



KEDA Annual Fall Conference 2021

Leveraging Labor Intelligence to Gain a Competitive Edge



Background

- Began at MarksNelson as an intern in February 2016 working on Housing and Target Industry Studies
- Masters Degree in Urban Planning from the University of Kansas (2016)
- Hired full time after graduating continuing to work in data analysis, grant administration, and project management
- Currently a Senior Associate in the Location Strategies department primarily engaged in data products including labor, target industry, and economic impact studies
- Play a project support role for several rural and exurban communities in Missouri



Overview



Current Labor Shortage

- What is it?
- Why is it happening?
- When will it end?



How to Move Forward

- Understanding your regional labor market (gathering actionable intelligence)
- Develop data driven strategies to respond (act)

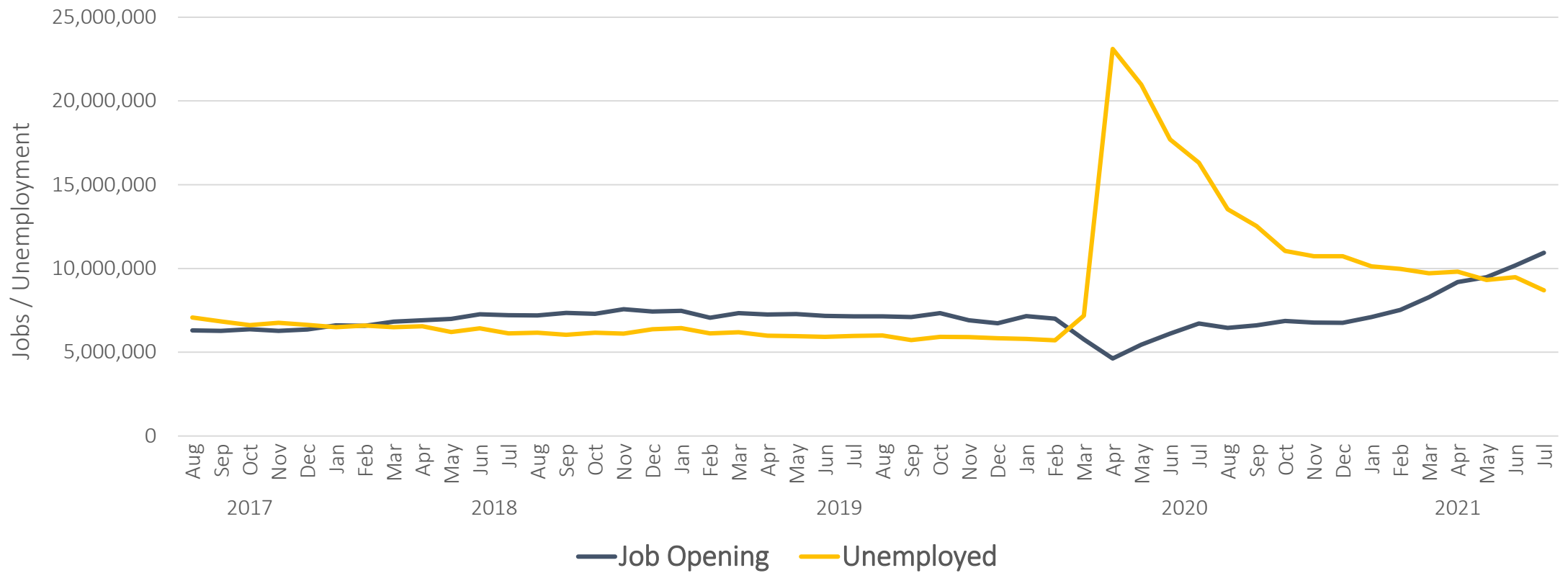
Current Labor Shortage

What is it?

10.9M Job Openings
BLS CPS (July 2021)

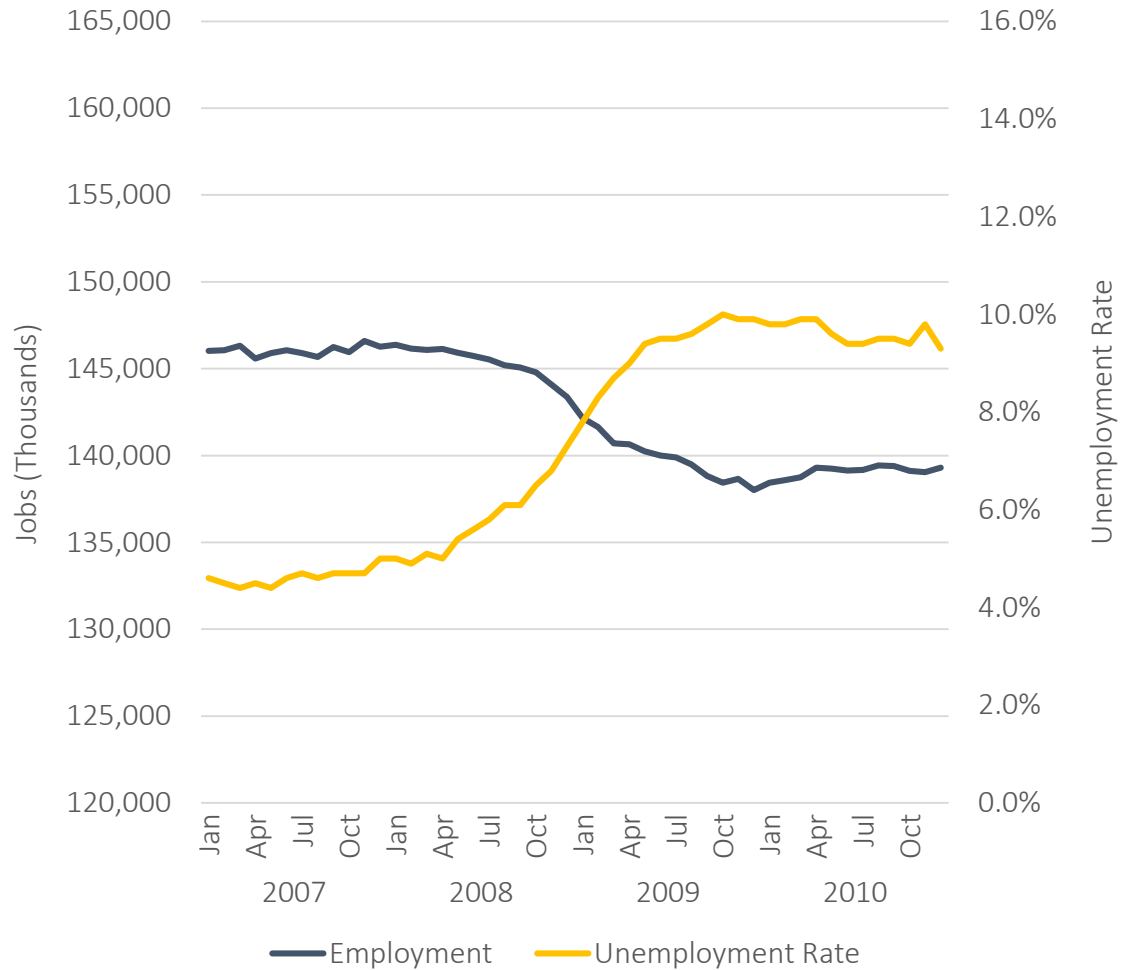
8.7M Unemployed
BLS JOLTS (July 2021)

2.2M Deficit
(July 2021)

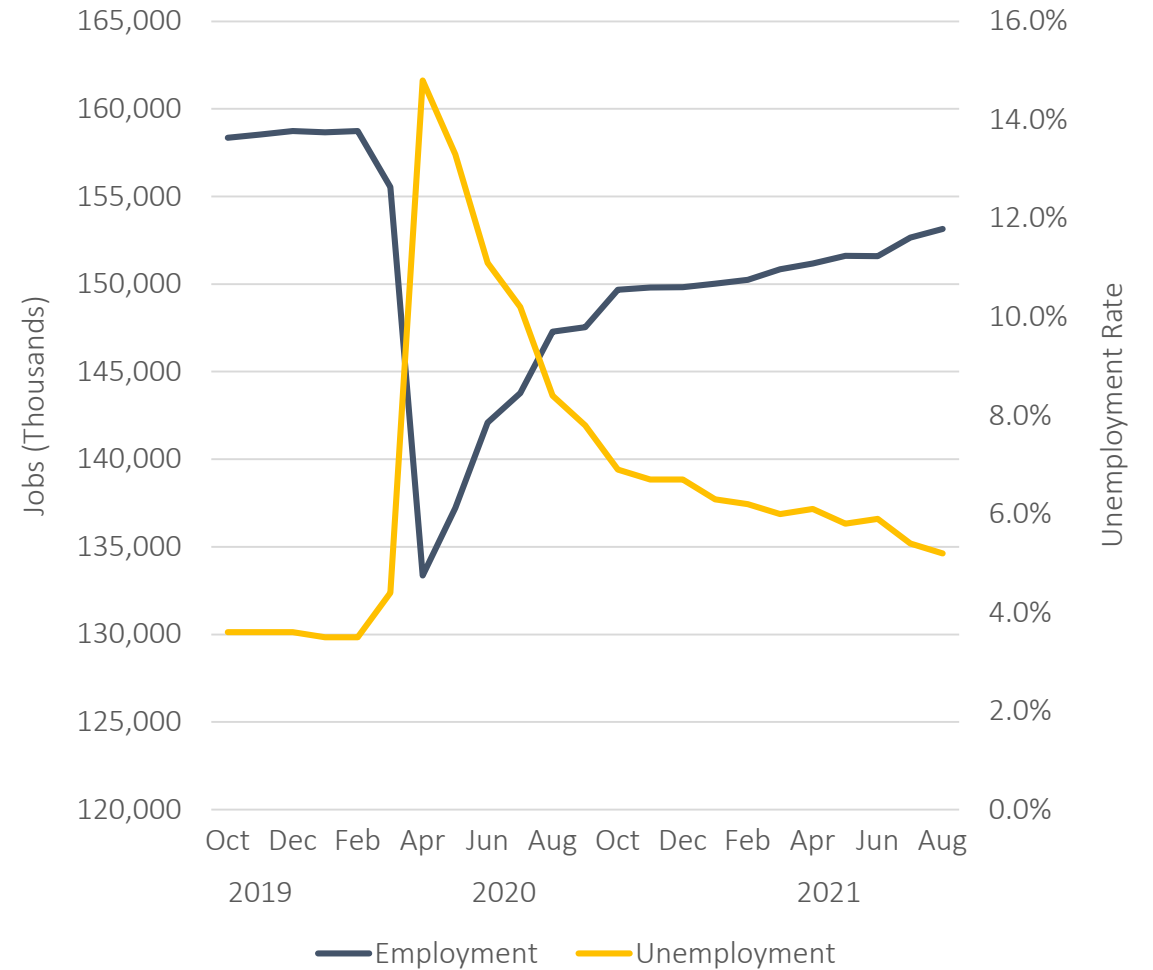


Source: U.S. Bureau of Labor Statistics Current Population Survey (CPS). United States (Aug 2017 – Jul 2021); U.S. Bureau of Labor Statistics Job Openings and Labor Turnover Survey. United States (Aug 2017 – Jul 2021)

Great Recession ('08 – '09)



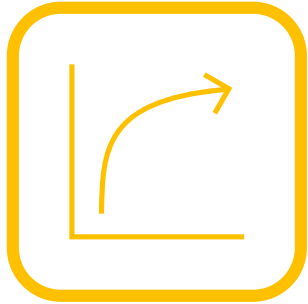
COVID Recession ('21)



Great Recession ('08 – '09)



- U.S. lost 8.3M jobs (5.6% of total employment) in 24 months
- Largest monthly loss was 1.2M jobs in January 2009 (0.8% of prerecession total employment)



- Reached peak unemployment of 10% in 22 months



- Reached 78% prerecession employment in about 4 years (47 months)

COVID ('21)

- U.S. lost 25.3M jobs (16% of total employment) in 2 months
- In a single month (March to April 2020), the U.S. lost 22.2M jobs

- Reached peak unemployment of nearly 15% by April 2020 (2 months)
- Prior to the pandemic, the U.S. was sitting at record low levels of unemployment near 3.5%

- Reached 78% prerecession employment in 16 months (April 2020 – August 2021)
- Largest gains were from April 2020 to October 2020 (16.3M jobs). Have added an additional 3.9M jobs since

Current Labor Shortage - Why

Current Labor Shortage

Why is it happening?



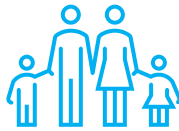
Unemployment Benefits



Career Changes or Reassessments



Geographic Mismatches



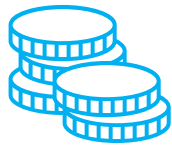
Family Care Responsibilities



Low Wages



Long-Term Unemployment Issues



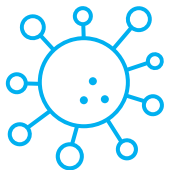
Financial Cushion / Mobility



Retirement / Declining Labor Force Participation Rate



Acceleration of Existing Trends



COVID Related Fears



Skills Gaps and Availability Mismatches

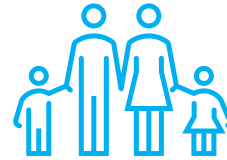


Work-Life Balance / Remote Work Policies



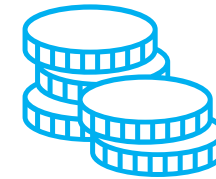
Unemployment Benefits

- \$300 federal benefits & coverage for self-employed and gig workers
- Estimates showed that only 40% of workers on unemployment made more from the benefits than they did their previous paychecks
- JPMorgan study showed that the 26 states that cut off benefits early didn't see any stronger job growth than other states in July
- Another study conducted by researchers at Harvard, Columbia and other universities suggests that the end of these programs in August will only lead to about 500,000 additional workers taking jobs in September and October and will also result in an \$8B drop in spending



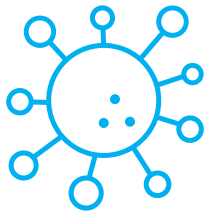
Family Care Responsibilities

- Recent Indeed survey shows that 18% of respondents noted that childcare or other family care responsibilities were delaying their job search (respondents could select multiple answers)
- Many economists believed that with schools resuming in-person classes in fall 2021, more parents with school-aged children would be able to move back into the workforce, but the Delta variant is delaying this transition
- Workers are looking for job opportunities that allow for the flexibility to work around family and childcare responsibilities AND opportunities that allow them to spend more time with their families



Financial Cushion / Mobility

- Some high-income earners have been able to weather the storm due to a more solid financial position leading up to COVID, which has allowed them to be more selective on when and where they reenter the labor force
- Due to increased workplace flexibility, some dual income families where one person lost a job due to COVID were able to move to lower cost of living areas where they can easily survive on a single income
- Anecdotal evidence to suggest the COVID migration is happening, but no solid data yet available to determine the extent to which it is happening



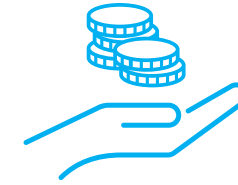
COVID Related Fears

- With the surge of the Delta variant, many unemployed workers who were planning to reenter the labor force this year have put those plans on hold and are now waiting to see better containment of the COVID outbreaks across the U.S.



Career Changes or Reassessments

- January 2021 survey of more than 31,000 global employees (commissioned by Microsoft) found that over 40% of workers were considering leaving their employer this year
- As of May, 2.5M new business applications have been filed in 2021 as some workers have made the leap from a payroll position to self-employment and other forms of entrepreneurship
- Resignations are up 13% from pre-pandemic levels



Low Wages

- Increasing wages in lower paying industries such as retail, hospitality, and food service does seem to be encouraging more unemployed workers to return
- Wages have been largely stagnant for decades and have not kept up with inflation. In 1968, the federal minimum wage was about \$1.60 / hour, a 2021 equivalent of \$12.38/ hour compared to the actual federal minimum wage of \$7.25
- In shortage conditions, workers have more bargaining power and can demand higher wages and better benefits
- However, wages aren't the only factor. Many service industry workers are interested in moving on despite the wage increases



Retirement / Declining Labor Force Participation Rate

- 2020 saw 1M more retirements than the previous year (about 3M compared to 2M)
- Baby Boomers have been retiring at a rate of about 2M for the past 3-4 years, and they aren't being replaced at the same rate
- The U.S.'s labor force participation rate peaked in late 1990 and early 2000. It has been declining steadily since
- COVID saw a large decrease in the female labor force participation rate, and many have yet to return



Skills Gaps and Availability Mismatches

- Current skills or preferred employment options don't match current job openings
- In June 2021, there were 1.8 million job openings in professional and business services but fewer than 925,000 people whose most recent job was in that sector
- Emsi estimates
- Education & Health Services, Wholesale & Retail Trade, and Leisure & Hospitality are experiencing similar skill gaps
- Traditionally when moving to a new job, workers stay in the same industry or occupation classification, but that isn't a given right now



Geographic Mismatches

- With large shifts to remote work during the pandemic, the workers who supported the retail, leisure, entertainment, and food service industries near major business centers are now at home, which has created a large demand for these industries in suburban areas. However, recent home prices and rent make it difficult for low-income workers in these industries to live there
- In some cases, jobs are coming back, just not in the same place they were prior to the pandemic. For example, Idaho and Utah both experienced payroll employment gains from February 2020 to July 2021



Long-Term Unemployment Issues

- Workers who have been unemployed longer than 6 months typically have a difficult time finding a new job
- Hiring managers are often concerned that their skills are no longer fresh, or may assume some level of laziness is associated with an employment gap
- Problematic because long-term unemployment is high right now. Forty (40%) of those currently unemployed have been so for more than six months.



Acceleration of Existing Trends

- Prior to the pandemic, the U.S. had been in a labor shortage since early 2018
- What was expected to happen over the next 10 to 20 years has instead, happened in just a few months – evidence that the need for upskilling and other workforce solutions to combat shortage conditions are urgently needed
- Boomers are retiring faster than they can be replaced, which also sped up during the pandemic
- Labor force participation has been falling for the past two decades, which further increased during the pandemic and has yet to recover



Work-Life Balance / Remote Work Policies

- Employee's demanding remote work options post pandemic. Survey data suggesting some workers are likely to quit and look for employers who allow remote work if remote policies aren't made available after the pandemic is over
- Millions of workers also just spent months out of the labor force with their families and are reevaluating the role their jobs play in their lives

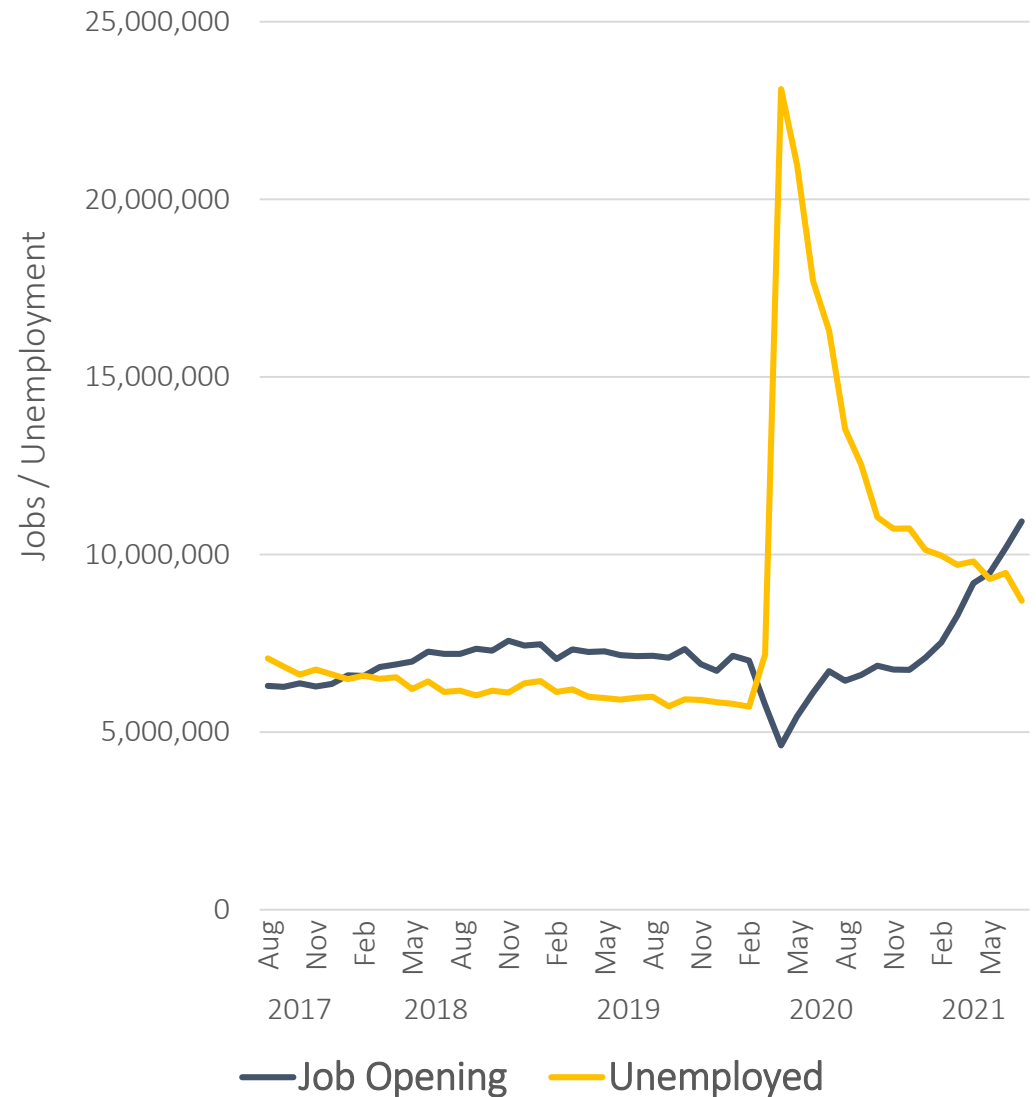
Current Labor Shortage

When will it end?



When will it end?

- Projected payroll job growth of 2M by end of 2021
- Full recover to pre-pandemic levels by mid 2022
- Creating and filling jobs that would have existed but for the pandemic could take until the end of 2023 or early 2024





The New Normal

- Three key demographic trends that will dictate the future of the labor market in the United States:
 - **Baby Boomer Retirement**
 - **Labor Force Participation**
 - **Population Growth Rates**



Baby Boomer Retirement

- In normal years, baby boomers retired at a rate of about 2M per year. In 2020, 3M baby boomers retired
- Accumulated a lot of wealth during their working years and can afford to stay out of the labor force
- Not enough workers entering the labor force to replace them



Labor Force Participation

- Overall labor force participation rate peaked in 2000 and has fallen from 67.1% to 61.6% in 2021
- Prime aged working men (25-54) labor force participation rates have been dropping since the 1980s (94% down to 89% in 2019)
- 2.4M women left the workforce from February 2020 to February 2021 and have been slow to return



Population Growth Rates

- United states fertility rate has been below the replacement rate (2.1 births per woman) since 1971
- Largely hasn't been an issue because of how large the baby boomer workforce has been during that time
- Population growth is slowing drastically and projected to begin shrinking by 2062

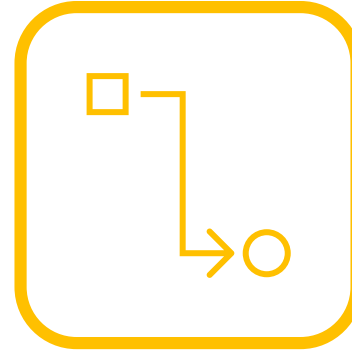
Current Labor Shortage

How to move forward?



Gather Actionable Intelligence

- Labor Shed
- Labor Availability
- Labor Quality
- Labor Cost
- Gaps



Take Action

- Capitalize on regional strengths
- Respond to the needs of existing businesses
- Respond to the needs and wants of existing and future workers
- Develop a sustainable talent pipeline for key industries



Identify Your Region's Labor Shed

- Census tracts, zip codes, counties that your region draws most of its labor force from
- Post COVID analysis will depend on remote work trends
- Still a lot of industries that rely on in-person employment (manufacturing, food processing, warehouse & distribution, service related industries, etc.)



Labor Availability

- Overall population, growth, and projected growth within the labor shed
- Working-age population trends
- Population under 15 trends
- Labor force participation rates
- Size of the labor force and growth within the labor shed
- Unemployment trends
- Commuting Trends



Labor Quality

- Occupational composition
- Identify regional competitive advantages (positive shift share & high LQs)
- Occupational growth and projected growth
- Access to education and training resources
- Existing industry presence
- Skill transferability



Labor Cost

- Average & Median Hourly Wage
- Wage range based on experience
- Union presence and activity
- Fringe benefit costs
- Cost of Living



Gaps

- What are existing companies struggling with?
- What resources are missing to support existing and target industries?

Data Sources

- U.S. Census Bureau's Longitudinal Employment Household Dynamics (LEHD) Origin-Destination Data ([OnTheMap](#))
- U.S. Census Bureau's Decennial Census (DEC) and American Community Survey (ACS) Five-Year Estimates
- Bureau of Labor Statistic's Local Area Unemployment Statistics (LAUS) and Occupational Employment and Wages Survey (OEWS)
- Third Party Data Providers: Emsi Burning Glass, JobsEQ by Chmura, Esri Business Analyst Online, DataAxle Reference Solutions, C2ER Survey



Capitalize on regional strengths

Promote...

- Strategic Location – access to multiple MSAs, industry clusters, higher education institutions, etc.
- Broadband Infrastructure such as fiber or 5G build-out
- Large concentrations of occupations with readily transferrable skills
- Access to Low-Cost labor



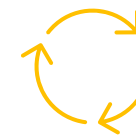
Respond to needs of existing businesses

- Partner on workforce training initiatives
- Develop industry and professional networking groups
- Provide recent and accurate data on the market to help HR professionals understand market rates, availability, and possible recruitment pathways



Respond to needs of existing and future workforce

- Developing broadband infrastructure and/or virtual meeting spaces for remote workers
- Support the development of affordable childcare and early childhood education
- Place-making and incentivize relocation
- Educate tomorrow's workforce on the opportunities available within your region
- Support entrepreneurship



Develop Sustainable Talent Pipelines

- Partner with local schools (high school, community colleges, technical schools, and universities) and companies to develop training programs to support the region's target industries. Incentivize participation through certificate programs and paid internships
- Educate tomorrow's workforce on alternative career paths available within the region

Q&A

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