

Hollowing Out

Job loss, job growth and skills for the future

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Over the last decade, many of the jobs that brought people to Ohio and supported families' climb into the middle class have disappeared. Nearly all occupations lost ground or grew very slowly, and much of Ohio's job loss occurred in sectors considered on-ramps to the middle class: manufacturing, construction, trade and transport. The jobs in these hard-hit sectors often provided family-sustaining wages and benefits to workers with training beyond high school but less than a four-year college degree.

Even as unemployment in Ohio has remained high, headlines regularly feature employers lamenting the lack of qualified job applicants. Some have even suggested that a dearth of skilled workers is driving Ohio's unemployment crisis.

In this report we use Bureau of Labor Statistics job projections and wage data to look at whether a skill shortage could explain Ohio's persistently high unemployment rate. We find that the number of jobs requiring post-secondary education but less than a college degree has declined over the last two recessions and is projected to continue dropping.

Even with decreasing numbers, education beyond high school but less than a college degree will still be required in nearly 49 percent of all jobs in 2018. In 2009, only 48 percent of the workforce possessed such credentials. There is still a gap between educational attainment and available jobs. This means that we should still be maintaining and increasing investment in education and training. It also reinforces the need to directly address our slugging economy. The existence of a well-trained labor pool is a central factor in attracting and retaining employers. Investments in training are linked to better firm performance, even in times of economic contraction. It is critical to boost skills and maintain Ohio's true competitive advantage – our highly skilled workforce.

Wage data also suggest that an education attainment gap is not driving unemployment. Since the start of the 2007 recession, median wages decreased 2.3 percent for workers with less than a high school diploma. Workers with a bachelor degree or a high school diploma made very modest gains of 2.2 percent and 2.5 percent respectively. Workers with more than a high school education but less than a bachelor degree, the segment of the workforce frequently cited as falling into the skill gap, dropped by nearly 7 percent. If a widespread skill shortage existed, or if employers were competing for scarce skilled workers, wages among this group would have been expected to rise by basic laws of supply and demand.

Key findings

- Sinking wages suggest that a skill gap is not driving unemployment.
- If every job listed on the Ohio Means Jobs website were filled, only about 15 percent of the state's 526,000 unemployed would have a job.
- We will retain and grow our primary competitive advantage – a highly skilled workforce – only if we bring more Ohioans into skilled work.

Similarly, we find that if every job posting listed on the Ohio Means Jobs website were filled, only about 15 percent of our state's unemployed workers would have jobs. There are simply not enough jobs for the number of people seeking work.

Recommendations

Our findings should encourage policymakers to redouble efforts to create jobs in Ohio's middle-class economy. We cannot retain our primary competitive advantage – a highly skilled workforce – if we are not bringing more Ohioans into skilled work. Economic development and workforce training must be part of the same dialogue. The following recommendations focus on spurring job growth while building skills.

Develop sector partnerships

Ohio's workforce training system must be better aligned to employers' needs. Pennsylvania's Industry Partnerships program has shown that sector-based strategies can foster real public/private collaboration. Using state money and federal Workforce Investment Act (WIA) funds, the program has brought together employers from single regional industries or sectors, state workforce practitioners and nonprofit advocates to identify common needs and obstacles. More than 80 partnerships later, the effort has assisted some 6,000 firms and created curricula and credential outcomes for community college and WIA programs. Workers trained through Industry Partnerships saw a more than 6 percent average increase in wages in the first year after training. Ohio should use a portion of casino revenues to fund sector partnerships; linking participation to competitive funds for capital investment could promote participation, implementation, and economic growth.

Create pathways out of poverty

Too many Ohioans are stuck at the bottom of the economic ladder. We need to lower the cost of earning a post-secondary credential and make training or re-skilling a viable option for workers. The state's workforce system could better coordinate state and federal training funds, including those that provide cash assistance for training. The state of Washington uses an accelerated program that combines remedial education with vocational training and delivers more skills per dollar invested. The program, Integrated Basic Education and Skills Training, is at community colleges statewide.

Pave the high road

The state should encourage high-road employment practices. The promise of decent wages and benefits would drive many Ohioans back to the classroom or the apprenticeship floor. Too often state and local tax incentives have been doled out with little regard to the quality of job being sustained. The state cannot afford the low-road model of economic development. Subsidies should prioritize sector partnerships and/or credentialed training.

Pass and preserve federal laws that support the middle class, promote skills

The American Jobs Act would bring much-needed investment to Ohio, creating jobs and modernizing our infrastructure. Key investments would include more than \$1 billion to improve our highway and transit infrastructure, creating an estimated 13,700 jobs; more than \$1 billion to keep teachers and first responders on the job, retaining an estimated 14,000 jobs; \$9.85 million to modernize schools, creating an estimated 12,000 jobs; and \$577 million to rehabilitate foreclosed properties. We must protect WIA and Pell Grants. Ohio's WIA allotment, in decline for years, was slashed by more than 13 percent in the last budget. A federal bill being considered contains devastating cuts to WIA and Pell, and shifts WIA to a fiscal year scheme, which will eliminate \$2.2 billion in WIA funding.

Ohio can't afford to close off pathways to the middle class. This report helps explain why.