

GORDON REPORT, November 2019
from Imperial Consulting Corporation

“Ignoring America’s Talent Desert Won’t Solve the Problem!”

Reports of talent shortages continue to proliferate:

- The National Association of Manufacturers reported an all-time record high of over 500,000 vacant positions (September 2019).
- A National Association of Home Builders survey found that over half of contractors had shortages in 12 of the 16 categories of construction work.
- An October 2019 member survey the National Federation of Independent Businesses (NFIB) reported that 53 percent of small business owners had great difficulty finding qualified workers (88 percent of those now hiring). This year finding qualified workers has consistently been the top business problem in the monthly NFIB survey.

William Dunkelberg, NFIB Chief Economist warned, “If the widely discussed slowdown occurs, a significant contributor will be the unavailability of labor – hard to call that a “recession” when job openings still exceeds job searchers.” This quote is based on official Bureau of Labor Statistics (BLS) reports: the 5.9 million classified as unemployed (11/1/19), and the 7 million job openings reported in the Jobs Openings and Labor Turnover Survey issued on November 9. The BLS has also reported that the number of U.S. vacant jobs has exceeded the number of unemployed for the past 17 months (August 2019).

The official BLS estimate of U.S. unemployment (3.6% in the 11/1/19 report) is based on an extremely narrow definition: only those who actively sought a job in the past month are classified as being unemployed. The BLS also currently estimates that about 95.2 million Americans over the age of 16 are “not in the workforce.” This is a remarkably high number that has persisted since the 2008 recession.

Our analysis of the probable characteristics of this group of these 95.2 million Americans is:

- Approximately 55 million people over age 55 have retired.
- What about the other 40+ million people not in the workforce? The latest official BLS survey of this group finds that nearly 4.4 million respond that they want a job. About 1.2 million report that family responsibilities, schooling, medical issues, or transportation or childcare difficulties are keeping them out of the workforce. The significant growth of the populist vote in this nation indicate that a large number of people who lost their jobs in the wake of the 2008 recession have been unable to find full-time employment due to such factors as skill deficits, age discrimination, or inability to move to areas with relevant job opportunities. A variety of sociological data provide evidence that a sizable proportion of unemployed Americans are poorly educated and have few of the job skills businesses now demand. But we estimate that as many as 27 million Americans are educationally qualified but lack some skills needed for currently available jobs.

With the 5.9 million Americans who the BLS officially reports as unemployed, these 27 million Americans could potentially help fill the 10.5 million jobs we currently estimate are vacant

across the United States provided that they receive training from employers to update their skills. Based on these figures, the actual unemployment rate is over 16 percent!

A September Rand Research Report warned that the education-to-employment pipeline has changed little from previous decades despite technological advances, globalization and demographic shifts. This has resulted in major shortfalls of workers due to: (a) inadequate general elementary and high school education, (b) limited enrollment in and completion of post-secondary education programs, and (c) lack of access to lifelong learning and training supported by employers. We believe that a staged transformation into a suitable 21st-century education system should occur at the regional level involving the leadership of major community sectors. These programs are already underway in many communities. We have coined the term Regional Talent Innovation Network (RETAIN) for such undertakings. They, however, have not gained enough traction to have an impact on the overall unemployment situation.

In 1970 the United States had the world's best educated and trained workforce. Today America is a spreading talent desert with too many poorly educated workers who do not have the knowledge and skills to fill the new jobs of the 4th Industrial Revolution.

We are now on an unsustainable labor economic course. A Deloitte and Manufacturing Institute 2018 Skills Gap Study projected that 2.4 million manufacturing jobs would not be filled between 2018 and 2028 due to skills shortages with a potential loss of \$2.5 trillion in economic output over that time period. We believe that other sectors of the U.S. economy will also experience significant economic losses because of the encroaching talent desert.

The time has arrived for regional public-private collaboration rather than empty political and business rhetoric. It is better to rebuild quality workforces at local levels rather than passively accepting continued skills declines and government programs that are ineffective or underfunded due to political divisiveness at the federal and state levels.

Edward E. Gordon is president and founder of Imperial Consulting Corporation (www.imperialcorp.com). His book, *Future Jobs: Solving the Employment and Skills Crisis* – winner of an Independent Publishers award, is now available in an updated 2018 paperback edition.