Labor Market Problems

- Technology and Globalization: High Pay Only for Those with Skill! (General and Specific...)
- Employers: Can’t Fill Them (Sub-BA)
- Workers: Can’t Get Skills Needed for Them
- Evidence: High Vacancy Rates, Shortages for Employers; Stagnant Wages, Declining Labor Force Activity among Workers
- Suggests Labor Market Mismatch!
Is Mismatch Real?

• Skeptics/Cynics: Wages flat; On-the-Job training declining; Demand in middle of the labor market disappearing (“Polarization”)...Employers whining!

• But Still Some Validity: Wages rising, but pressures to keep them low; Skill Needs too high for OJT; Old v. New Middle...And Baby Boomers are Retiring!
Skill Need and Mismatch: Vary By Sector and Firm!

- Hi Skill Needs: Health Care, Mfg., IT, Transportation/Logistics, Retail (High End), Leisure/Hospitality
- Employers: Very Heterogeneous!
- Punch Line: Mismatch is at least partly Real!
Theory: Why Should Mismatch Exist/Persist?

• Market Mechanisms: Wages adjust, Workers invest and migrate to solve these problems!

• Employers invest too – General or Specific Training

• Problems with Adjustment Mechanisms: Market Failures and Inequities
Market Failures and Inequities: Limit Higher Education

• Weak Academic Skills
• Cost of College Rising, While State Subsidies Diminish
• Lack of Information about Colleges, Labor Market
• Lack of Connections to Employers
• Pressure to Work; Attend School Part-time
Additional Problems: Community and For-Profit Colleges

- Developmental Ed (Remediation): Awful
- Financial Aid: Credit v. Non-Credit
- Too Little Structure and Guidance/Counseling When Choosing Fields
- Prefer Liberal Arts to technical degrees/certificates; expect to transfer but most don’t
- Community Colleges: Under-resourced but face wrong incentives to expand workforce programs
- For-Profits: Nimble but Hi Cost, Lower Returns
Results: Poor Outcomes

• Hi Enrollments, Low Completion Rates
• Completion in fields with little labor market value or low demand
• Weak Links to Employers
• Low Wages, Low Employment
• Hi Debt!
What About OJT? More Market Failures and Inequities

- Workers don’t merit investments – Poor Basic Skills and Poor Work-Readiness; Hi Turnover
- Imperfect information/Biases by Employers
- High start-up costs/Lack of Coordination
- Rigid Wages
Solutions: Sector Partnerships and Career Pathways

• Workers/Skills That Employers Seek!
• Students/Workers Connect with Job Market While They Learn
• Partnerships: Risk/Cost Sharing among Employers
• Strong Evaluation Evidence of Success! PPV and Impaq Studies
Also: High-Quality CTE

- Not Old-Fashioned Voc-Ed
- No longer “tracked” — College and Career Readiness
- Strong Academics, Contextualized Settings
- Career Clusters, Pathways to Higher Ed and Jobs
- Examples: Career Academies, High Tech High, High Schools That Work, P-Tech
Also: Work-Based Learning

• Meet employers need for specific skills but students
• Meet worker need for income! Students More Motivated...
• Wage payments but below Market Levels – Employers Don’t Bear Cost/Risks
• Best Model: Apprenticeship
But Challenges Remain

• For Whom: Don’t Serve Those with the Greatest Needs (“Hard to Serve”)
• General v. Specific, Short-Run v. Long-Run
• Replicating and Scaling Best Models – Limits to What CCs and Employers Can/Will Do
• Uncertain and Dynamic Future Demand
Policies That Might Help

• Pre-K thru 12...Analytical and Communication Skills
• CTE: Early and For All; Alignment with Labor Market and Colleges
• CCs: Targeted Resources and Accountability (Federal Race to the Top?)
• Reforms in Financial Aid, Developmental Ed
Policies that Might Help (Contd)

• More Integration of CC and Workforce Systems – Career Counseling! (One Stops)
• More Apprenticeships! Tax Credits, TA
• Lifelong Learning
One More Thing: Focus on Labor Demand

• Employers: Hi-Road v. Lo-Road
• Hi Profits but Lo Productivity: Suggest Lo Road is Frequently Taken – Outsourcing, Offshoring, etc. ("Fissured Workplace")
• But Hi-Road is a “Public Good”
• Governments: Commit to “Good Jobs Strategy,” with Incentives and Assistance