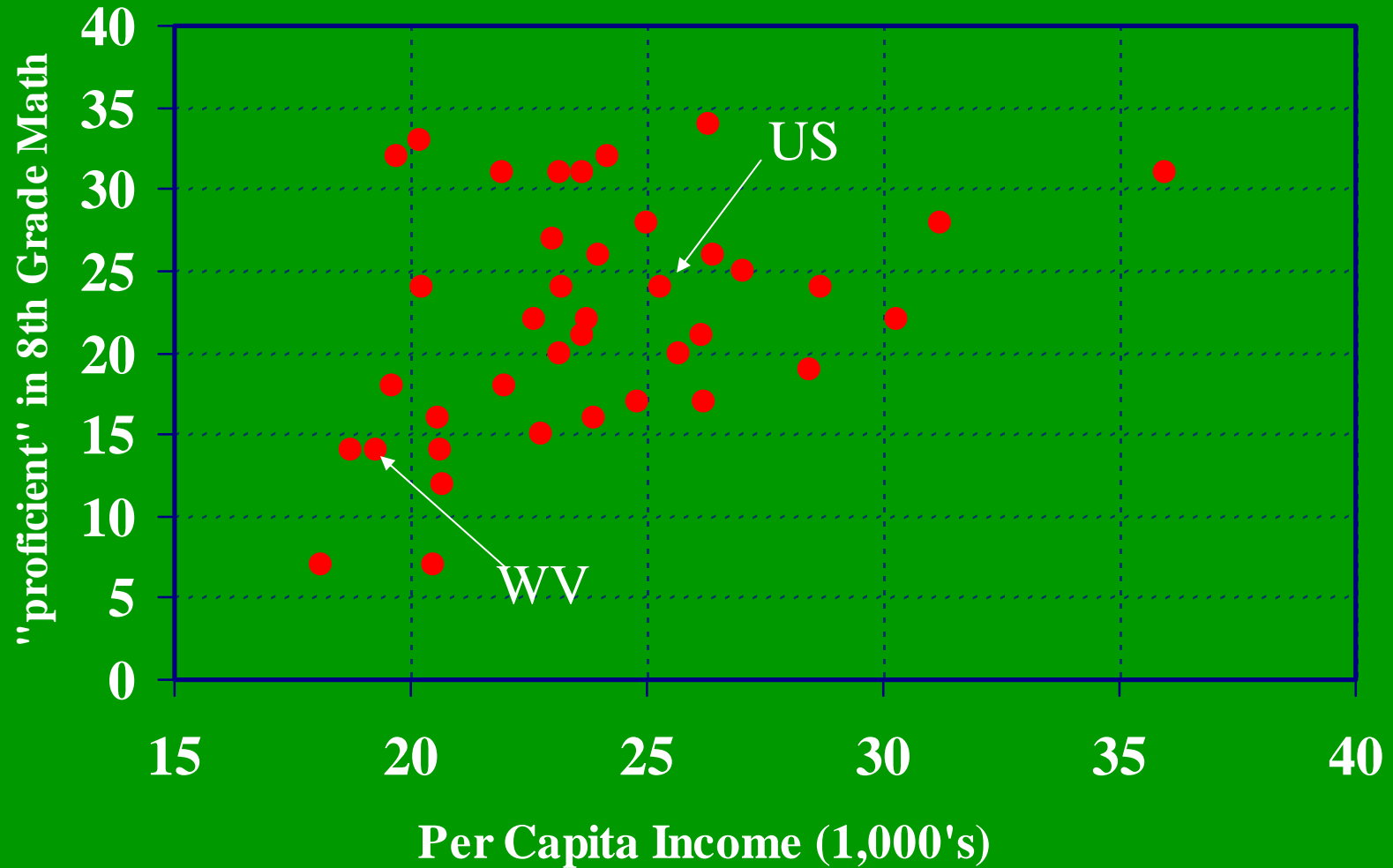
## Private Capital

- ✓ Physical Capital
- ✓ Taxation Policy
- ✓ Access to Financial Capital
- ✓ *Explains less than 15% of state differences*

## Human Capital

- ✓ Literacy
- ✓ Education
- ✓ Health
- ✓ *Explains 60%-75% of state differences*

## Education & Income at the State Level are Correlated!

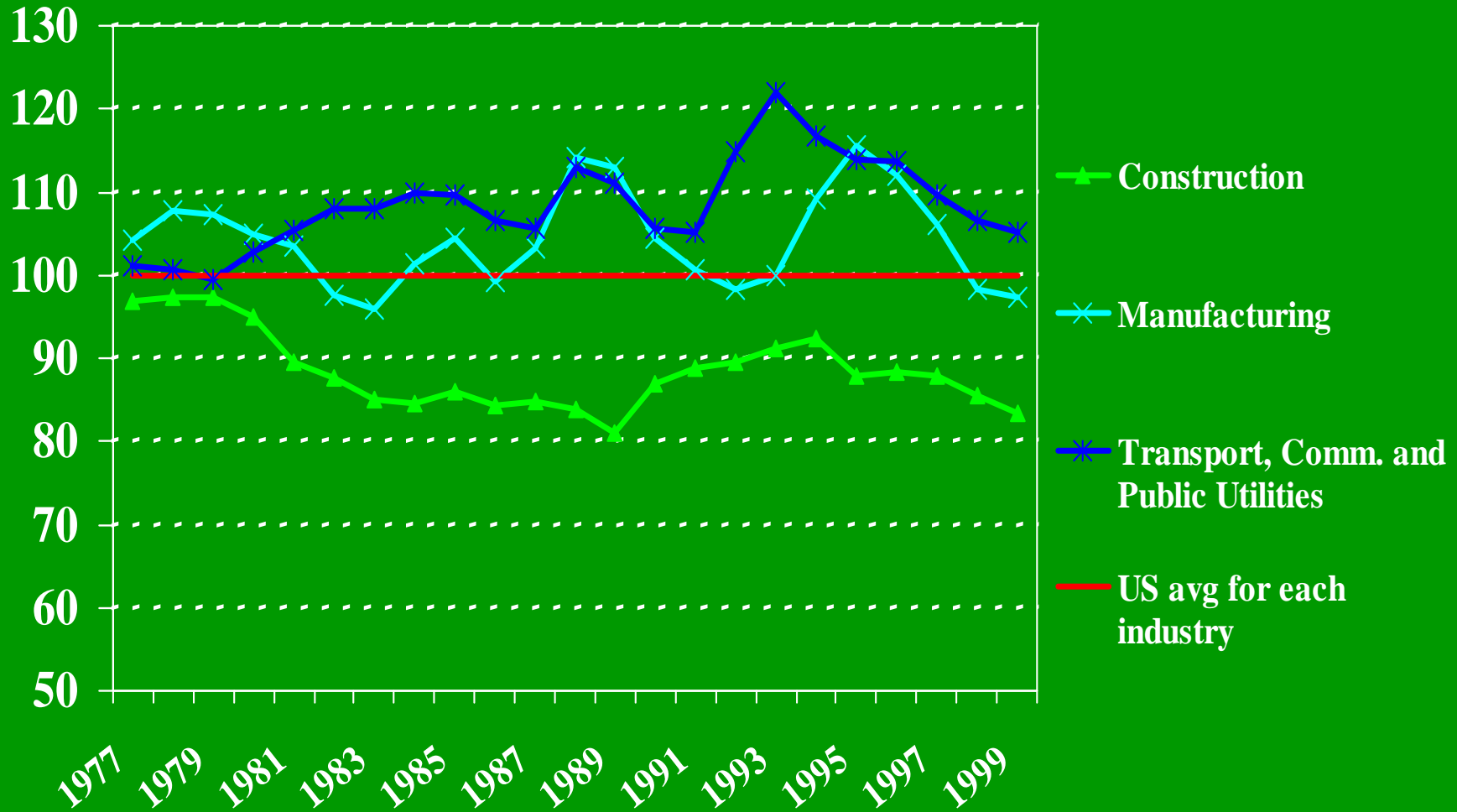


# Worker Productivity Drives Wages!



Source: U.S. Bureau of Economic Analysis and Center for Business and Economic Research

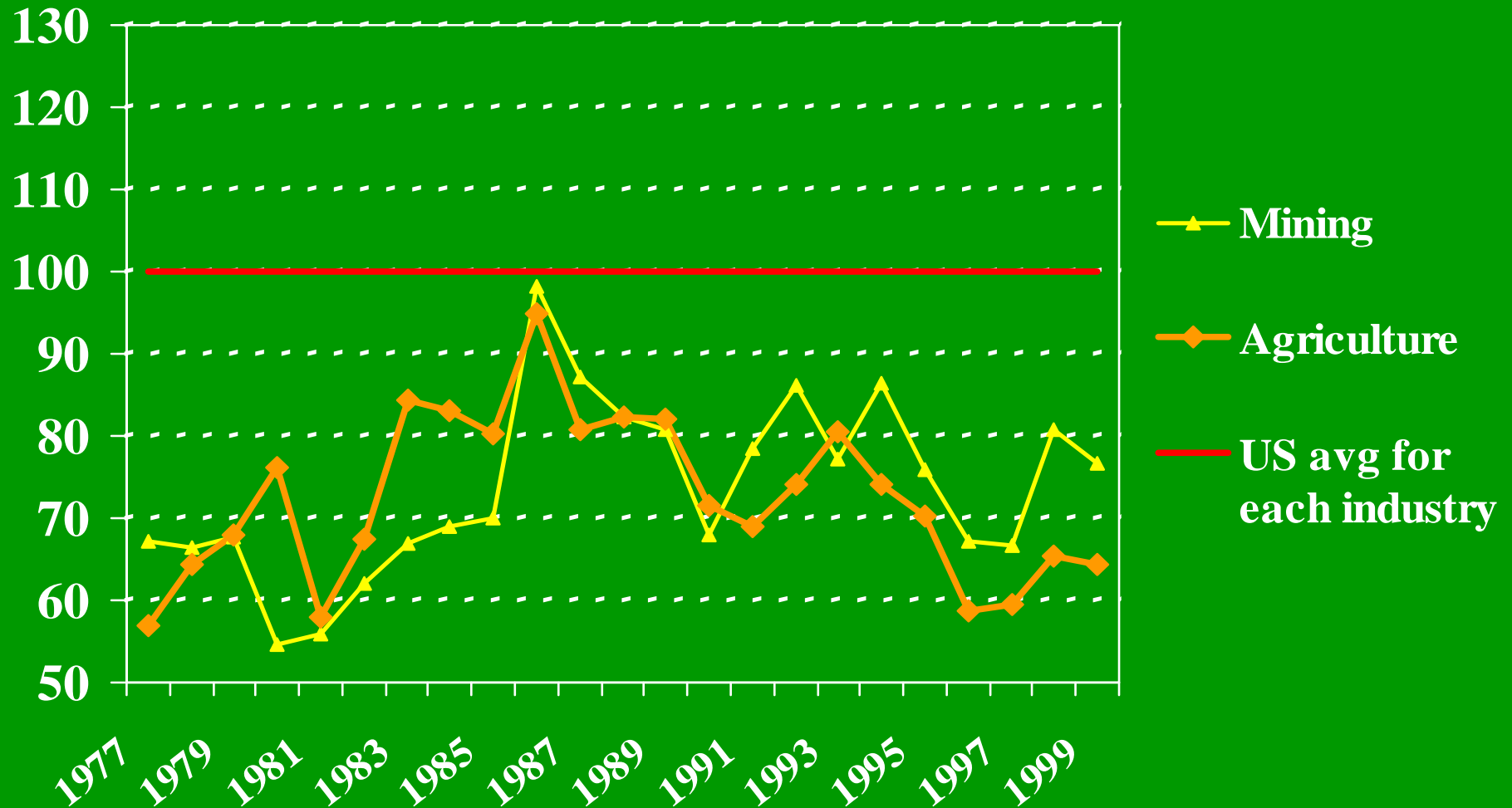
# Relative Productivity of Capital Intensive Industries (US=100)



Source: U.S. Bureau of Economic Analysis and Center for Business and Economic Research



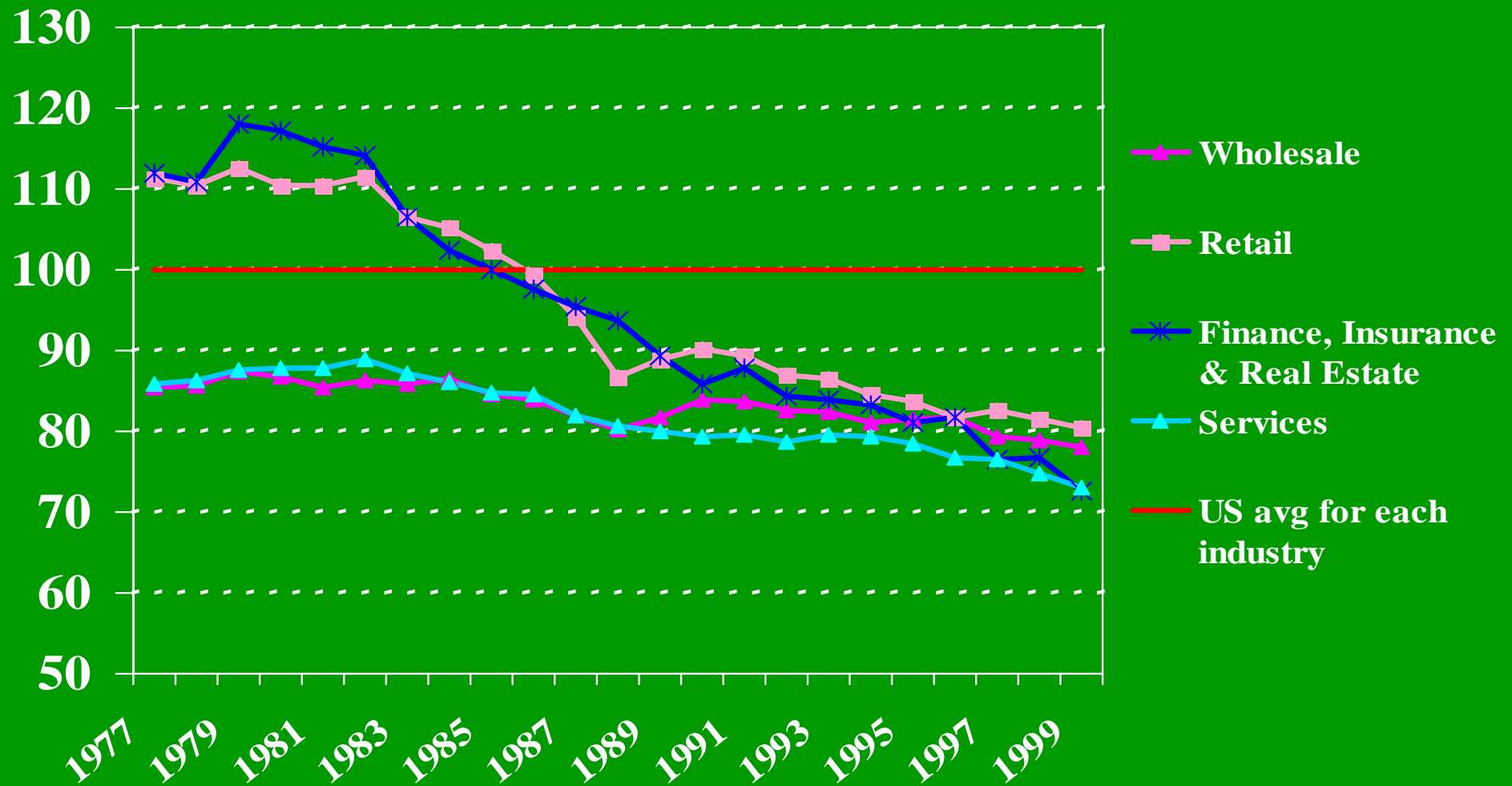
# Relative Productivity of Resource Based Industries (US=100)



Source: U.S. Bureau of Economic Analysis and Center for Business and Economic Research



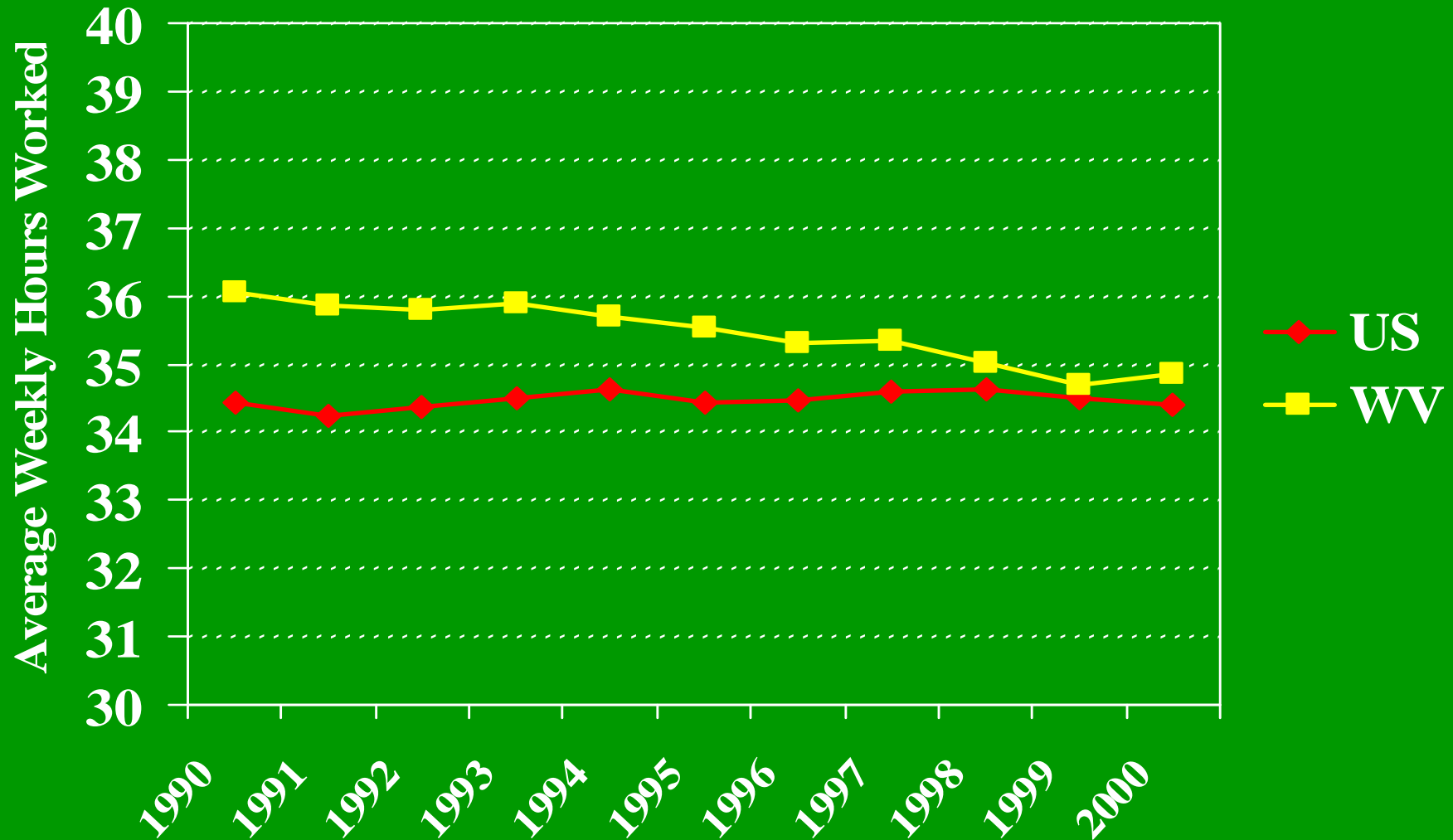
# Relative Productivity of Labor Intensive Industries (US=100)







# Is Productivity Affected by Hours Worked? or “We Work Harder!”

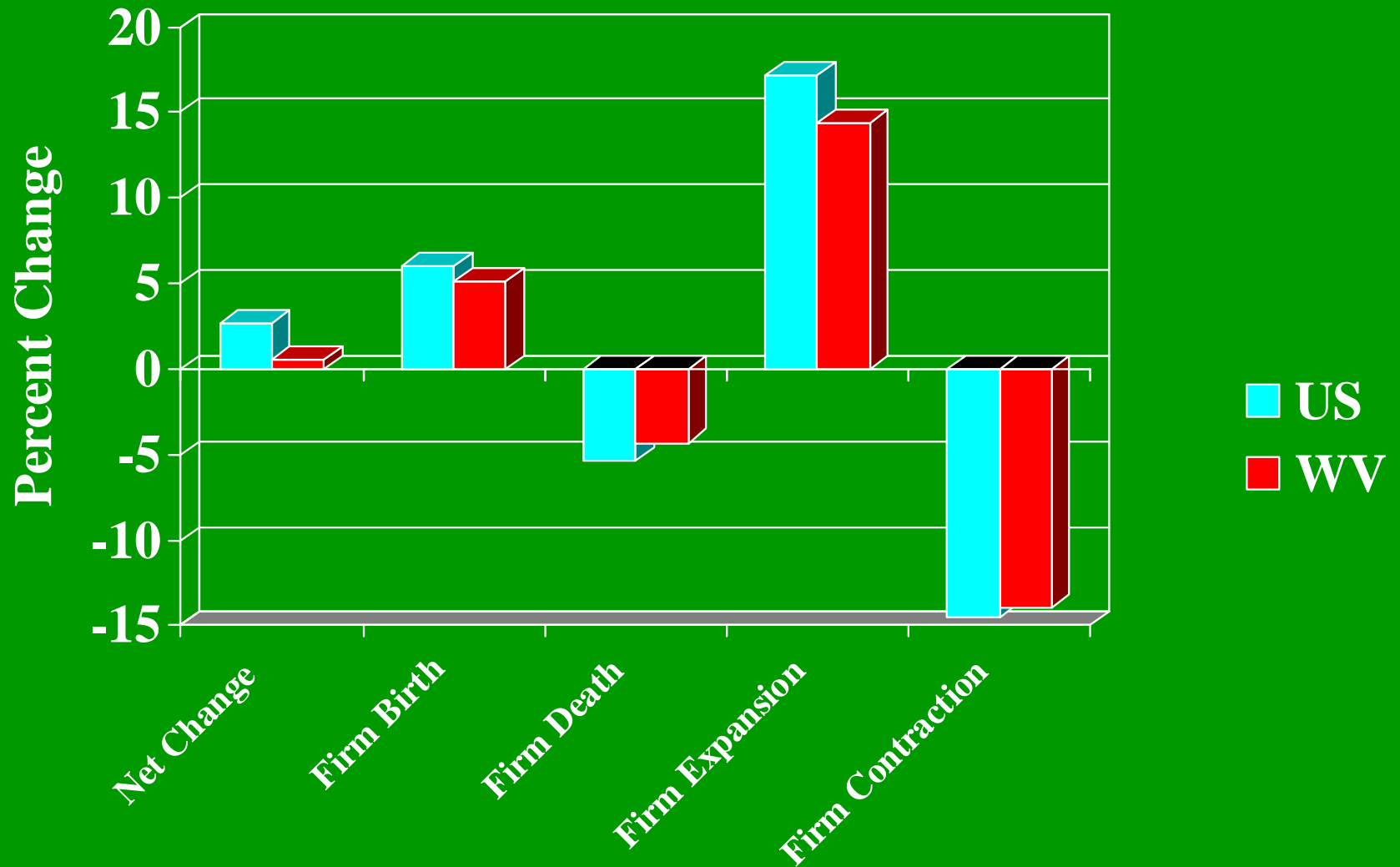


Source: U.S. Bureau of Economic Analysis and Center for Business and Economic Research



# Employment Dynamics

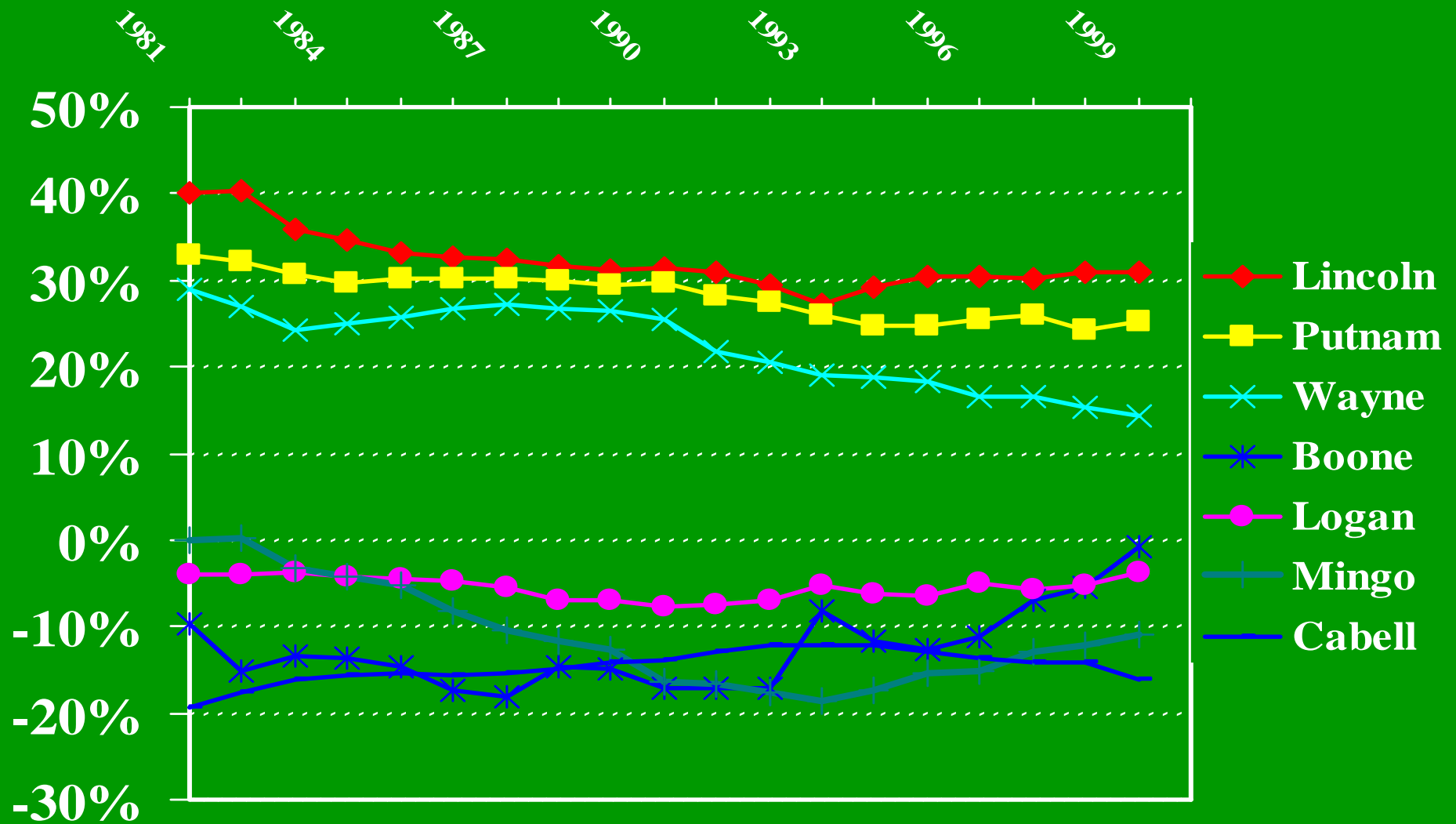
(Reason for employment change in 1999)



Source: U.S. Bureau of Economic Analysis, Longitudinal Research Data base



# Net Income Changes From Commuting



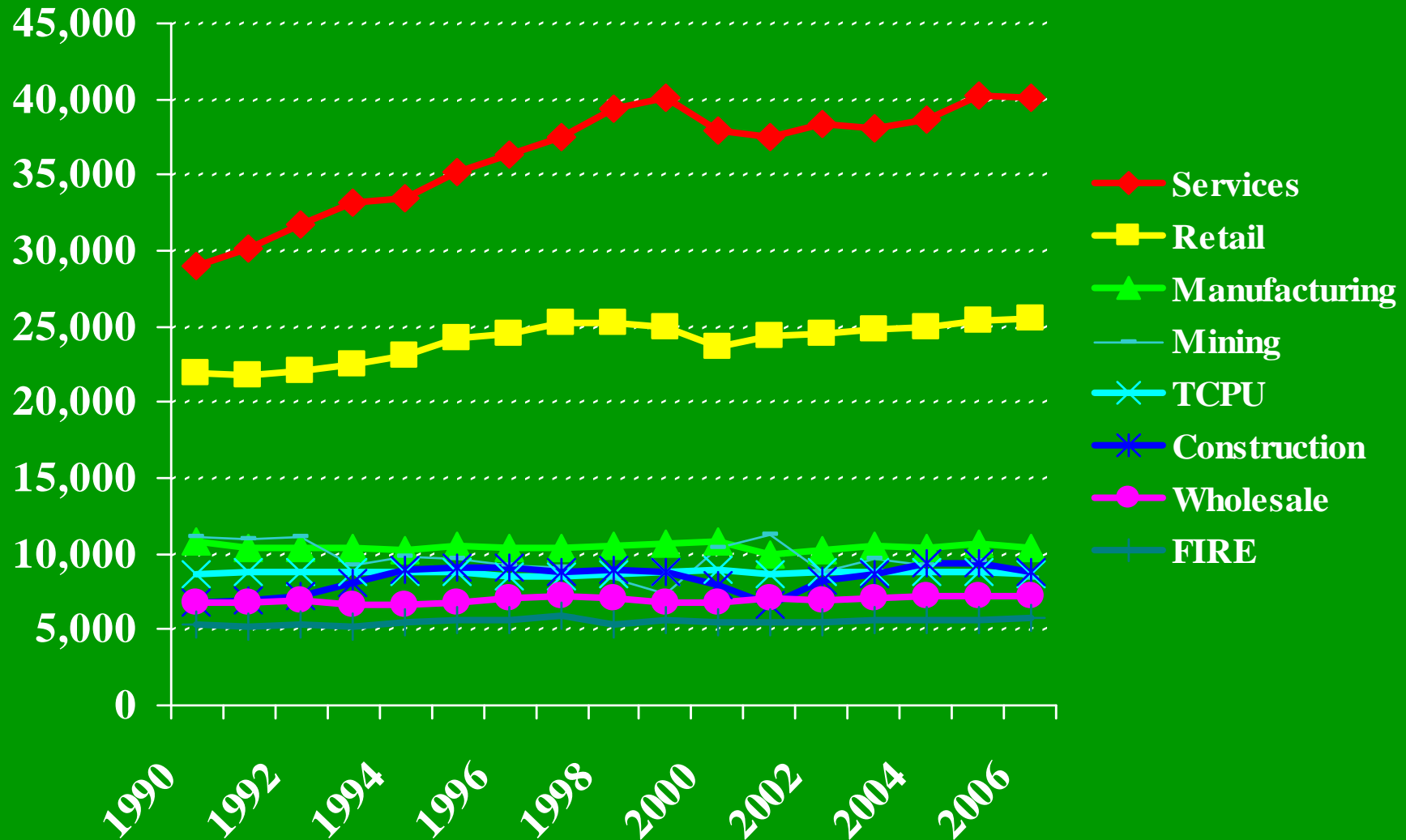


# Our Forecast of Growth

- ✓ 30+ Industries, County and Region Specific
- ✓ Structural & Time Series Model based on national FAIR Model & WV Econometric Model
- ✓ Forecast variable is growth in per capita income & employment
- ✓ Very consistent with Woods & Poole Economics, Inc.
- ✓ Not only employment story (turnover matters)
- ✓ Misses most recent developments



# Employment Changes



Source: Center for Business and Economic Research, U.S. Bureau of the Census



# Growing Industries

- ☯ Transportation (and related services, modest)
- ☯ Business Services (call centers)
- ☯ Personal Services
- ☯ Health & Social Services
- ☯ Engineering Management (Boone)
- ☯ Wholesale Trade (Putnam, Cabell)
- ☯ Retail Trade
- ☯ Agricultural Services (Lincoln & Mingo only)
- ☯ Manufacturing (Putnam only)



## High Turn-Over Industries

- ✓ Mining (due to aging labor force)
- ✓ Business Services (call centers average < 8 weeks for each employee)
- ✓ Personal and Health Care Services
- ✓ Eating & Drinking Establishments
- ✓ Retail
- ✓ Wholesale



# Other Growth Issues

- ✓ Informal economy is more than twice as large as national average (so there are potentially a bigger pool of workers available).
- ✓ Short term stability may become an increasingly important concern for business.
- ✓ Security climate may affect attractiveness of smaller cities and rural areas.
- ✓ Cultural differences in rural areas may be an unapparent strength that needs to be explained to potential employers.





# Regional Growth Summary



- ✓ Productivity in capital intensive industries very competitive
- ✓ Relatively low productivity in labor intensive industries is suppressing income in the region
- ✓ The relative decline in productivity in labor intensive industries suggest human capital weaknesses as a major challenge
- ✓ Low productivity growth is leading to a growing gap in output and income in WV
- ✓ Slow regional growth, in low productivity (hence low income) industries is forecast for the region



# The Survey Findings

- ✓ Extended Survey of Higher Education (400 firms)
- ✓ WIB Survey (300 firms employing 47.4% of region's workers)
- ✓ Integration of Results to Economic Forecasts
- ✓ Contacted all employers >25 workers in region
- ✓ Contacted each industry



# Overall Results

- ✓ 59,564 employees with 5,314 new hires per year
- ✓ 16,158 applicants turned away each year from advertised positions (4 applicants per job)
- ✓ 51.7% expected to hiring growth, 14.3% expect declines, and 33.9% expect no change
- ✓ Why did you hire new employees?
  - 37.9% due to Increased business
  - 78.7% due to employee turnover
  - 25.3% due to expansion of business elsewhere



## Some Specific Observations

- ✓ Employers are satisfied with their employees (> 80% feel employees are well prepared)
- ✓ Employers think there is a pool of qualified employees (78.6%)
- ✓ Most firms use external training for guidance on quality
  - 52% use state guidelines
  - 32% use industry guidelines
  - 21.8% use education credentials
  - 20.1% use trade associations
  - 18.4% use professional standards

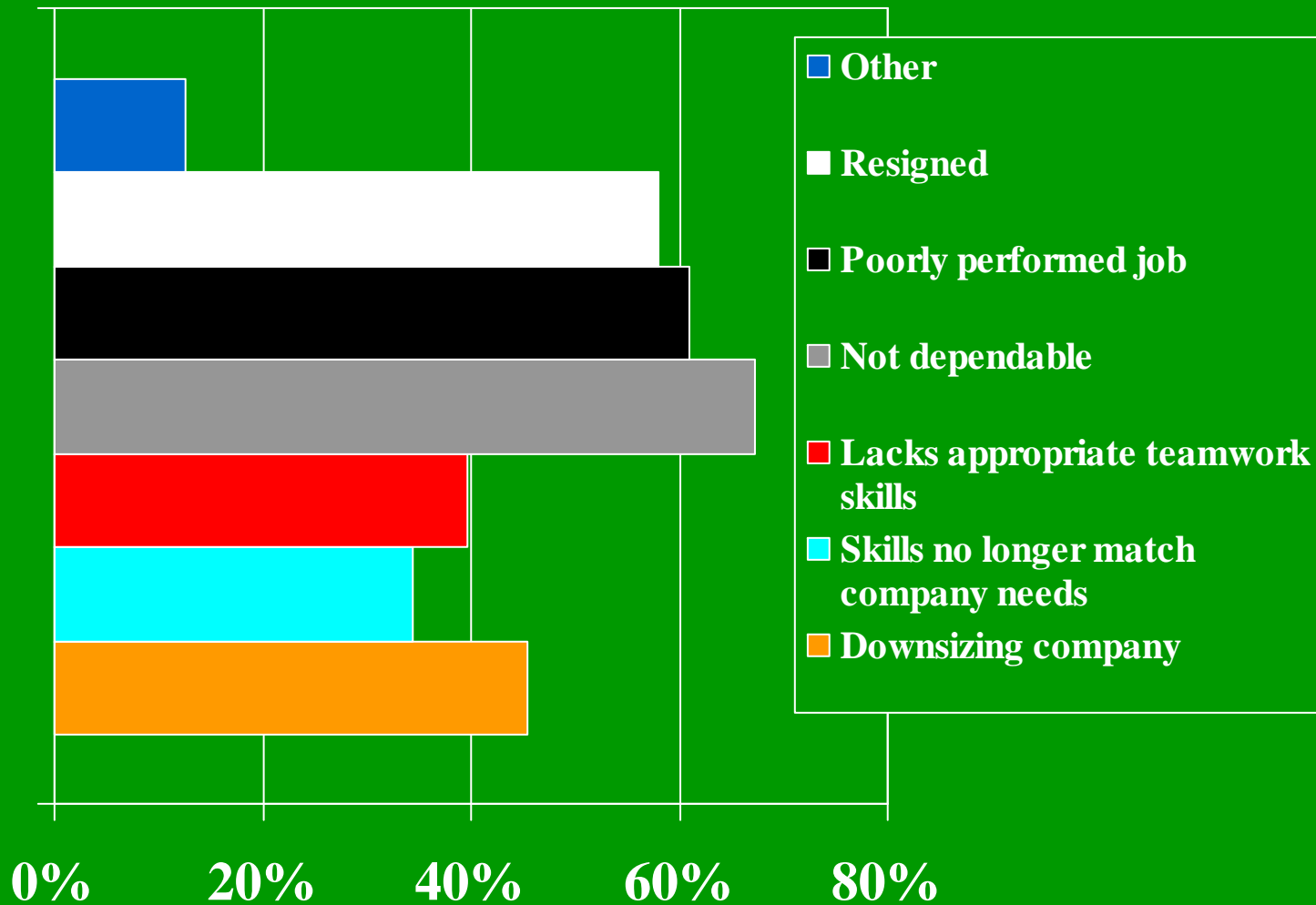


## More Specific Observations

- ✓ 1 in 8 firms need some career progression training
- ✓ Managerial Training needs are nearly universal
- ✓ 95.5% use in-house training
- ✓ Firms spend a lot on training (as much as \$8,000 per worker)
- ✓ There is an identifiable demand for worker partnerships
  - 10.9% want to work with the WIB
  - 10.3% with the Robert C. Byrd Center
  - 10.3% with Vocational/Technical Schools
  - 9.2% with the Work for WV Career Centers
  - 7.5% with Community Colleges

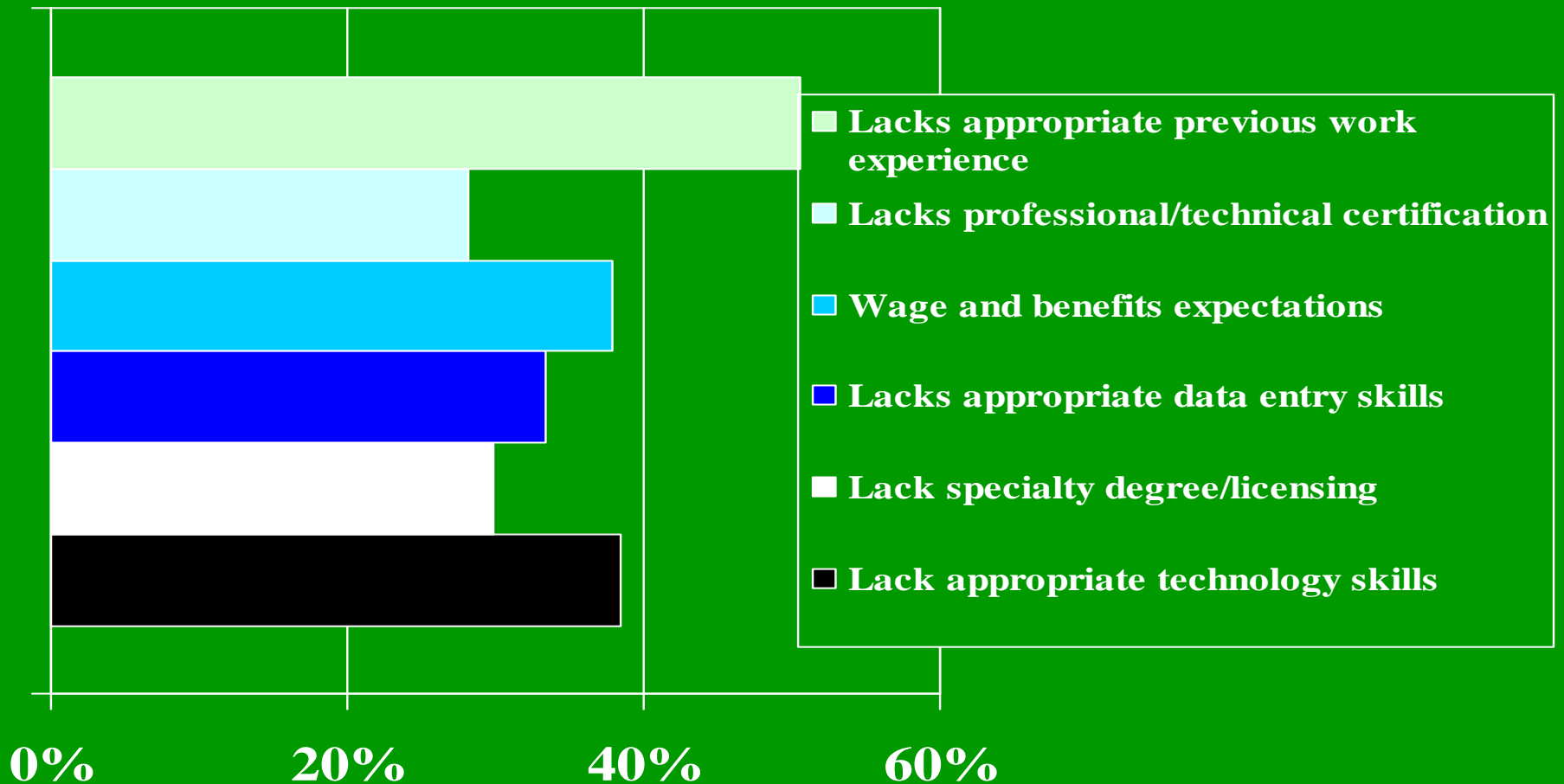


## What was your primary reason for releasing employees?



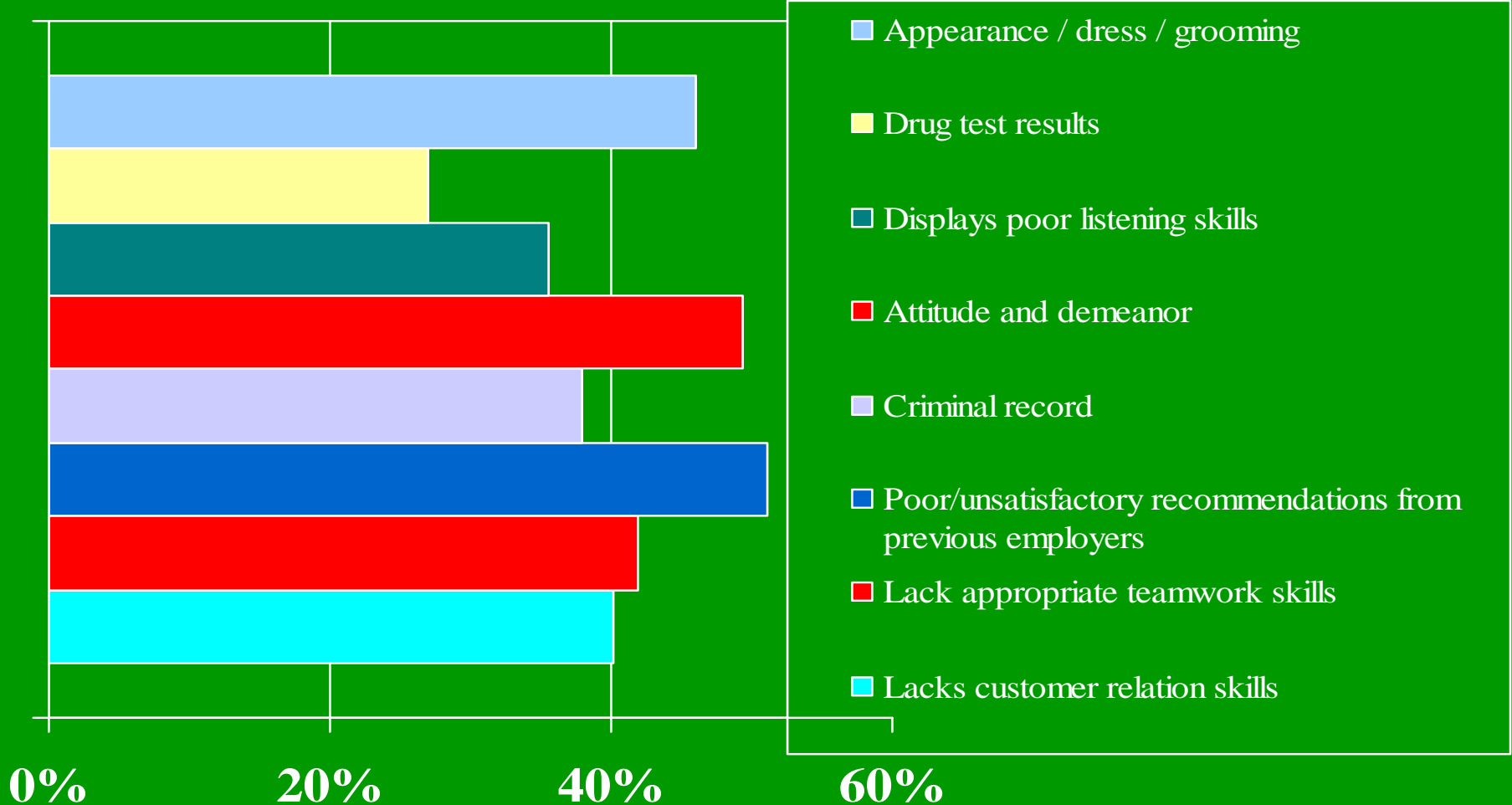


# Why do you turn away job applicants? (Specific Skills)





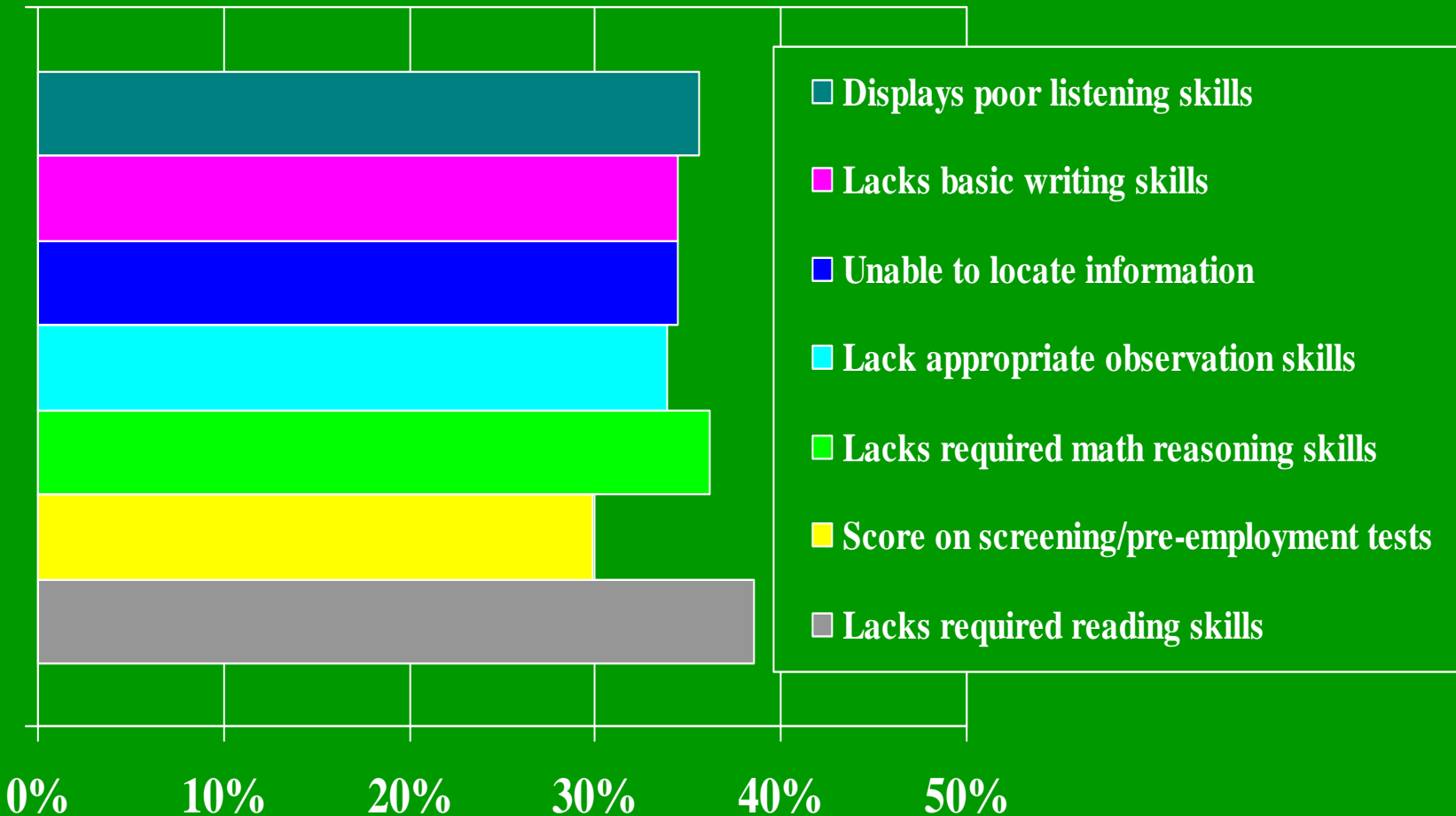
# Why do you turn away job applicants? (Life Skills)







# Why do you turn away job applicants? (Basic Education)





## A Sampling of Needed Training

- 80 hour course underground mining and safety Apprentice, Hydraulic machinists repairmen Certified firearms and safety courses
- Communication skills. Management skills. Computer training.
- Campaign training and data entry, Computer skills, Computer training
- Electrical training. Safety training. New equipment training.
- Employees attend an apprenticeship program which the local union handles
- Hospital specialties, lab training
- Life guard, sales and front desk skills
- Manager training program. Sales specialist, Hourly people to become section foreman
- mechanics, maintenance, hazardous hauling
- telephone skills, accounting, bookkeeping, computer, finance



# Conclusions

- ✓ Regional Productivity not growing at national pace, lowering incomes.
- ✓ Education & Workforce development our #1 need to reverse the growing productivity/income gap
- ✓ The region is growing very slowly, but aging labor force makes finding qualified workers a potential problem.
- ✓ Low job displacement and employer satisfaction are unexpected strengths that need to be emphasized.
- ✓ *But*, pool of workers turned away (3 for every new hire) is a fundamental regional weakness.



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