

## US downturn

## Employers' skills gap claim does not show up in US wage data



Neil Munshi in Chicago  
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US manufacturing executives have a common refrain when pressed about why they have hired just 646,000 workers since the trough of the Great Recession: there is a deep “skills gap” between what they need and what the US workforce can offer.

A May survey by the National Association of Manufacturers, a trade group, found that more than 80 per cent of executives reported skilled worker shortages, and argued that the gap was hurting earnings. “Every company that we speak with says that it is a struggle to find people for [skilled] positions,” says Gardner Carrick of NAM.

The problem with the “skills gap” hypothesis is that it does not show up in wage data. “This is straight-up economics – if there is a shortage of something, the price of it rises,” says Heidi Shierholz, of the Economic Policy Institute. “If there’s a shortage of a type of worker, the wages of that worker should rise as employers bid it up.”

Instead, she says, “unemployed workers outnumber job openings in every single sector”. For production workers in manufacturing, average hourly wages were up 1.5 per cent on a year ago in May – barely in line with inflation – which does not point to a battle to hang on to talent.

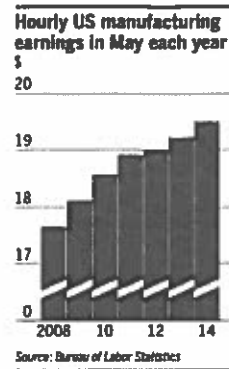
Most economists acknowledge that in certain regions, sectors and specialities there do appear to be skills shortages. The pool of welders, electricians, and other tradesmen is elderly and starting to drop out of the labour force. But there is precious little evidence that the problem is broad-based.

A 2012 Boston Consulting Group report found a shortage of 80,000-100,000 workers, less than 1 per cent of the total manufacturing workforce, and less than 8 per cent of highly skilled workers.

A survey by Paul Osterman and Andrew Weaver, two academics at the Massachusetts Institute of Technology, showed two-thirds of manufacturers reported no vacancies. Just 16 per cent say “lack of access to skilled workers is a major obstacle to increasing financial success”.

Ford is among those companies that share this view. The automaker has filled nearly 75 per cent of the 12,000 openings it announced last July, says Bruce Hettle, vice-president of North America manufacturing. “The volume of applicants is sufficient to fulfil our needs.”

A plausible answer for this apparent conundrum is that while the US workforce has ample skills to increase production with current technology, manufacturing jobs are becoming more high-tech – less about manual labour on a production line, and more about configuring complex automated machinery.



The US lags behind many rivals such as Germany, Japan and Korea both in the scores of high school students on standardised tests and in providing apprenticeship and training programmes.

Such schemes are increasingly rare. Active apprenticeship programmes fell from almost 32,000 in 2002 to fewer than 20,000 in 2013, according to the labour department.

Critics charge that manufacturers that have spent 25 years cutting jobs, eliminating training, using temporary workers and offshoring cannot now blame the workforce's lack of skills.

Toni Gilpin, a labour historian, says industry wants “highly trained workers at cut-rate prices and they’re willing to wait until they can get that rather than absorb any training costs themselves”.

Companies that once spent years training employees now spend weeks. Instead, she says, industry is “offloading” costs on to workers and taxpayers through partnerships with community colleges and government.

Most states have signed on because they are “scrambling to bring in jobs”, says John Birmingham, partner in law firm Foley & Lardner’s employment practice.

Brad Markell, of the AFL-CIO, says the union disagrees with “the ‘skills gap’ thesis: “Until we get to a place where we are . . . more data-driven than anecdotal about the skills situation in manufacturing, it is going to be difficult to have a conversation about what the right policy solution is”.

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