

# Portland's Labor Force:

What's the quality today, can it meet tomorrow's demands, and are your investments making a difference?

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October 2007

**ECON**orthwest

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# Today's Three Questions

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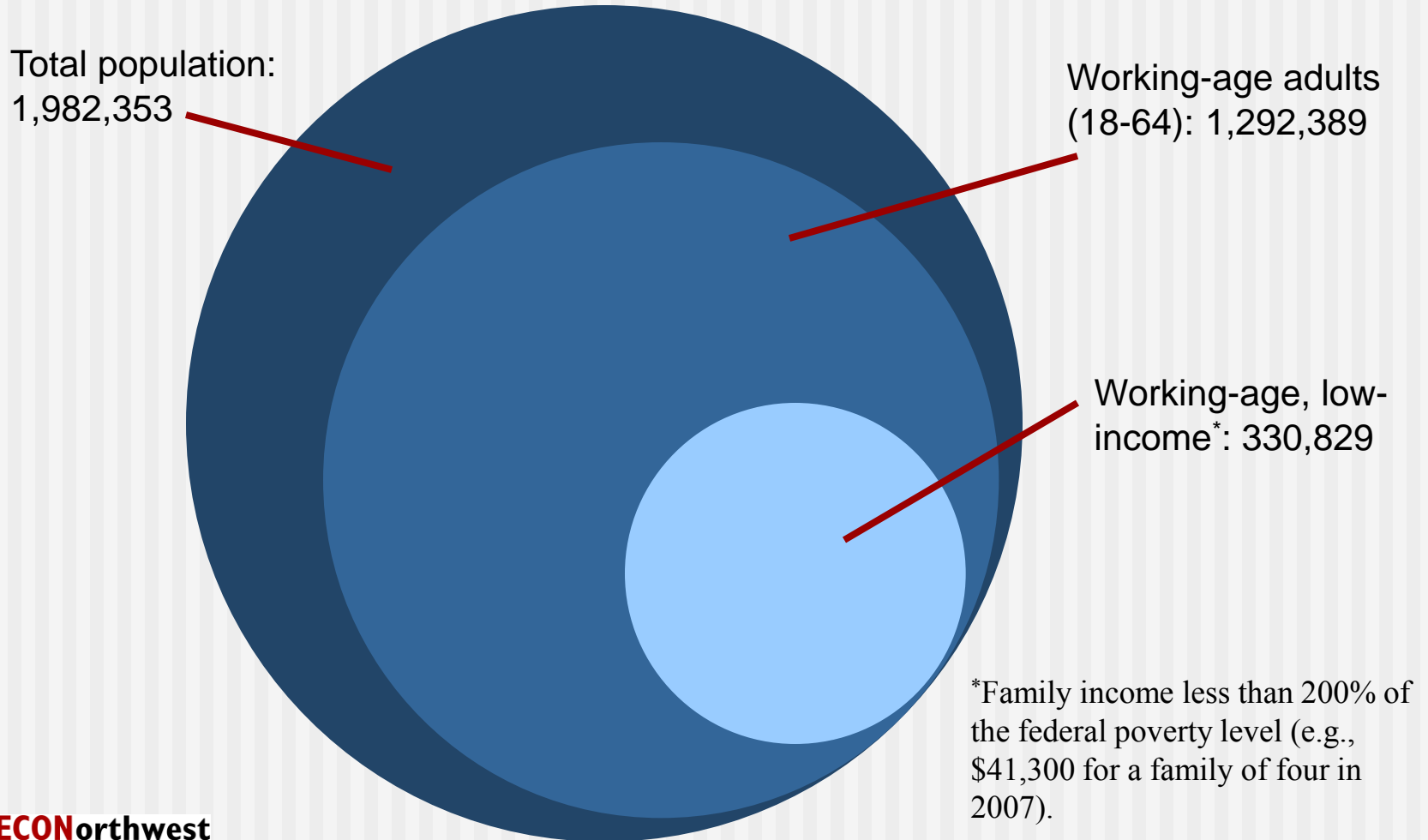
1. What do the data suggest about regional labor force quality?
2. Should a labor shortage be a concern in the coming decades?
3. Can we appropriately measure the performance of local workforce investments?

# Question #1: What do the data suggest about regional labor force quality?

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- The annual American Community Survey (ACS) provides timely information about regional workforce characteristics.
- This presentation describes the combined Clackamas, Clark, Multnomah, and Washington county workforce using 2006 ACS data.

# The big picture: low-income, working-age adults represent about a quarter of the region's working-age population

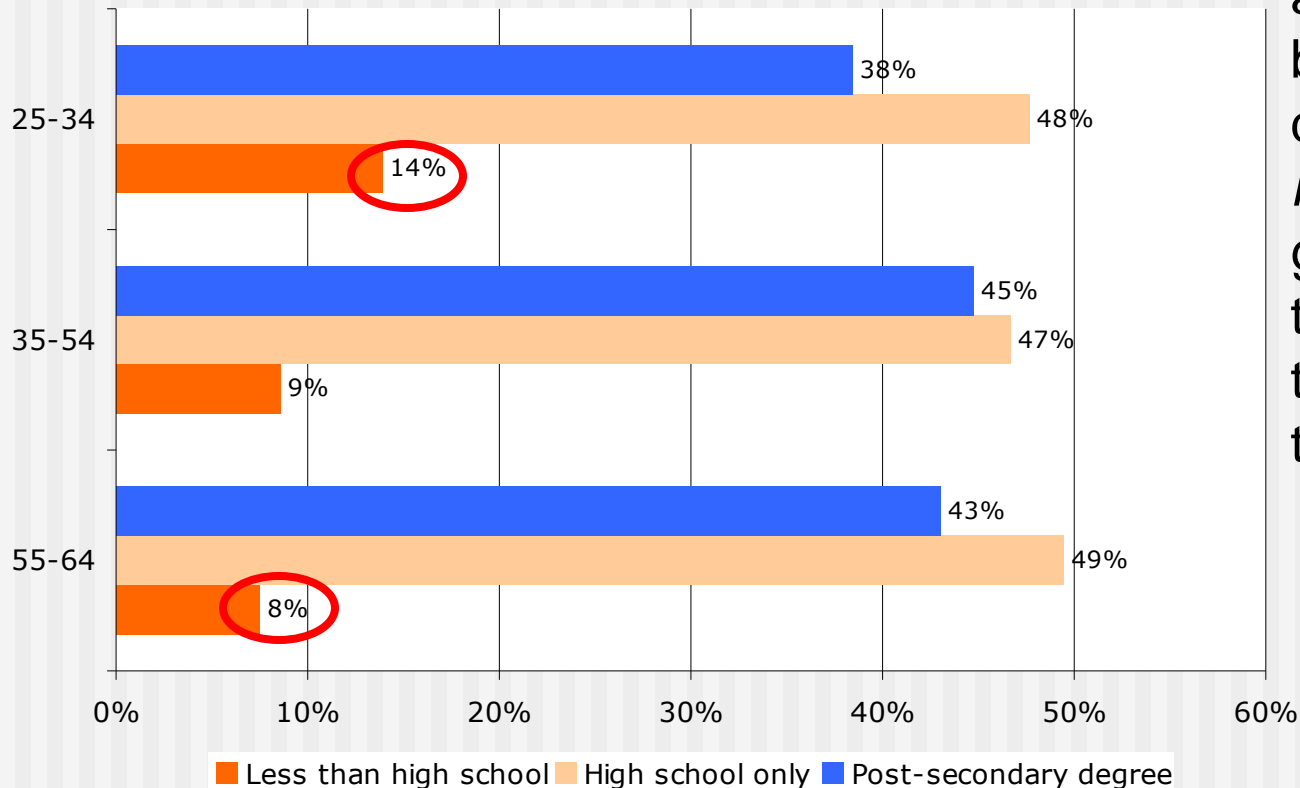


\*Family income less than 200% of the federal poverty level (e.g., \$41,300 for a family of four in 2007).

# Younger workers are less educated than those about to retire

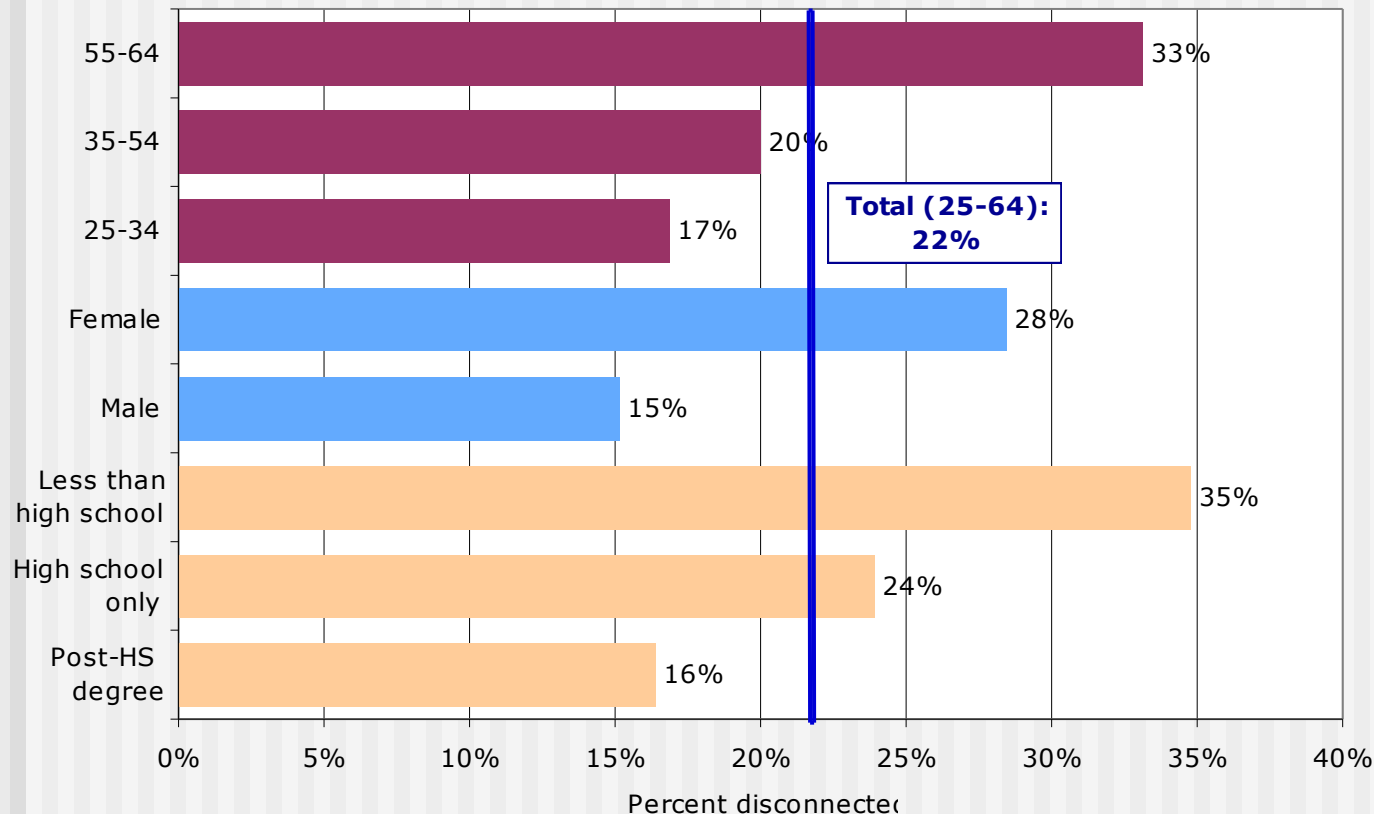
■ Young workers are *more likely* to be high school dropouts and *less likely* to be college graduates than the baby-boomers they will replace in the work force.

**Educational attainment by age**



# Almost a quarter of working-age adults are disconnected from the labor force at any point in time

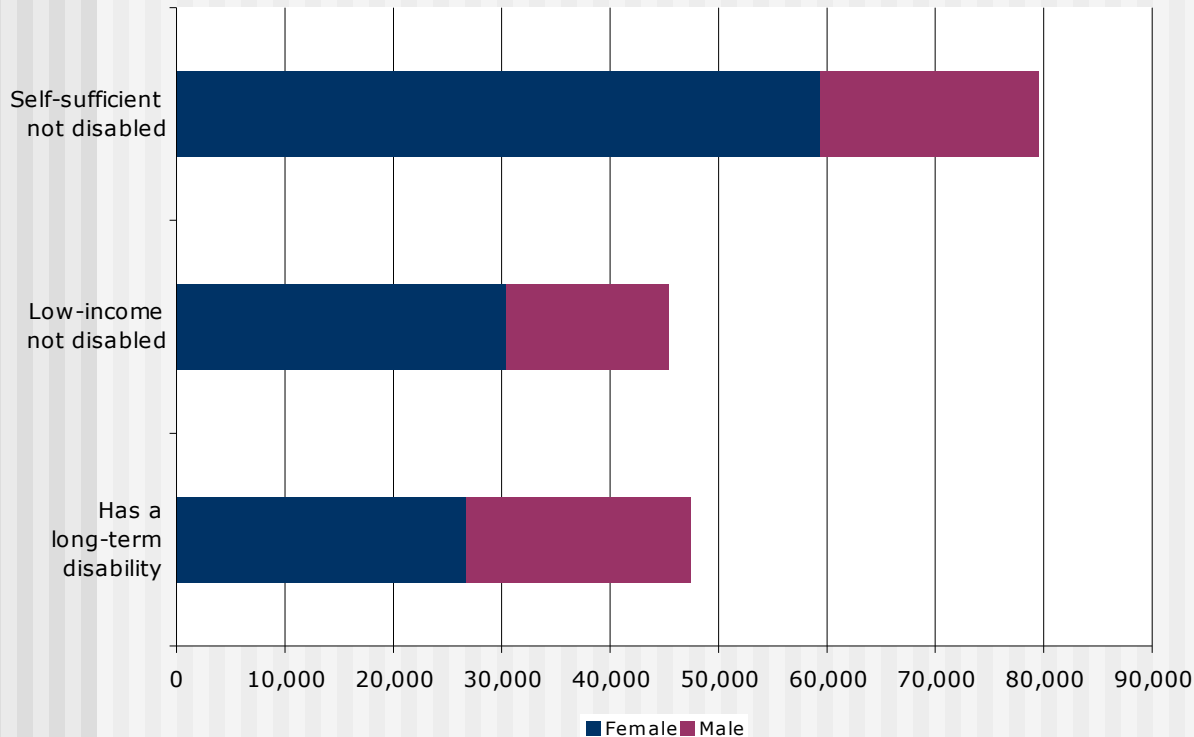
## Labor force disconnection



- Adults 25-64: 246,095
- Males: 86,253
- Females: 159,842
- Less than HS: 38,491
- HS only: 128,426
- Post-HS: 79,178

# Almost one fifth of prime age adults (25-54) are disconnected. What's their status?

Disconnected prime aged adults

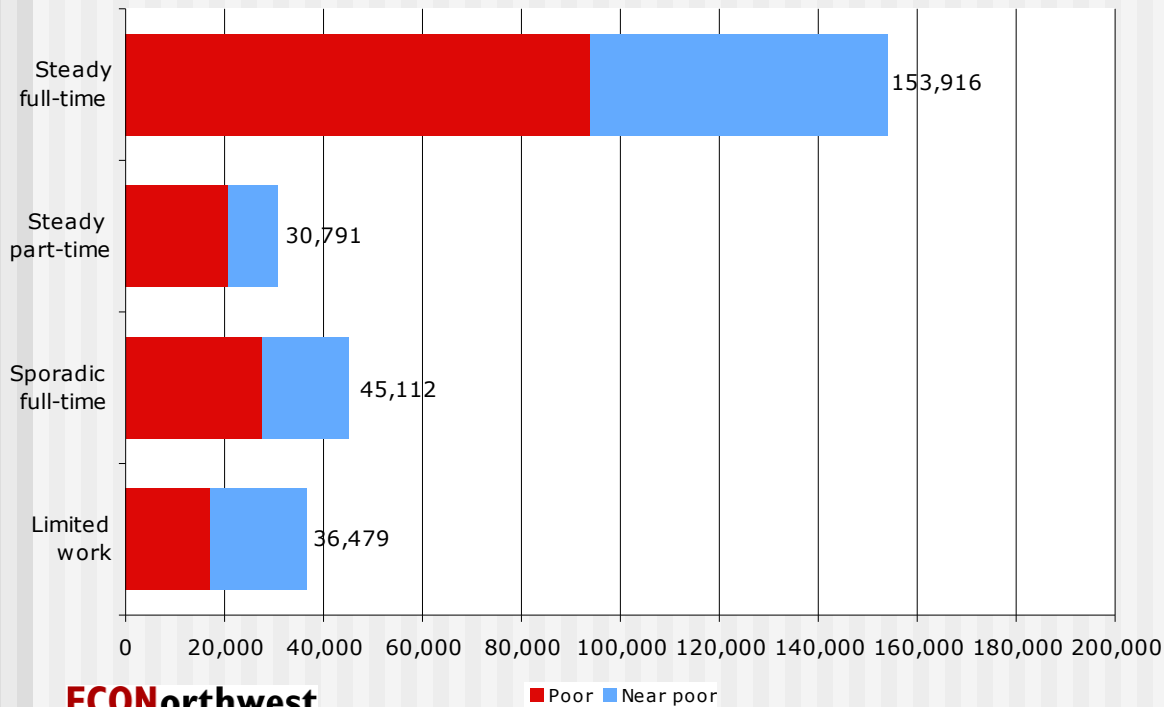


- Of the 172,294 disconnected, prime age adults:
  - 67% are female
  - 28% have a long-term disability
  - 36% of the non-disabled are low-income

# Full time work reduces, but does not eliminate, the risk of poverty

- Individuals with steady, full-time work account for 58% of the 266,298 adults aged 25-64 who were poor or near-poor (income less than 200% FPL)

**Poor and near-poor by work status of adults 25-64**



<b>Total adults 25-64 by work status</b>	
■	Steady full-time: 807,572
■	Sporadic full-time: 142,676
■	Steady part-time: 92,735
■	Limited or no work: 87,851

# Migration adds educated workers to the region

- In 2006, the 1,130,834 prime age (25-54) and near retirement (55-64) adults included a net in-flow of well-educated workers. The area gained 18,620 adults with a post-secondary degree.

**Arrivers: 63,720**

	Less than high school	High school only	Post-secondary degree
<b>25-34</b>	3,400	12,337	15,792
<b>35-54</b>	2,663	11,291	9,779
<b>55-64</b>	935	2,599	4,924

**Leavers: 41,457**

	Less than high school	High school only	Post-secondary degree
<b>25-34</b>	2,592	16,341	3,387
<b>35-54</b>	2,195	10,863	6,992
<b>55-64</b>	859	2,760	1,496

# Conclusions on Quality

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- If you subscribe to the business community's 40/40/20 vision, we're headed in the wrong direction. Portland's new generation of workers is less educated than the one it will replace.
- Work doesn't pay for everyone. One in every five full time workers lives in a low-income household. And about one in ten lives in poverty.
- If a looming labor shortage is a concern, businesses might redouble their efforts to engage the 22% of working age adults who are disconnected from the labor force.

# Question #2: Should a labor shortage be a concern in the coming decades?

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## The Labor-Shortage Myth

When boomers start to retire, the the

### LABOR SHORTAGE AHEAD?

By Neal Learner | *Special to The Christian Science Monitor*

Despite the current job slump, the United States will face an unprecedented labor shortage ahead, some workplace analysts warn.

**BusinessWeek**

INVESTING COMPANIES TECHNOLOGY

APRIL 9, 2007  
NEWS & INSIGHTS

## Where Are All The Workers?

Companies worldwide are suddenly scrambling to manage a labor crunch

A government-projected shortfall of some 10 million workers by 2010 could trigger turmoil at workplaces in need of skilled employees, contends Joyce Gioia, president of Herman Group, a management-consulting firm in Greensboro, N.C. The shortage would cause a drop in the quality of goods and services and force even stable business.

# Harvard's David Ellwood : **Yes!**

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- Massive retirement of baby boomers, zero growth in prime-age (25-54) native born workers and slower growth in female labor force participation growth will dramatically slow growth in the labor force, although immigration could moderate these trends
- More importantly, growth in educational attainment will slow, creating a major skills gap and increasing relative demand for skilled workers
- Result: slower economic growth, a rising dependency ratio, and increasing inequality between skilled and unskilled workers

*--Grow Faster or Slowly Grow Apart, Aspen Institute, 2003*

# Harvard's Richard Freeman: **No!**

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- Slowing labor force growth will only modestly affect labor markets, while a *surplus* of skilled workers in developing countries will have much greater implications
- Projections of future demand for specific skills lack the reliability to guide skill development policies
- A return to tight labor markets could increase wages across broad sectors of the economy if market forces are allowed to operate

*--Is a Great Labor Shortage Coming? Replacement Demand in the Global Economy, NBER, 2006*

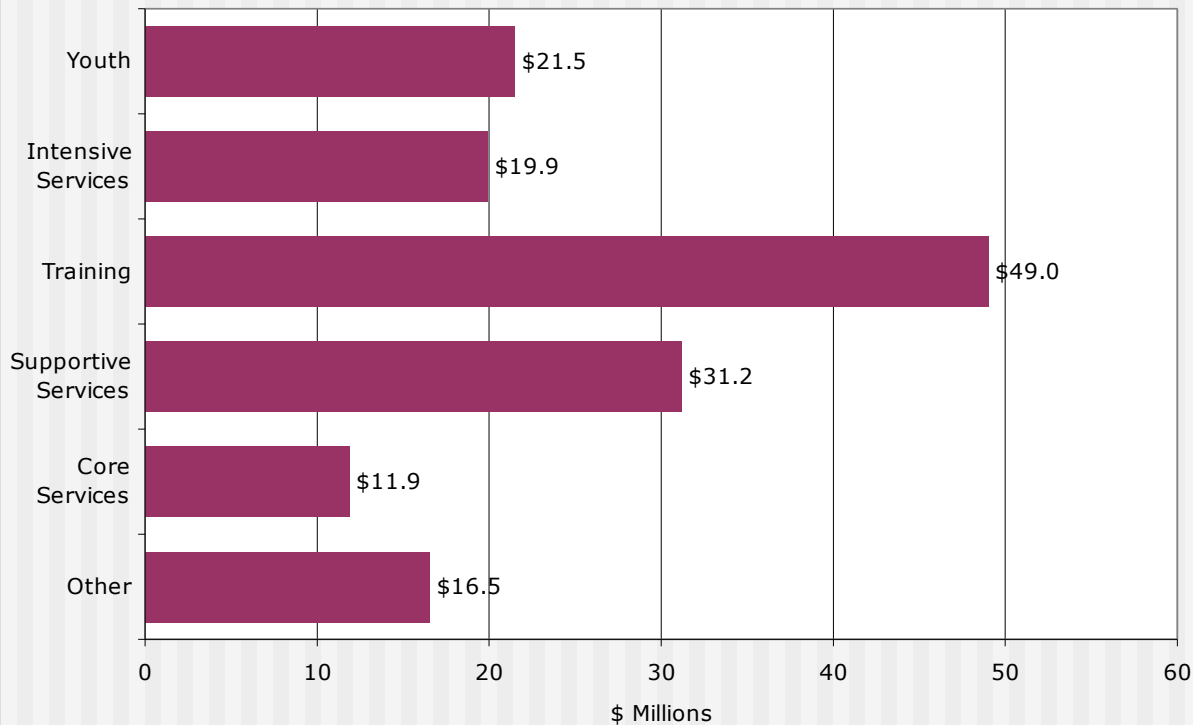
# Freeman's points are persuasive, but...

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- Does Portland want to count on Congress to get the timing and substance of immigration policy right?
- Even if immigration policy supports high-skills needs nationally, is there any reason to expect a fair share of that talent would land in Portland?
- Fostering homegrown talent is wise workforce *and* economic development policy. Successful entrepreneurs tend to locate the businesses where they grew up (see Microsoft and Boeing for examples)

# Question #3: How can we identify the impact of \$150 million in local workforce investments?

Region 2 FY 2005 Workforce Development Spending



- ECONorthwest identified \$150 million in FY 2005 workforce development spending in Region 2
- The spending was distributed across six major service areas, reflecting system-wide priorities

# Can we add value to our existing benchmarks?

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- Workforce development investments are already measured
  - Macro Indicators
    - Oregon Shines economic benchmark #15: Oregon's unemployment rate as a percent of the U.S. unemployment rate
  - Micro Indicators
    - Employment retention rates of WIA-funded program participants
  
- Is there a middle ground? Are there indicators that measure *regional* workforce characteristics and tell us whether strategic workforce investments are working?

# Indicator Examples: Youth Services

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- Proportion of disconnected youth (18-24)
  - Disconnected youth: 14% (2006 ACS)
- Educational attainment of young adults (25-34)
  - HS completion of young adults: 86% (2006 ACS)
  - PS completion of young adults: 38% (2006 ACS)
- On-time high school graduation rate
  - Four-year high school graduation rate: 57% (PPS class of 2004)

# Indicator Examples: Intensive Services/Self-Sufficiency

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- Regional indicators available through the ACS
  - Employment rate of single parents relative to overall employment rate
    - Single-parent householders: 73% (2006)
    - Working-age householders: 77% (2006)
  - Poverty rate of single parents relative to overall poverty rate
    - Single-parent householders: 26% (2006)
    - All working-age householders: 14% (2006)
  
- Indicators available through a Self-Sufficiency Calculator
  - Average wage compared to self-sufficiency wage at program entry and exit
  - Total income compared to expenses at entry and exit

# Indicator Examples: Core Services

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- “Current” I-Match postings relative to new hires
- “Active” I-Match job seekers relative to the number of unemployed or number of new hires
- Share of total employment represented by participating employers

# Indicator Examples: Targeted Industries

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- Inter-region comparisons of occupational vacancies relative to employment for targeted industries
- Inter-region comparisons of wage growth for occupations within targeted industries
  - *Developing one or more solid indicators will require carefully defined workforce goals with respect to each targeted industry*

# How would you develop useful regional indicators of performance?

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- Start with goals, then develop measures, then establish targets
- Get buy-in from workforce partners
- Select indicators that:
  - Can be measured annually
  - Investments can impact over a reasonable horizon (5 years? 10 years?)
  - Don't duplicate existing measures or add significantly to existing reporting requirements

# More Questions?

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