

GORDON REPORT, March 2017

Populism Can't Fix the U.S. Skills-Jobs Gap

Both older and younger American workers are very angry over the current state of the U.S. labor market as they face unemployment or underemployment. Many have been attracted to simplistic populist solutions of the extreme left or right.

Officially 7.6 million workers are unemployed. At the same time, the U.S. Bureau of Labor Statistics tells us that jobs openings have peaked at 5.8 million. Unofficially we estimate they are much higher totaling about 8.5 million job vacancies. This unfilled backlog of jobs has been building for years.

For every prime-age male worker (aged 25 to 55) who is employed, there are now three workers who have dropped out of the workforce. At least 20 million Americans currently are not looking for a job because most U.S. businesses will no longer train them to fill their job vacancies. In 1995, 35 percent of American companies offered job training. With the current business focus on short-term profits, this has now been reduced to only 20 percent.

These 20 million workers are not officially counted as “unemployed”. If they were, there would be 28 million Americans seeking jobs or a more realistic unemployment rate of 17.5 percent. We are witnessing the greatest collapse of the U.S. labor market since the 1930s. The desperation of these workers has helped trigger the rise of populist politics, last seen during the era of America’s Great Depression.

The skills gap in the United States is serious. The impending retirement of 20 million baby boomers by 2020 will add to this gap. According the National Association of Home Builders, about 200,000 construction jobs are unfilled nationwide. There are now 500,000 unfilled IT and computer science jobs, 600,000 unfilled high-end manufacturing jobs, and at least 700,000 vacant nursing positions according to surveys conducted by their professional associations. Both Boeing and Airbus are struggling to find enough trained aerospace technicians to ease their gigantic backlog of unfilled aircraft orders.

If these labor market figures are not altered, we estimate that over 14 million vacant jobs will throttle the American economy by 2022. Across every business sector, the same red-letter alert is flashing. We need to better prepare today’s U.S. workforce with the new skills demanded by workplaces transformed by technological change.

In 1970 the United States had the world’s best educated and trained workforce; in 2017 America lacks enough knowledge workers to sustain and grow its economy. By 2020 two-thirds of all jobs will require some form of post-secondary education. Today only one-third of the U.S workforce meets this standard.

How do we create more skilled talent that American businesses so urgently need to fill the jobs of today and tomorrow? Our research has focused on successful broad regional public-private initiatives that are already assisting many businesses in closing this skills-job gap. Today over 1,000 RETAINs (Regional Talent Innovation Networks) are rebuilding local talent-delivery

systems across the United States by both retraining current workers and better equipping students for 21st-century employment. RETAINs are non-profit intermediaries that foster economic development through a focus on talent creation that keeps and attracts businesses to a region. RETAINs bring together business, K-12 and higher education, labor, government, and community services in a common effort. Unless such collaborations for the demands of this digital age are placed on steroids, America may head into an era of steep economic decline, widespread social unrest, and individual despair.