

## Manufacturers say their worker shortage is getting worse.

### Here's why.

The National Association of Manufacturers is warning that 2.4 million manufacturing jobs could go unfilled between now and 2028, according to a study from the association and the consultancy firm Deloitte.

But there's debate about that number and what it means for our economy. Here's how it breaks down.

#### Is the problem really that large?

There's plenty of anecdotal evidence to suggest employers are having trouble finding workers.

Take, for example, Phil Raimondo. He's the CEO of Behlen Mfg. Co., a manufacturing company based in the small town of Columbus, Nebraska, that makes pre-engineered metal buildings, grain bins and feed gates.

When he first started the business in 1990, he said all he had to do was put an ad in the paper and wait for a qualified welder or other skilled laborer to walk through the door. Now, he said, he's desperate for workers.

"If you said I could add 10 to 15 welders or operators for truck driving, I would take them in a heartbeat," Raimondo said.

The PBS NewsHour spoke to employers in Wisconsin recently started hiring prison inmates to fill jobs. But some economists don't agree that it's a major problem.

Andrew Weaver, an assistant professor of labor and employment relations at the University of Illinois, conducted his own study on the skills gap in 2016 and found only about a fourth of employers were having trouble hiring.

Still, Weaver said he expects shortages have become more pronounced over the past year because of the low unemployment rate.

#### What's the cause?

Economists disagree with each other on this point, too. Many people have argued over whether there is a skills gap, which Education Week laid out in a previous report.

Some of the case for a skills gap:

- More jobs require college degrees compared to a few decades ago.
- There are more job openings than people unemployed.

And the case against:

- When unemployment is low, employers should raise wages to attract more skilled workers. They aren't doing that as much as expected.

- Having trouble finding workers can be because of factors specific to an employer's situation or local economy.

Then, there's the role technology has played in all of this. People like James Bessen, an economist and the executive director of the Technology and Policy Research Initiative at Boston University School of Law, say "there is a valid conception here."

"We're undergoing rapid technological change, and there just aren't people with certain skills out there, so it's hard for firms and manufacturers to hire people with the skills to handle the technology," he said.

But here's Weaver again: "The conventional wisdom that computers hit the industry and [that] is a problem because workers never got the memo that they need to study programming is wrong. If anything, higher levels of computer demand correlate with lower levels of hiring problems," he said.

Weaver said high-tech companies get more workers because they have better human resources departments, better hiring recruiting practices, better wages and more job stability.

#### Why should we care?

The National Association of Manufacturers says the problem of not being able to hire qualified workers is getting worse as the unemployment rate drops and the labor market tightens and baby boomers retire.

Those are problems facing the economy at large, not just the manufacturing industry. And if jobs go unfilled, that's lost economic potential.

The National Association of Manufacturers estimates the U.S. economy would lose \$2.5 trillion in GDP over the next decade if the 2.4 million jobs are not filled.

#### What can employers do?

The solutions to employers' hiring problems depend on whether you believe there is a skills gap. Here are three solutions employers are trying.

*Raise wages*

*Create training programs*

*Improve the manufacturing industry's reputation*

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UNEMPLOYMENT

Region	October 2017	September 2018	October 2018	Percentage Point Change	
				1 month	12 months
San José–Sunnyvale MSA	2.9%	2.5%	2.5%	0.0	- 0.4
San Francisco MD	2.6%	2.2%	2.2%	0.0	- 0.4
California	4.2%	3.9%	4.0%	+ 0.1	- 0.2
United States	3.9%	3.6%	3.5%	- 0.1	- 0.4

INDUSTRY EMPLOYMENT

Sector—October 2018	San Jose MSA	San Francisco MD	Combined Region	Percentage Change (Combined Region)	
				1 month	12 months
<b>Total Nonfarm</b>	<b>1,147,200</b>	<b>1,145,900</b>	<b>2,293,100</b>	<b>+ 0.7%</b>	<b>+ 2.4%</b>
Construction	51,900	40,400	92,300	- 0.9%	+ 1.9%
Manufacturing	174,300	39,100	213,400	+ 0.3%	+ 2.7%
Retail Trade	84,900	81,900	166,800	+ 0.6%	- 0.5%
Information	94,200	82,200	176,400	- 0.1%	+ 6.6%
Professional & Business Services	239,900	289,100	529,000	+ 0.9%	+ 4.0%
Educational Services	49,300	29,100	78,400	+ 6.8%	+ 3.3%
Health Care & Social Assistance	130,600	111,900	242,500	+ 0.5%	+ 4.4%
Leisure & Hospitality	104,400	145,300	249,700	+ 0.3%	+ 2.0%
Government	99,500	131,800	231,300	+ 2.2%	+ 1.1%

NOTE: San José MSA (San José–Sunnyvale–Santa Clara Metropolitan Statistical Area) = Santa Clara and San Benito Counties  
 San Francisco MD (San Francisco–Redwood City–South San Francisco Metropolitan Division) = San Mateo and San Francisco Counties

Source: California Employment Development Department, LMID

LABOR FORCE & ANNUAL CHANGE

9-County San Francisco Bay Area

	Labor Force			Employed			Unemployment		
	October 2017	October 2018	Change	October 2017	October 2018	Change	October 2017	October 2018	Change
<b>California</b>	<b>19,374,400</b>	<b>19,627,400</b>	<b>+ 1.3%</b>	<b>18,558,100</b>	<b>18,846,900</b>	<b>+ 1.6%</b>	<b>4.2%</b>	<b>4.0%</b>	<b>- 0.2</b>
Alameda County	850,000	862,800	+ 1.5%	822,100	837,800	+ 1.9%	3.3%	2.9%	- 0.4
Contra Costa County	565,100	573,900	+ 1.6%	545,900	556,600	+ 2.0%	3.4%	3.0%	- 0.4
Marin County	142,100	145,200	+ 2.2%	138,500	141,800	+ 2.4%	2.6%	2.3%	- 0.3
Napa County	75,000	74,900	- 0.1%	72,600	72,900	+ 0.4%	3.1%	2.6%	- 0.5
San Francisco County	569,900	578,900	+ 1.6%	554,800	565,700	+ 2.0%	2.6%	2.3%	- 0.3
San Mateo County	453,600	461,000	+ 1.6%	442,600	451,200	+ 1.9%	2.4%	2.1%	- 0.3
Santa Clara County	1,044,900	1,074,000	+ 2.8%	1,015,000	1,047,500	+ 3.2%	2.9%	2.5%	- 0.4
Solano County	209,700	211,300	+ 0.8%	200,900	203,600	+ 1.3%	4.2%	3.6%	- 0.6
Sonoma County	263,900	271,100	+ 2.7%	256,000	264,300	+ 3.2%	3.0%	2.5%	- 0.5
<b>SF Bay Area (sum)</b>	<b>4,174,200</b>	<b>4,253,100</b>	<b>+ 1.9%</b>	<b>4,048,400</b>	<b>4,141,400</b>	<b>+ 2.3%</b>	<b>3.0%</b>	<b>2.6%</b>	<b>- 0.4</b>

NOTE: Totals may not add correctly due to rounding

Source: California Employment Development Department, LMID

REGIONAL LAYOFF ACTIVITY

October 2018 Events

Company	Location	# Affected
Ametek Medical Precision Components	Milpitas	25
Apttus	San Mateo	64
DigiCert	Mountain View	73
Mayfield Robotics	Redwood City	63
Orchard Supply Hardware	Multiple cities	245
<b>Total</b>		<b>470</b>

WARN SUMMARY

Events YTD <sup>†</sup> :	24
Individuals Affected YTD:	1,296
Individuals Previous YTD <sup>‡</sup> :	1,778
* <b>WARN: Worker Adjustment and Retraining Notification</b> (notice of mass layoff or closure)	
† <b>YTD: Year to Date</b> (Program year: July 1–June 30)	
‡ <b>Previous YTD:</b> (Same date range as YTD, one year prior)	

NOTE: Layoff data are preliminary and should be considered an estimate of monthly regional activity

Source: NOVA's internal Rapid Response database