

2022 STATE OF THE ST. LOUIS

WORKFORCE

The Pathway to Job Growth

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Pathways to Work



Vulnerable Workers During the Recovery, Expansion and Slowdown

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The views are the views of the author and do not reflect the views of the Federal Reserve Bank of St. Louis or the Federal Reserve System.

Introduction

- Who are economically vulnerable groups?
- How have structural changes in the labor market impacted the job matching process for vulnerable workers?
- Are demographic differences in the unemployment of vulnerable workers more structural?
- What is the implication of these structural barriers/hurdles for fighting inflation?
 - Priority #1 for the Fed: reduce inflation to its target
 - Increasing interest rates is an important move toward economic equity
 - The Fed can't do it all
 - For the unemployment of vulnerable workers not to rise, investments in making the job matching process more efficient are needed
 - Some of the candidates:
 - Personal characteristics
 - Structural features of the labor market and economy

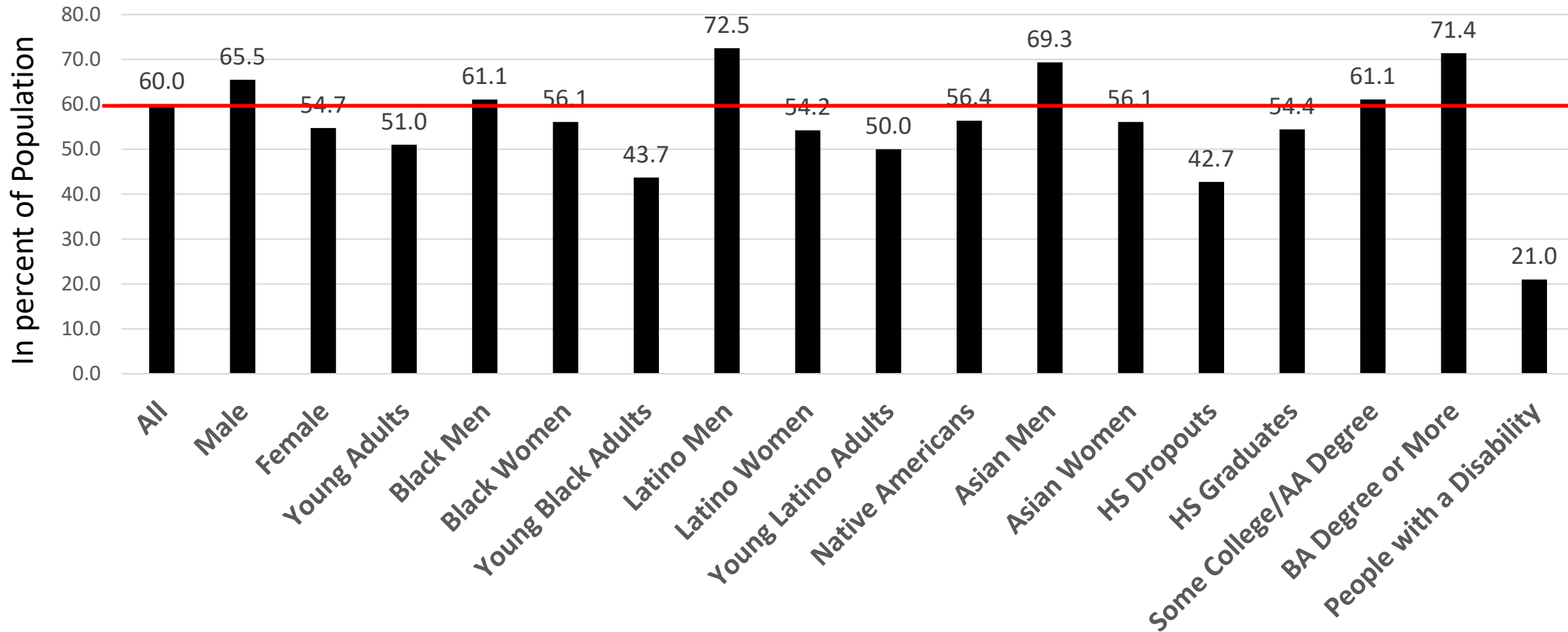
Who are economically vulnerable groups?

- Teenagers (ages 16-19)
- All adults with no more than a high school diploma
- Blacks (both men and women)
- Women, all races
- Latinos (both men and women)
- People with a disability (age 16 and older)
- Young Non-enrolled with no more than a high school diploma
- American Indians and Alaska Natives
- Eighth Federal Reserve District Residents in the Mississippi Delta.

Definition: Economically Vulnerable

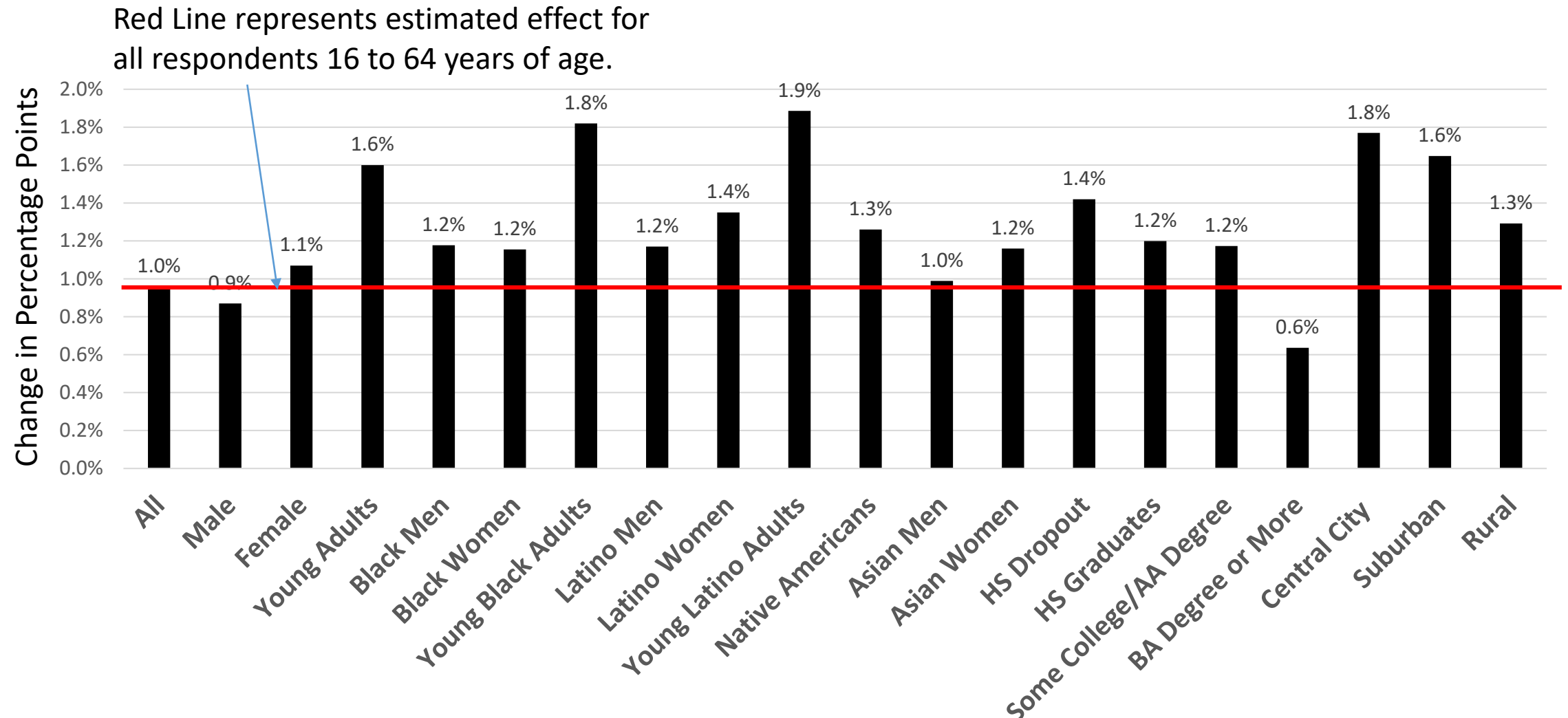
- Below average employment-population ratios
- Low-to-Moderate Income communities
- Asset Limited Income Constrained Employed (ALICE)
- Their unemployment rate is more sensitive to macro conditions:
 - Job openings
 - Metropolitan area, regional and national unemployment rates

Even in good times many vulnerable groups have below average employment-population ratios.



Source and Notes: www.bls.gov. Estimates are averages for January to July 2022.

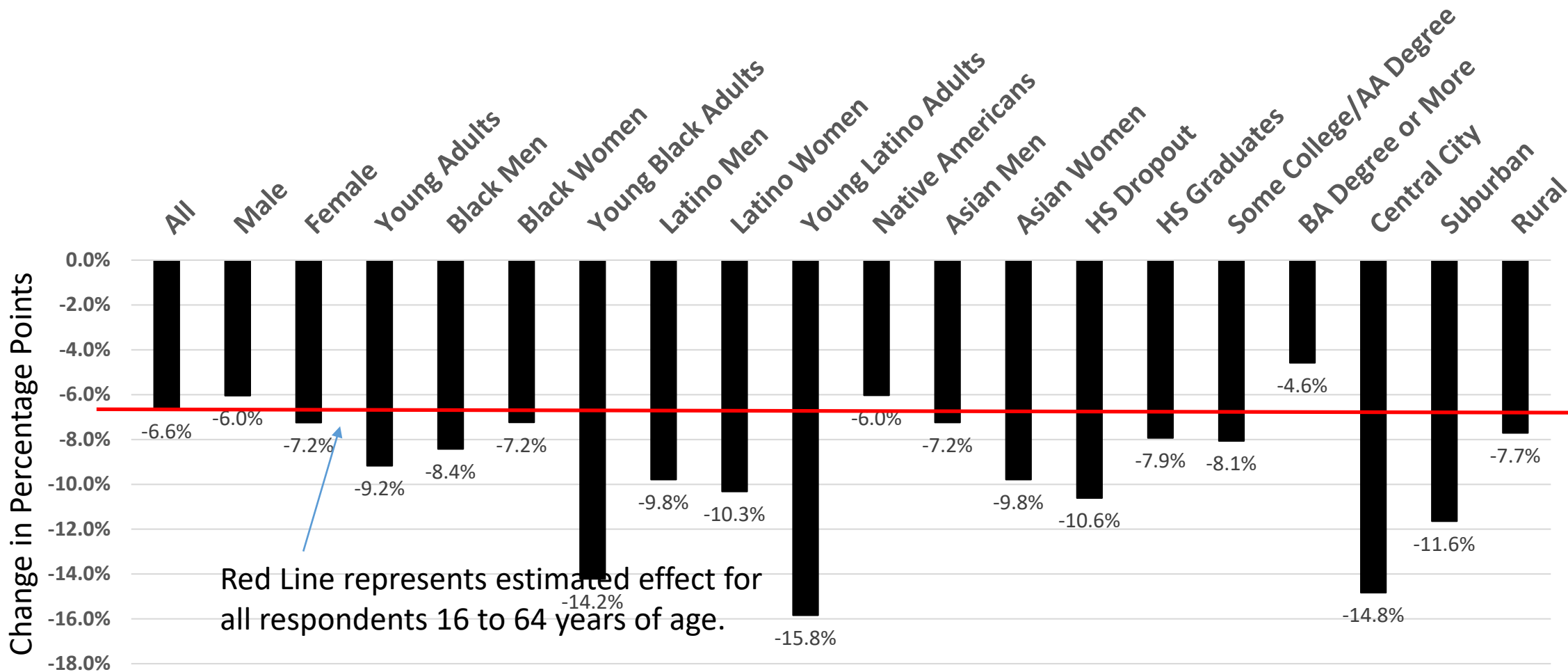
Vulnerable groups are more sensitive to changes in the aggregate unemployment rate. (Impact of a 1 percentage point increase in the unemployment rate on the probability of unemployment)



Notes: Estimates come from a regression of a dummy variable indicating whether the individual is unemployed on their state's unemployment rate. All estimates are measured at a 1 percent level of significance. The unemployment micro data come from the monthly Current Population Surveys from Jan. 2020 to May 2022. The state unemployment rates come from the Bureau of Labor Statistics LAUS program.

Vulnerable groups are more sensitive to changes in job openings

(The impact of a 1 percentage point decline in the job openings rate on the probability of unemployment)

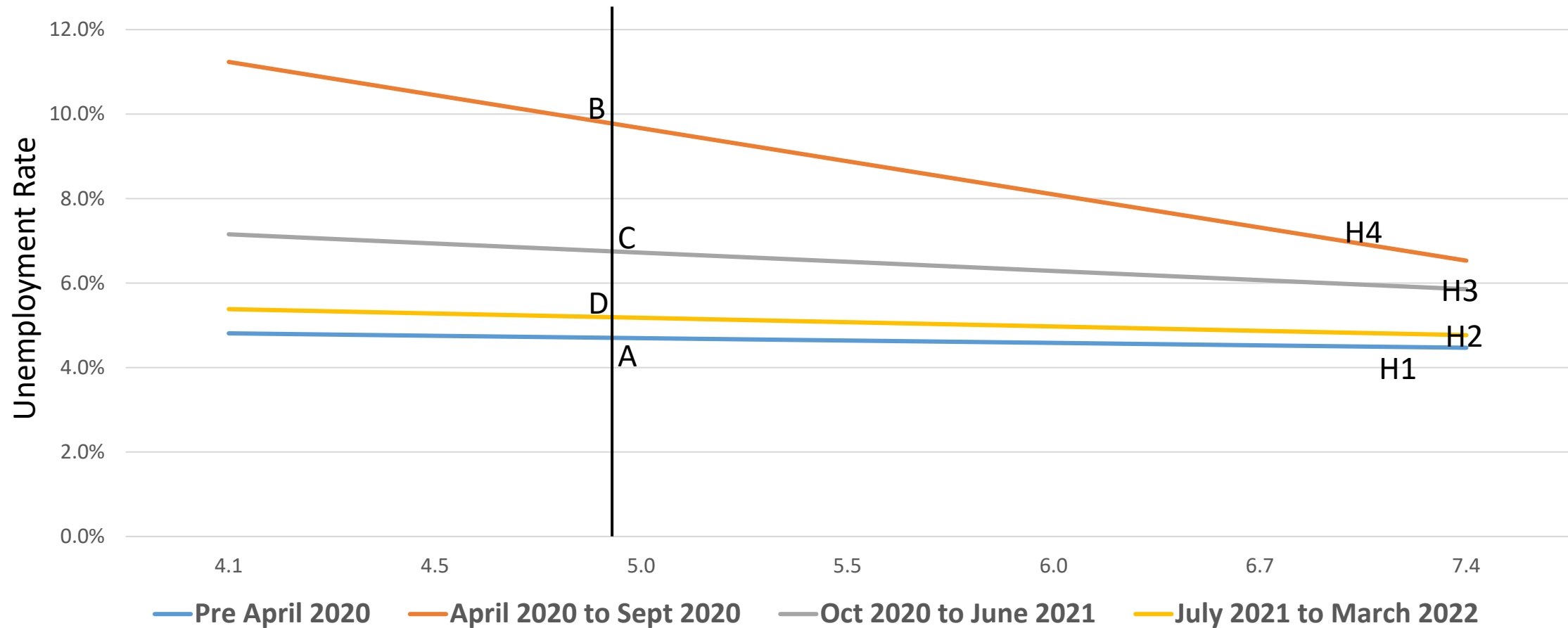


Notes: Estimates come from a regression of a dummy variable indicating whether the individual is unemployed on the natural logarithm of their state's job openings rate. All estimates are measured at a 1 percent level of significance. The unemployment micro data come from the monthly Current Population Surveys from Jan. 2020 to May 2022. The job openings rates come from the Bureau of Labor Statistics JOLTS survey.

How have structural changes in the labor market impacted the job matching process for vulnerable workers?

- The Event: COVID-19 Public Health Crisis
 - Workplace Safety
 - Remote Work
 - Relief and Recovery Assistance
 - Unemployment Insurance
 - Stimulus Checks
 - Child Tax Credit
 - The “Great Resignation”
 - Retirements
- The Impacts – For a given level of vacancies, higher unemployment rate
 - Changed preferences and incentives for work
 - Exacerbated existing barriers to work
- The Economic Model - Beveridge Curve
 - Relationship between unemployment and job vacancies changed

The Beveridge curve shifted outward and then inward

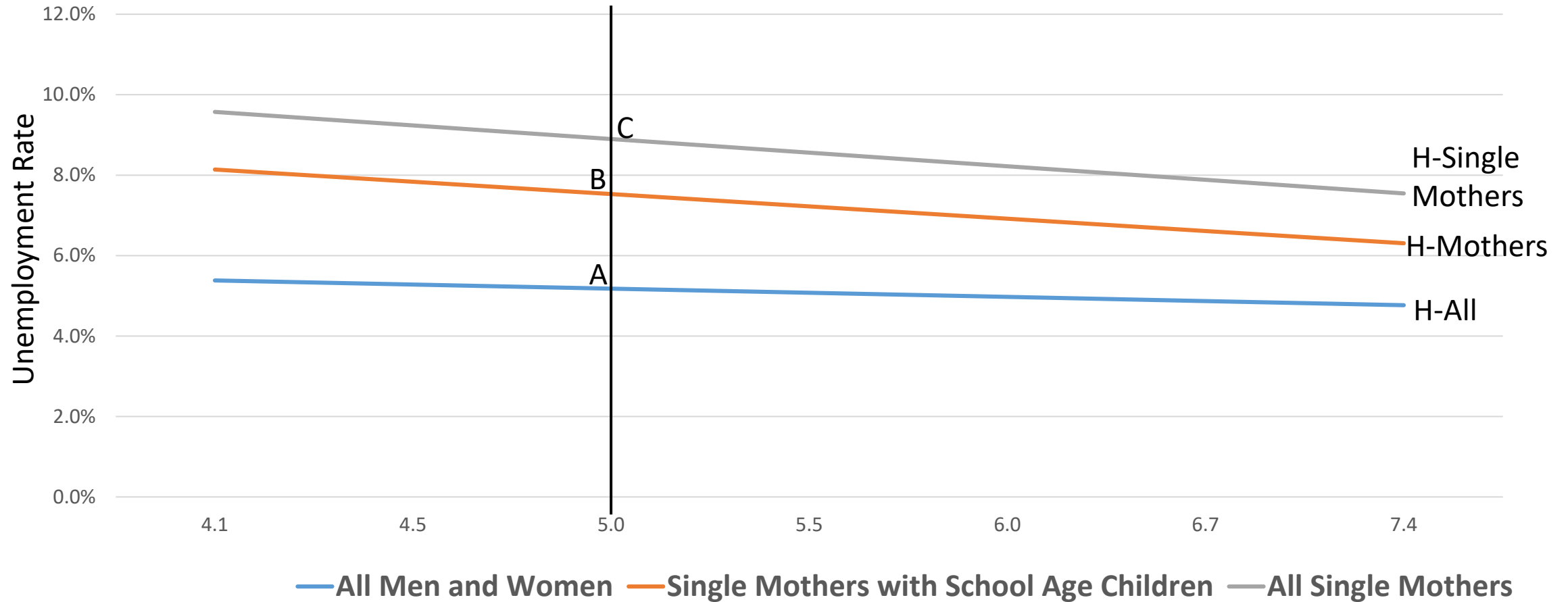


Notes: Beveridge curves are constructed from coefficients that come from a regression of a dummy variable indicating whether the individual is unemployed on the natural logarithm of their state's job openings rate, plus dummy variables for period, and their interactions with a state's job openings. Included are measures for educational attainment, potential experience, race and ethnicity, state of residence, family income and marital status.

Are the unemployment rates of vulnerable workers structurally different from the typical worker?

- Even in the “tightest” labor market, barriers exist that make the job matching process inefficient (ie. Longer time to acquire job)
 - Personal Characteristics
 - Education and training
 - Mental health
 - Past Incarceration
 - Structural Features of the Labor Market
 - Access to child care
 - Transportation
 - Job Information and networks
 - Employer and societal attitudes about Vulnerable Workers

The Beveridge curve of mothers represents more inefficiencies in their job matching process. (July 2021 to May 2022)



Notes: Beveridge curves are constructed from coefficients that come from a regression of a dummy variable indicating whether the individual is unemployed on the natural logarithm of their state's job openings rate, plus dummy variables for period, and their interactions with a state's job openings. Included are measures for educational attainment, potential experience, race and ethnicity, state of residence, family income and marital status.

Fighting Broad-Based Inflation

- Fed's priority is to curb inflation
- Labor market's strength is the economy's biggest asset
- Strength reduces risk of serious downturn
- Another Key: As job openings fall, keep unemployment rates of vulnerable workers from rising
- Why Important?
 - Most sensitive to decline in vacancies
 - Job loss has bigger repercussions for their economic security

Fighting Broad-Based Inflation cont.,

- How do we keep unemployment down as job openings fall?
- Invest in tools that improve their job matching process
- The candidates:
 - Personal characteristics
 - Structural Features of Labor Market and the Economy

Personal Characteristics that Impact the Job Matching Process

Strengths

- Honesty and Respectfulness
- Positivity
- Personal Communication Skills
- Dependability
- Curiosity and Creativity
- Writing and Technical Skills
- Responsibility
- Ambition, Determination and Taking the Initiative
- Personal Discipline

Weaknesses

- Poor work habits and unwillingness or inability to learn
- Lack of critical thinking and problem solving
- Lack of communication or interpersonal skills
- Lack of teamwork and collaboration
- Inability to pass a drug test
- Lack of technical skills specific to the job
- Inability to think creatively
- Inability to interact with different cultures and backgrounds
- Lack of basic math skills
- Lack of general business or industry knowledge
- Inability to understand written and graphical information
- Lack of writing or general computing skills

Structural Hurdles in the Job Matching Process

- Child and elder care
- Transportation
- Job Information and networks
- Employer and societal attitudes about Vulnerable Workers
 - Race, ethnicity gender, and age
 - Mental health
 - Ex-offender
 - Disability

Summary and Conclusions

- Priority #1 for the Fed today: reduce inflation to its target
- Increasing interest rates is an important move toward economic equity
- Fed can't do it all
 - A healthy economy is a shared responsibility
 - Depends on the work of many players and parts of government
- To keep unemployment rates of vulnerable workers from rising, investments that make the job matching process more efficient are needed
- Improving job matching efficiencies for vulnerable workers represents a choice
 - Responsive efforts vs Reactive responses
 - Phram Oil Filter Commercial – “You can pay me now, or pay me later”
 - The Game Musical Chairs – Help vulnerable people find chairs quicker

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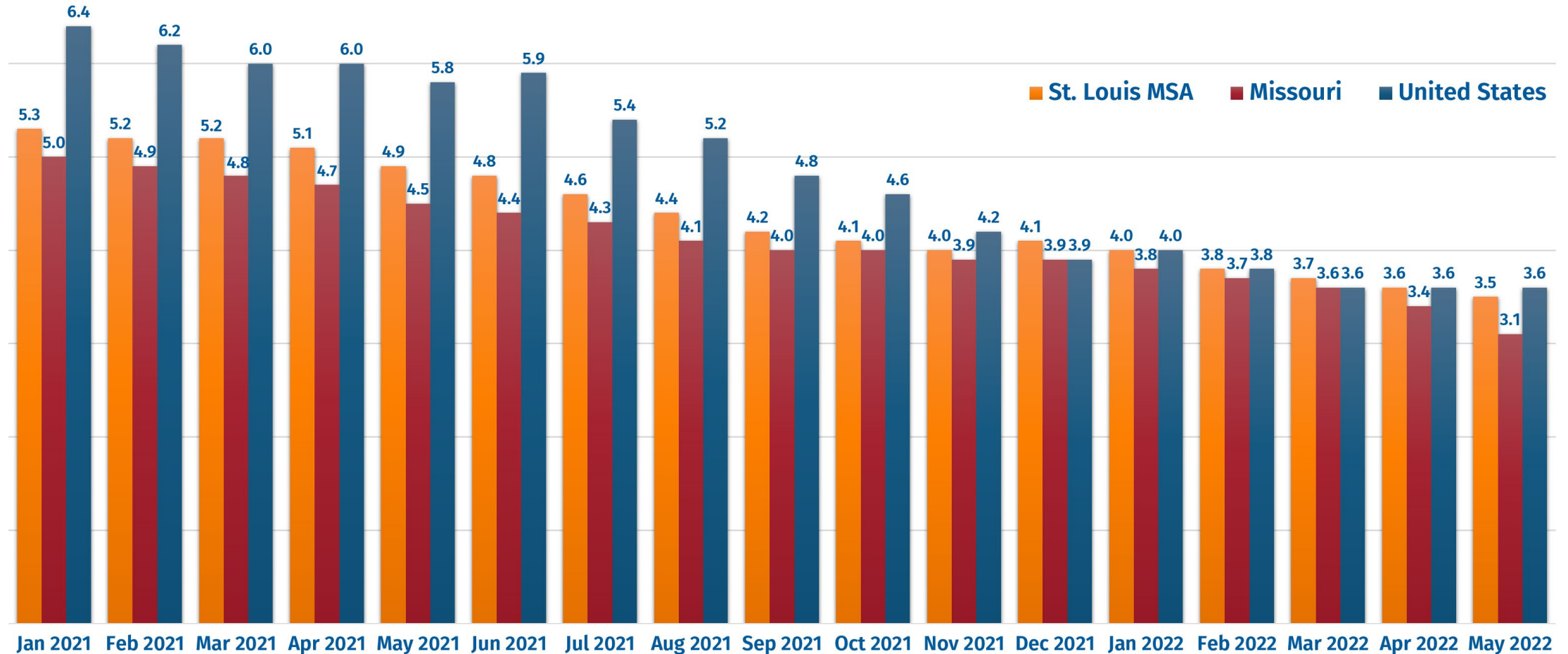


Pathways to Work

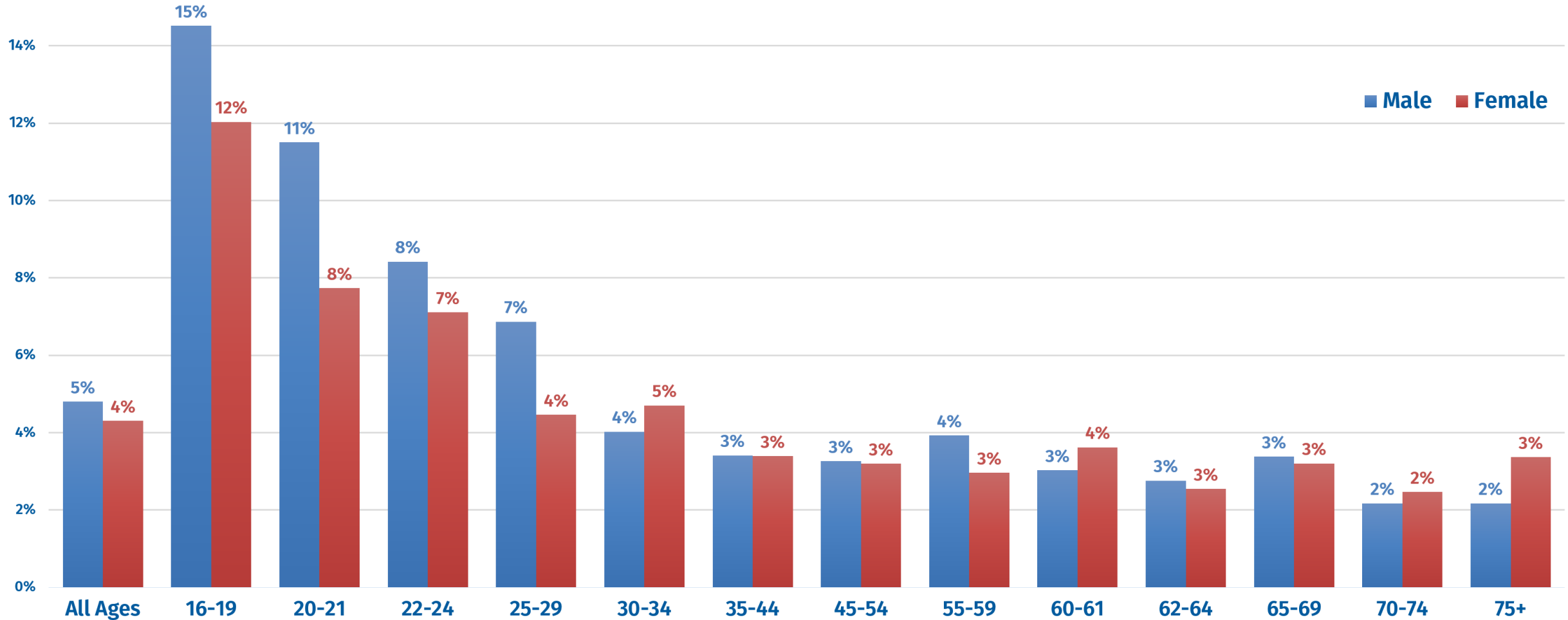


- **St. Louis Economy**
- **Employer Survey**
- **Startups**

Seasonally Adjusted Unemployment Rate

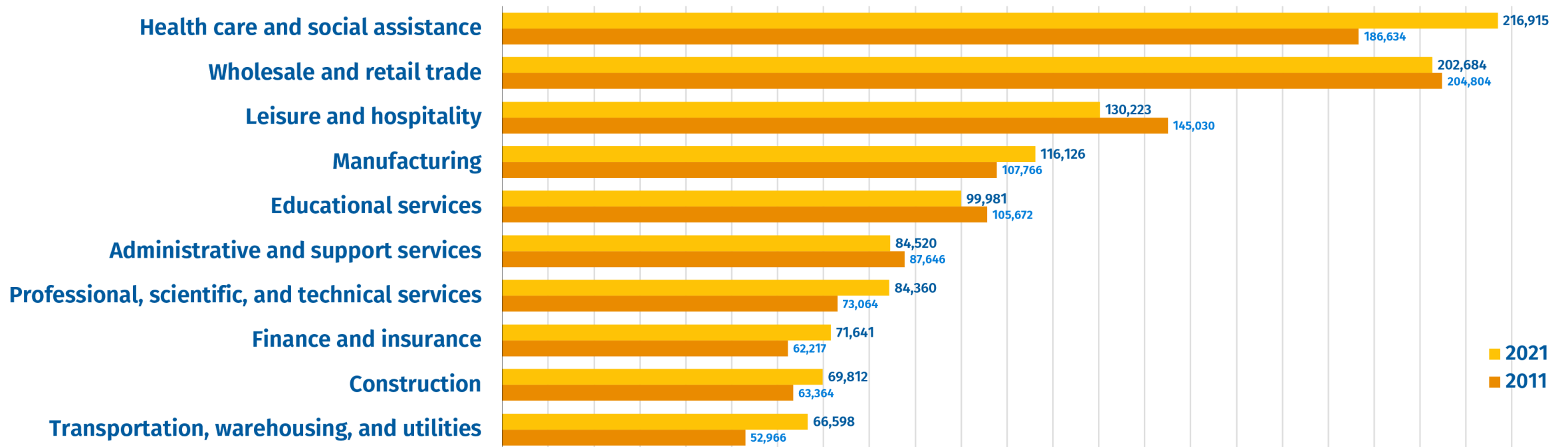


St. Louis MSA Unemployment Rates by Age and Sex

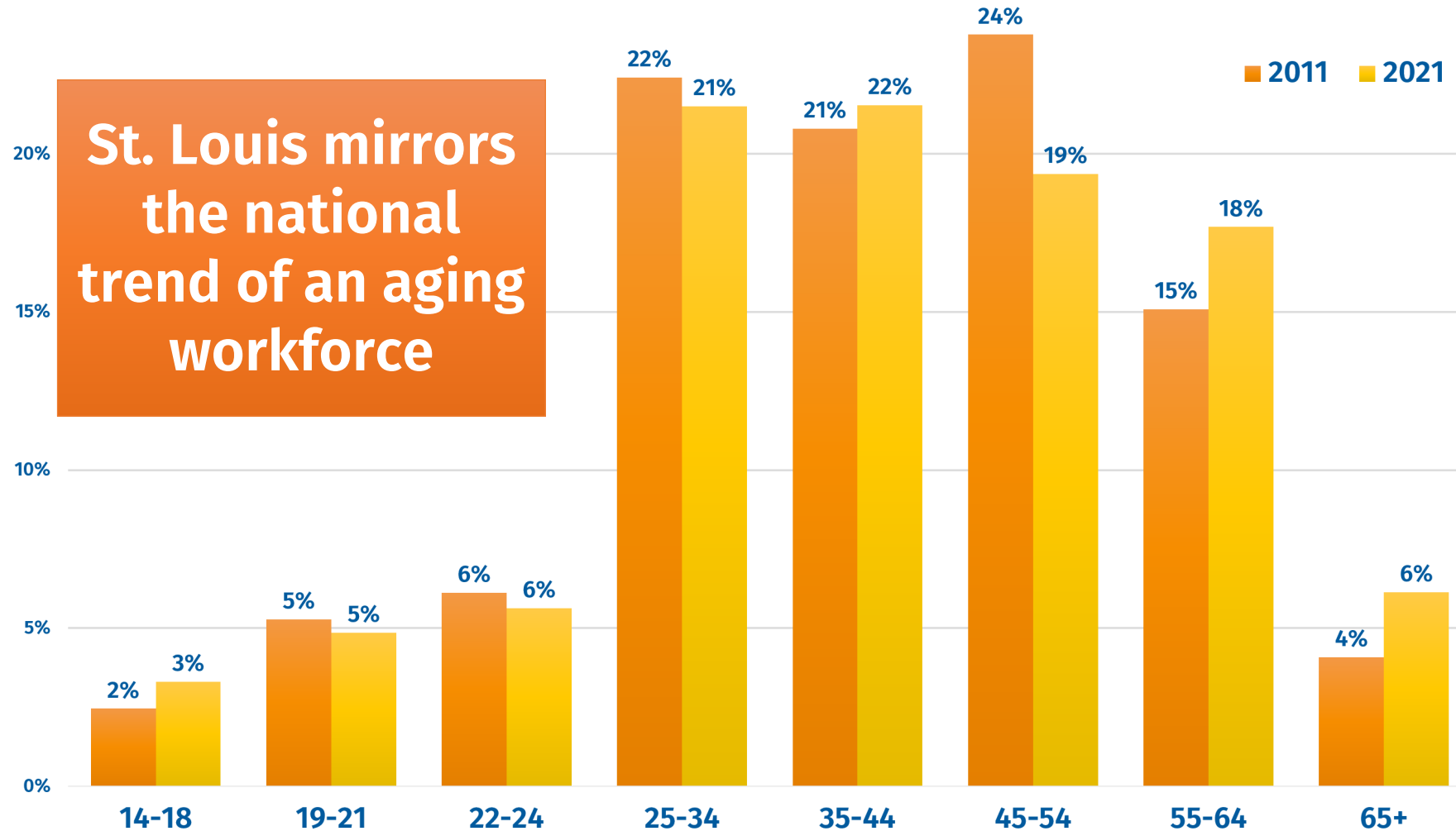


16% growth in health care in the last decade

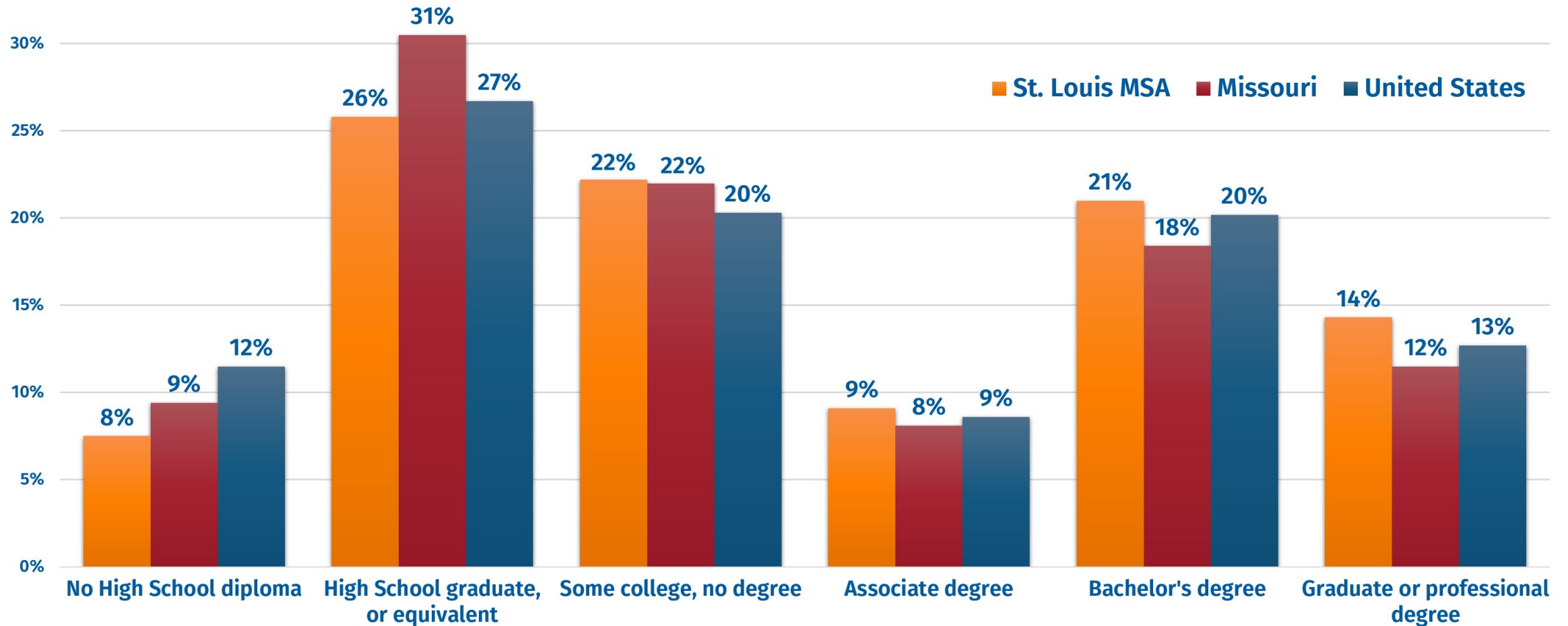
Top 10 St. Louis Industry Clusters



St. Louis MSA Age of the Workforce



Educational Attainment of the Population



Education affects both earnings & unemployment

Biggest salary jump with 4-year degree

Education post-HS provides stability

St. Louis MSA Unemployment Rates and Earnings by Education, Population 25 Years and Older

Unemployment Rates	Educational Attainment	Median Earnings
10.6%	Less than high school graduate	\$24,442
5.5%	High school graduate (or equivalency)	\$32,446
3.9%	Some college or associate degree	\$38,576
2.1%	Bachelor's degree or higher	\$64,148*

* Bachelor's (\$56,522) and graduate (\$72,040) degree medians.

Source: 2020 American Community Survey 5-year estimates, U.S. Census Bureau.

Live interview
survey of
St. Louis MSA
employers

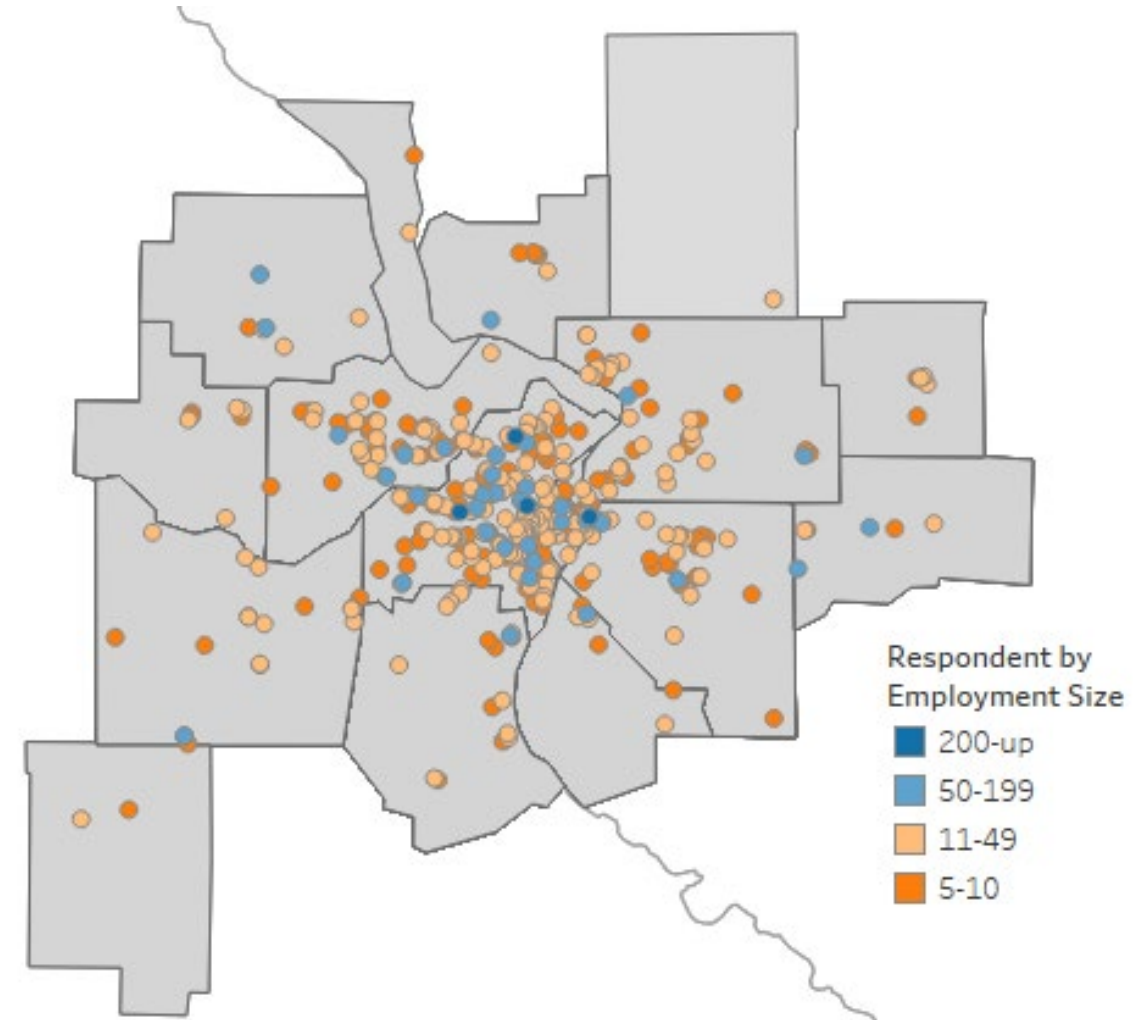
Each interview
takes about
20 minutes



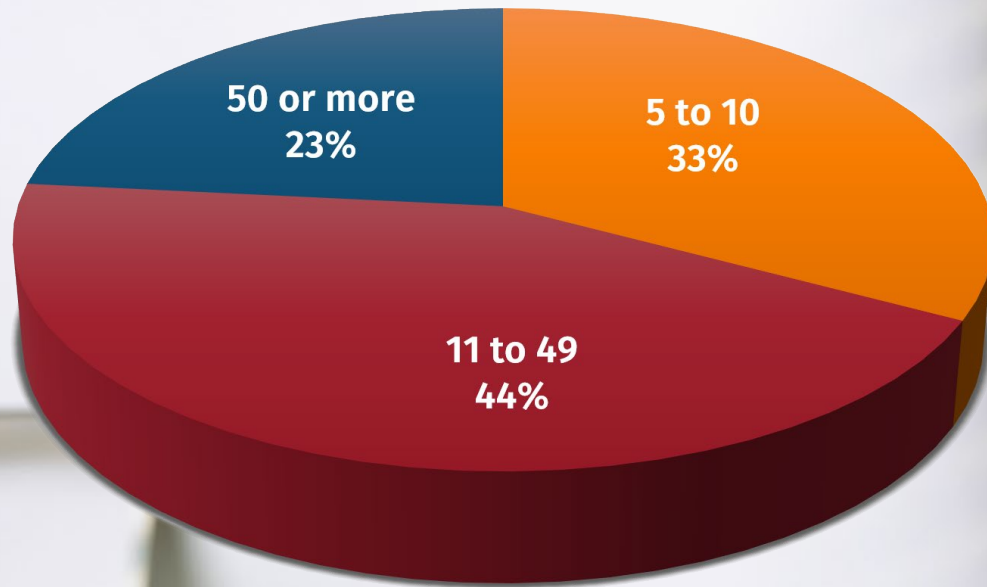
2022 State of the St. Louis Workforce Employer Survey

NAICS	Category Description	Businesses Surveyed	Percent
NAICS 23	Construction	31	7.1%
NAICS 31-33	Manufacturing	24	5.5%
NAICS 42	Wholesale trade	20	4.6%
NAICS 44-45	Retail trade	62	14.2%
NAICS 48-49	Transportation and warehousing	11	2.5%
NAICS 51	Information	12	2.7%
NAICS 52	Finance and insurance	22	5.1%
NAICS 53	Real estate and rental and leasing	10	2.3%
NAICS 54	Professional and technical services	40	9.2%
NAICS 56	Administrative and waste services	14	3.2%
NAICS 61	Educational services	7	1.6%
NAICS 62	Health care and social assistance	69	15.8%
NAICS 71	Arts, entertainment, and recreation	12	2.7%
NAICS 72	Accommodation and food services	54	12.4%
NAICS 81	Other services	43	9.9%
	Other small sectors and Unclassified*	5	1.2%
	Total	436	100.0%

(*) Other small sectors with Less than 1% of STL MSA Establishments:
 NAICS 11 Agriculture, forestry, fishing and hunting
 NAICS 21 Mining, quarrying, and oil and gas extraction
 NAICS 22 Utilities
 NAICS 55 Management of companies and enterprises

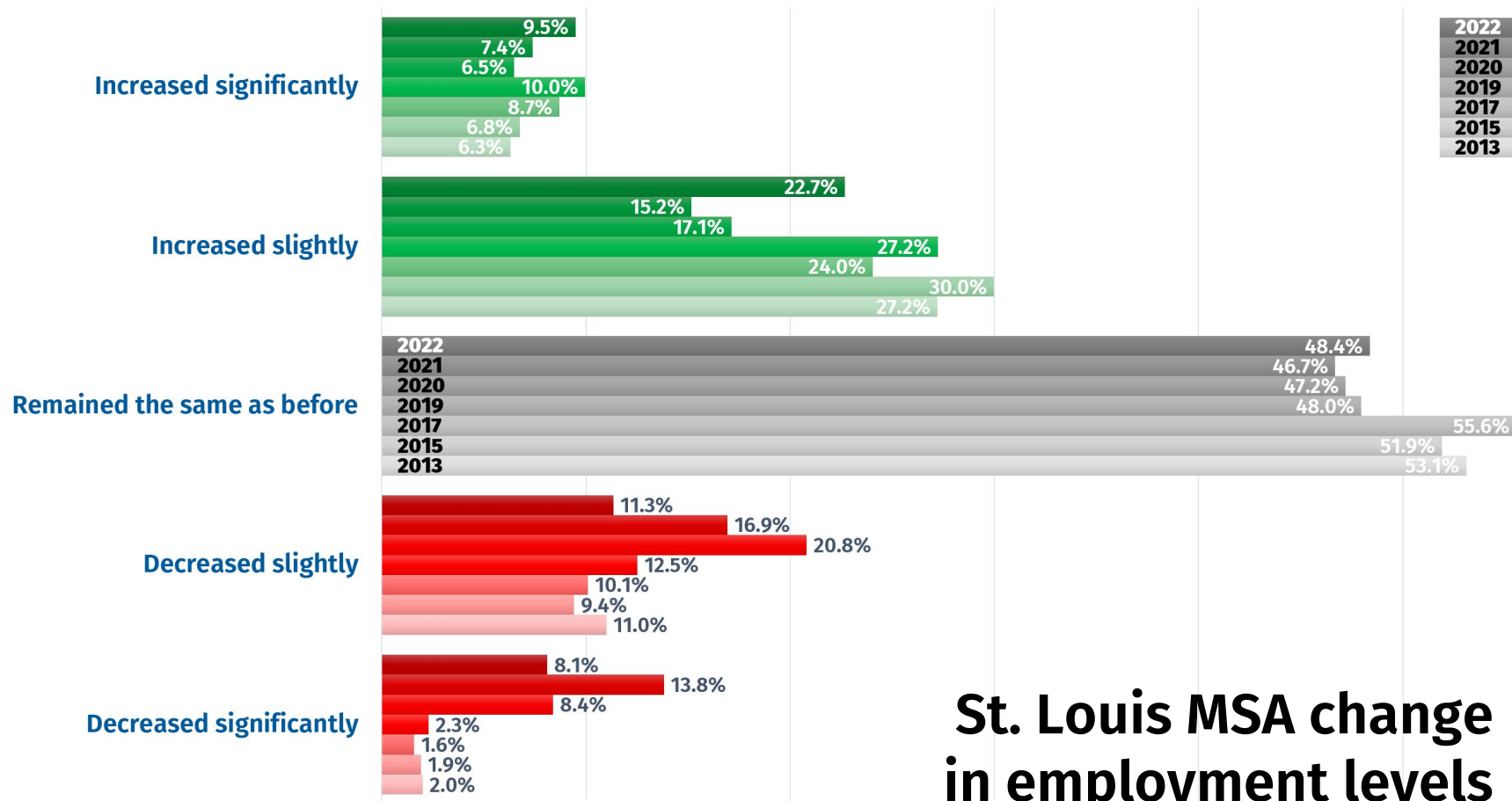


Employment Size of Firms Surveyed



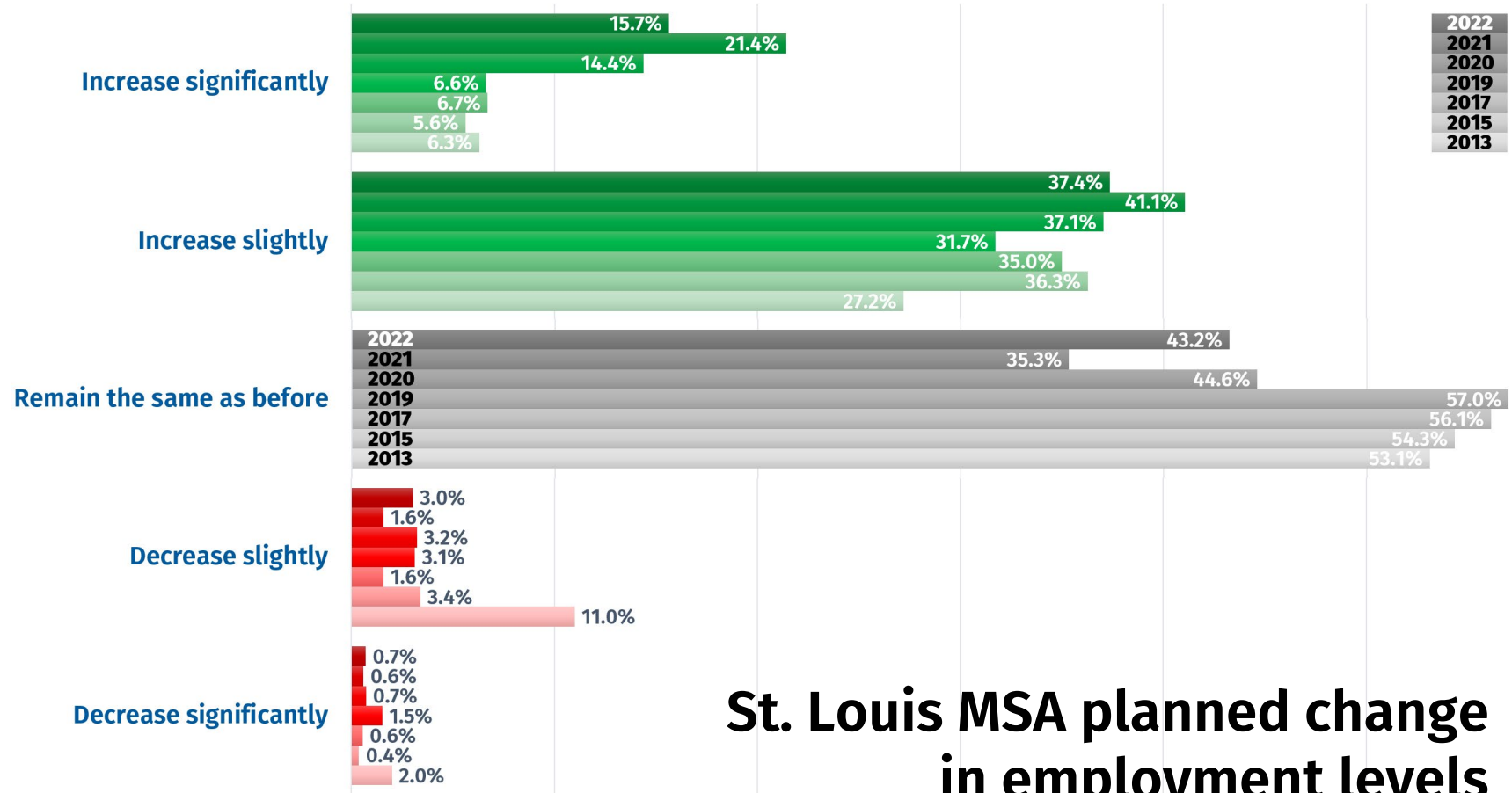
32% of companies hired employees in the last 12 months

19% cut employees



St. Louis MSA change in employment levels over the past 12 Months

53% plan to hire in the next 12 months



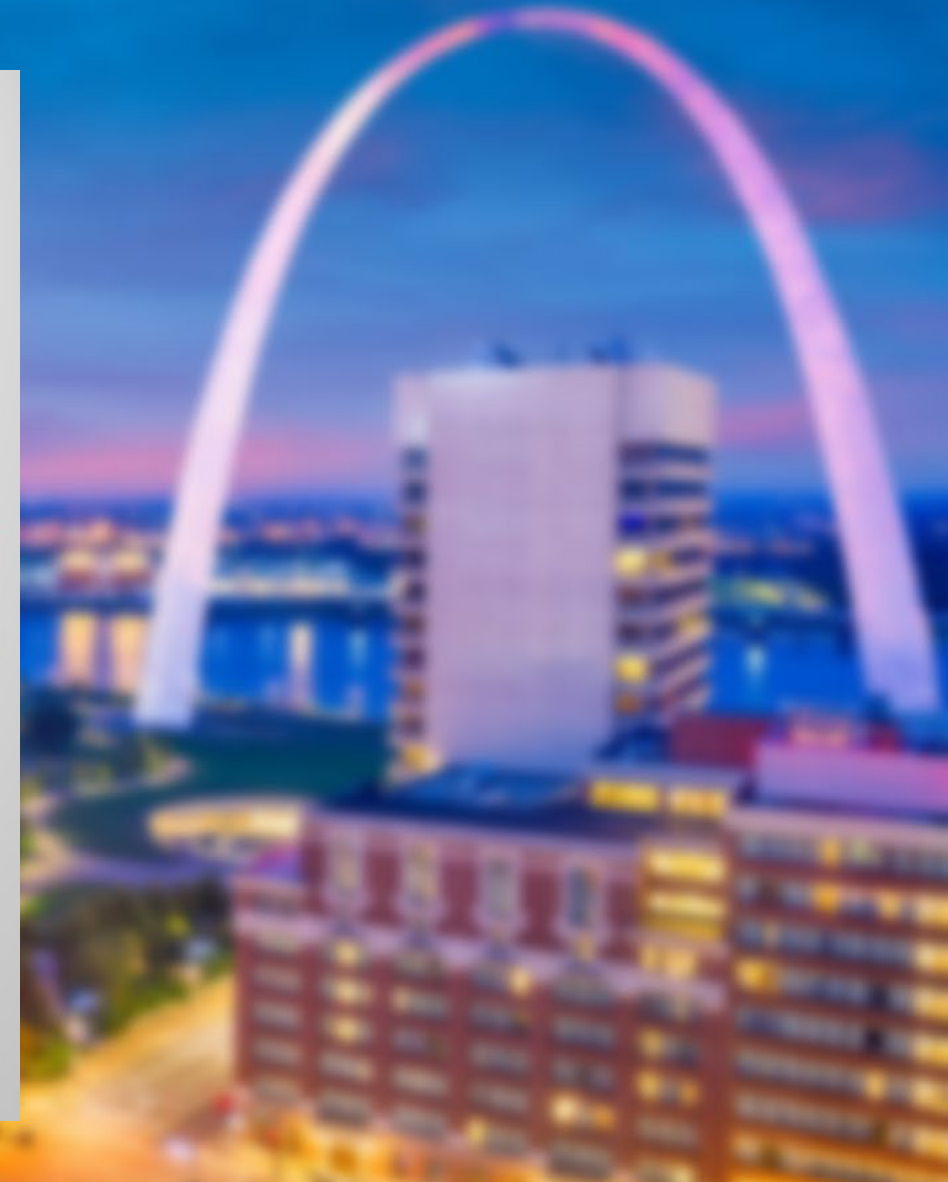
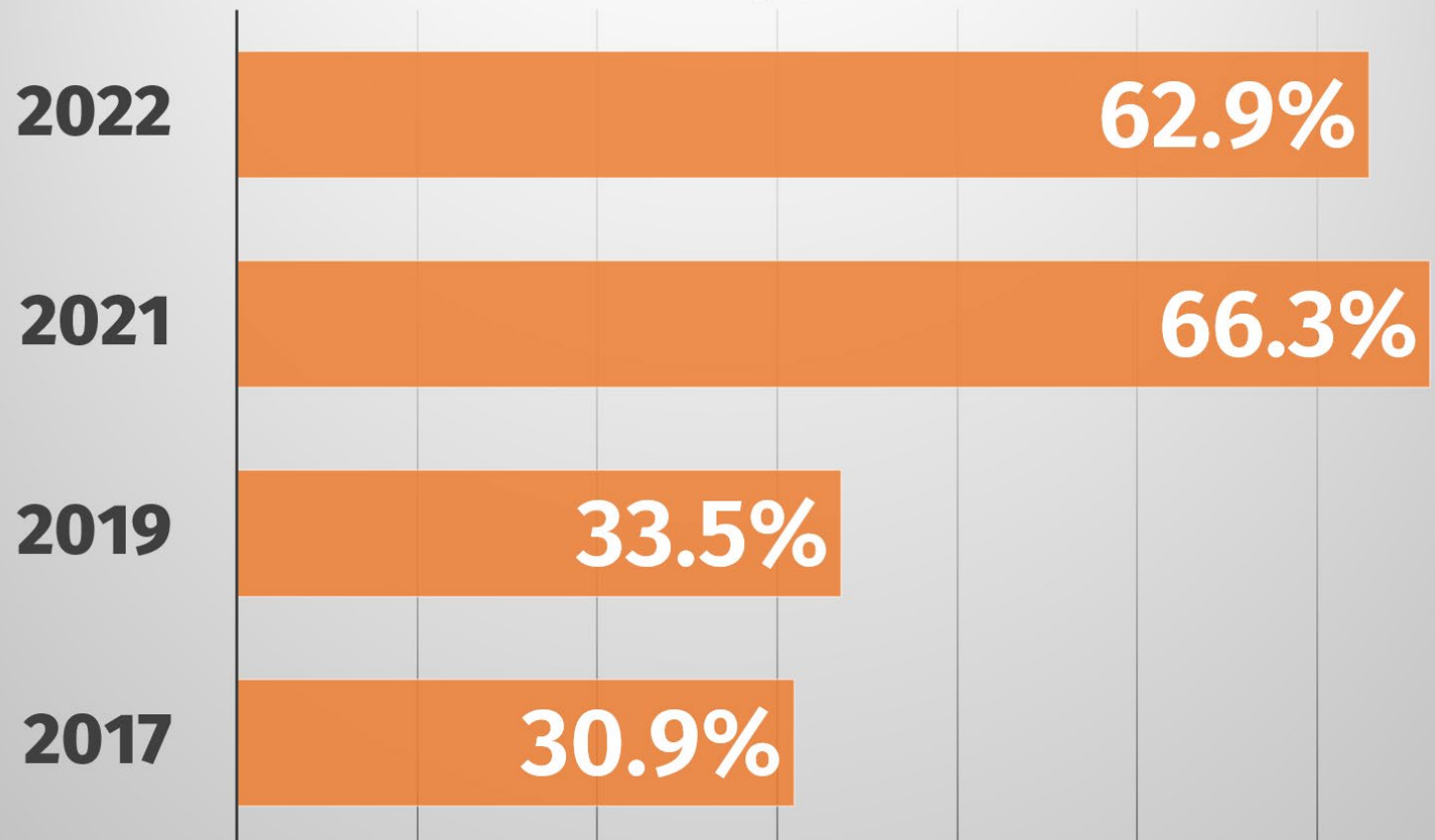
St. Louis MSA planned change in employment levels over the next 12 Months

Shortage of applicants

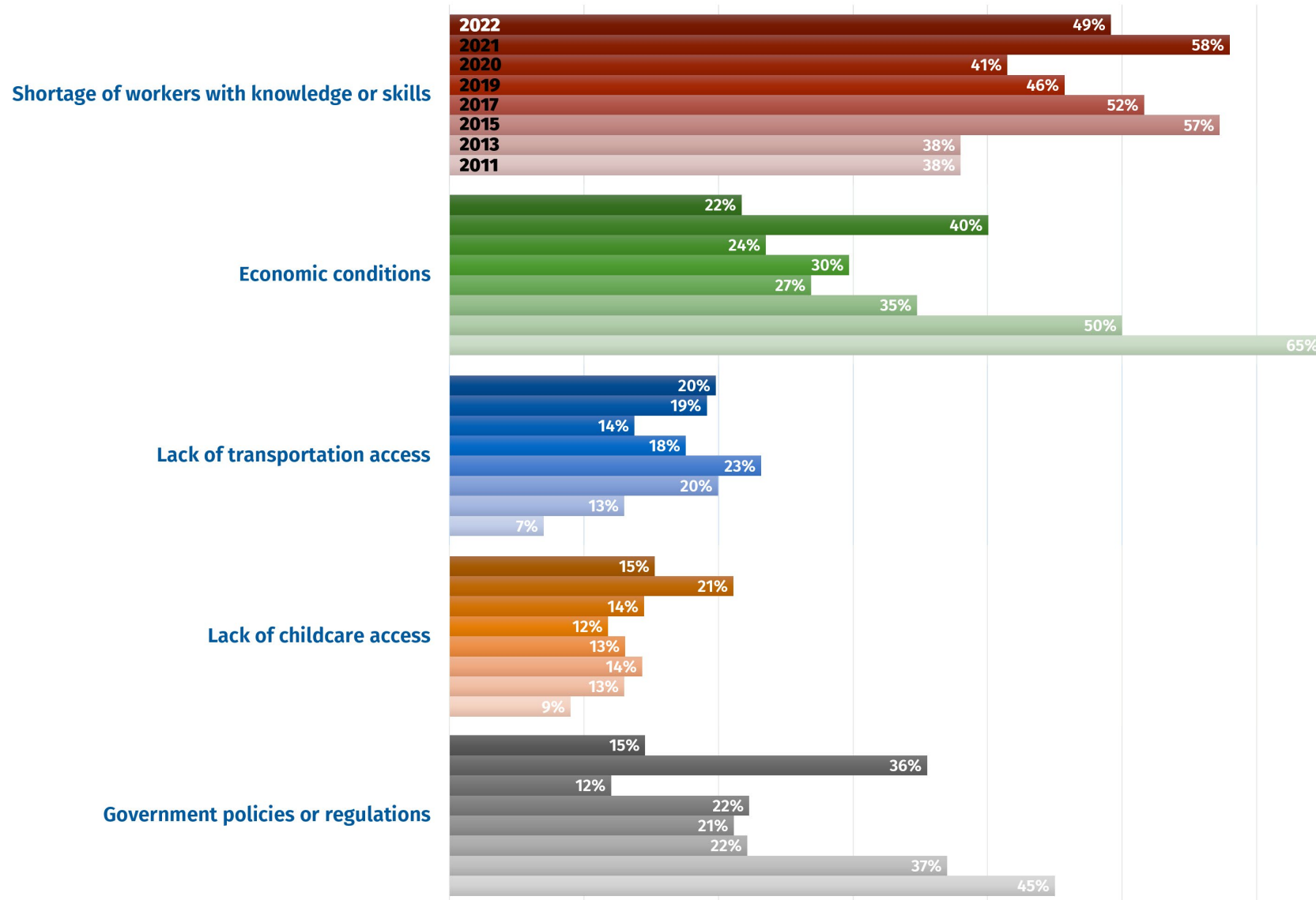
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Businesses Experiencing a Shortage of Skilled Applicants

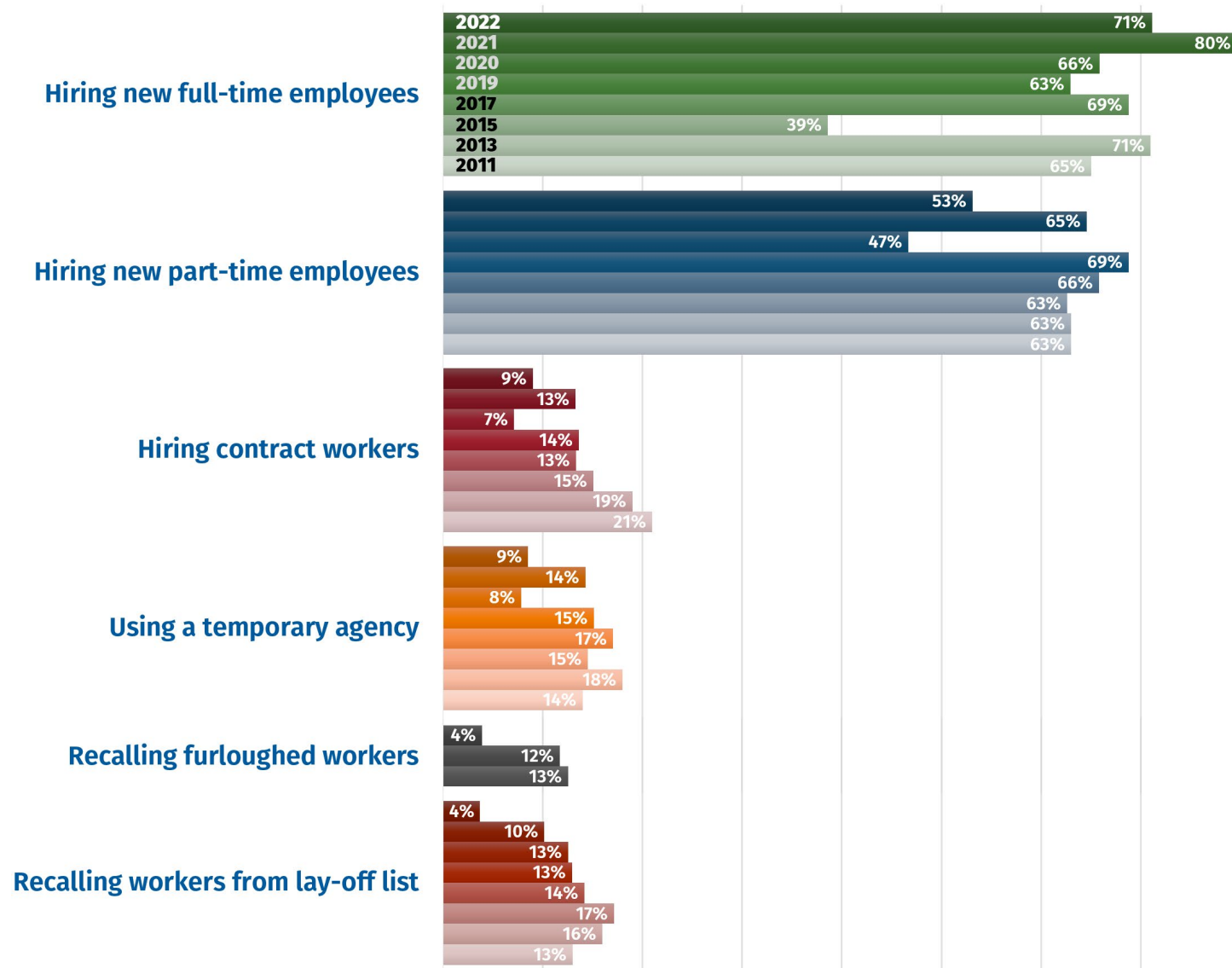


Barriers to growth



Shortage of workers with knowledge or skills still #1

Adding workers

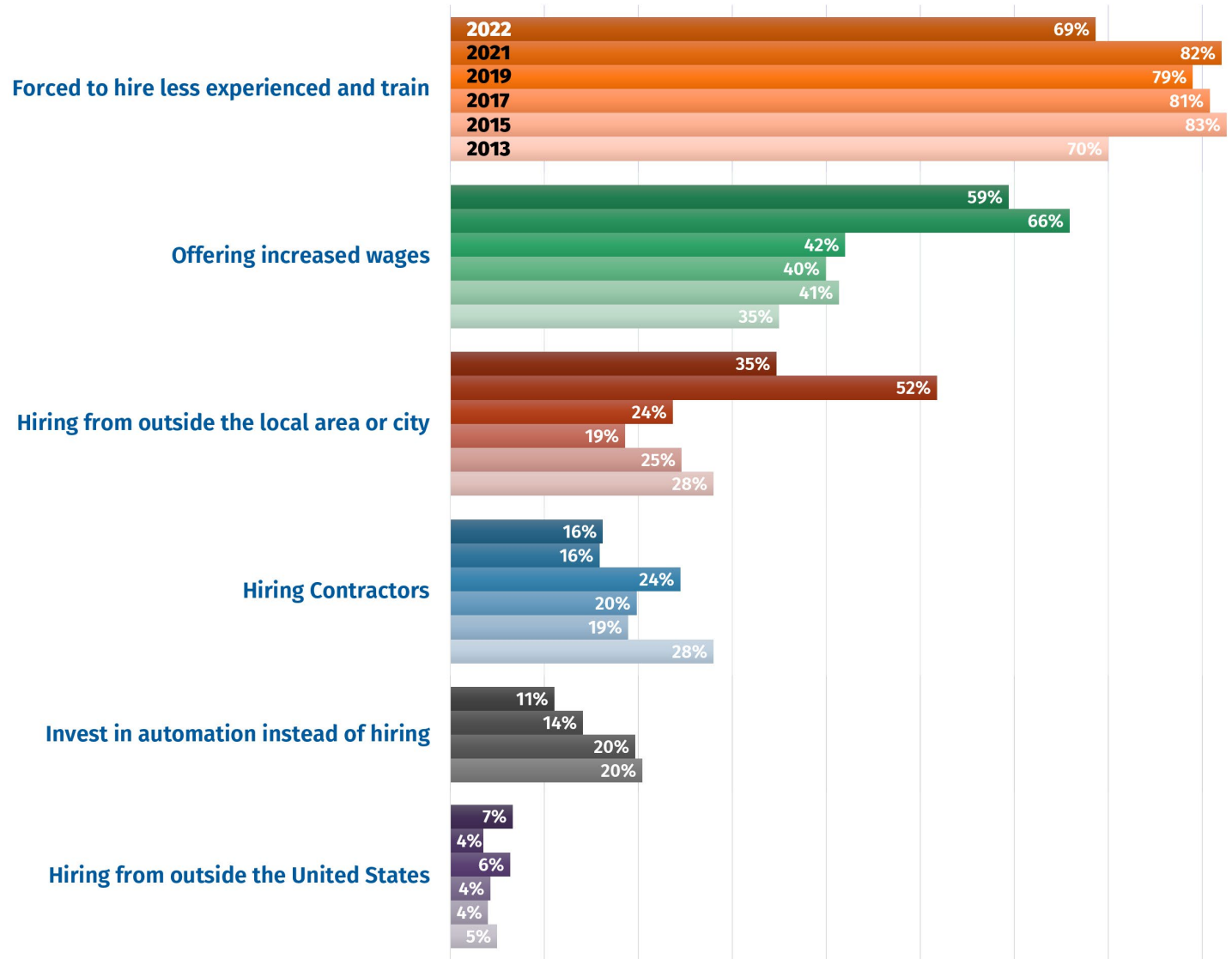


71% plan to hire new full-time employees

Measures taken to address skill shortages

69% of companies forced to hire less experienced workers and train

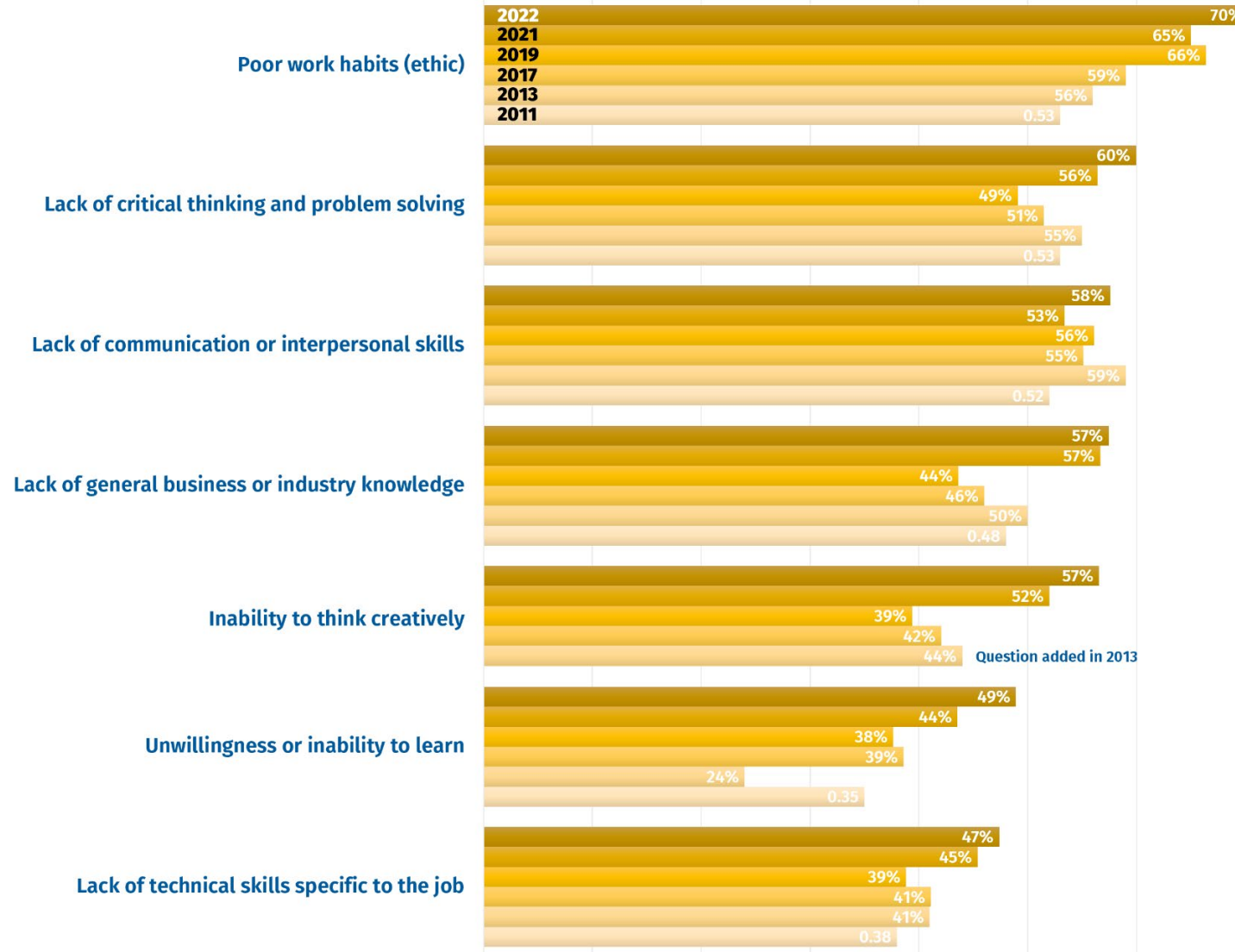
59% are offering increased wages



Shortcomings seen in job applicants

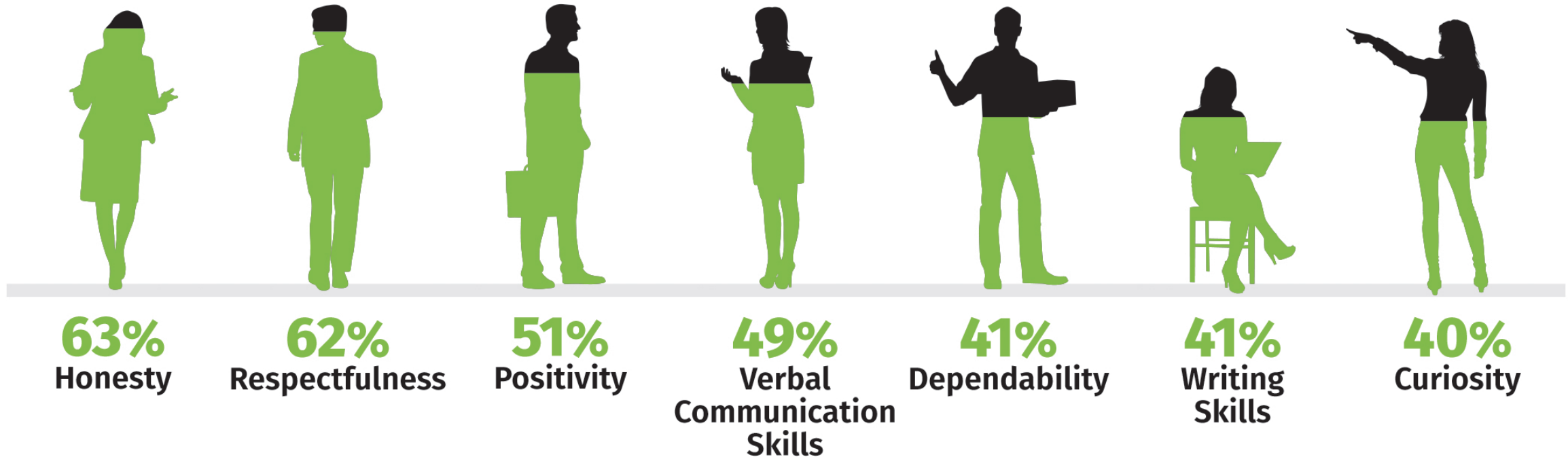
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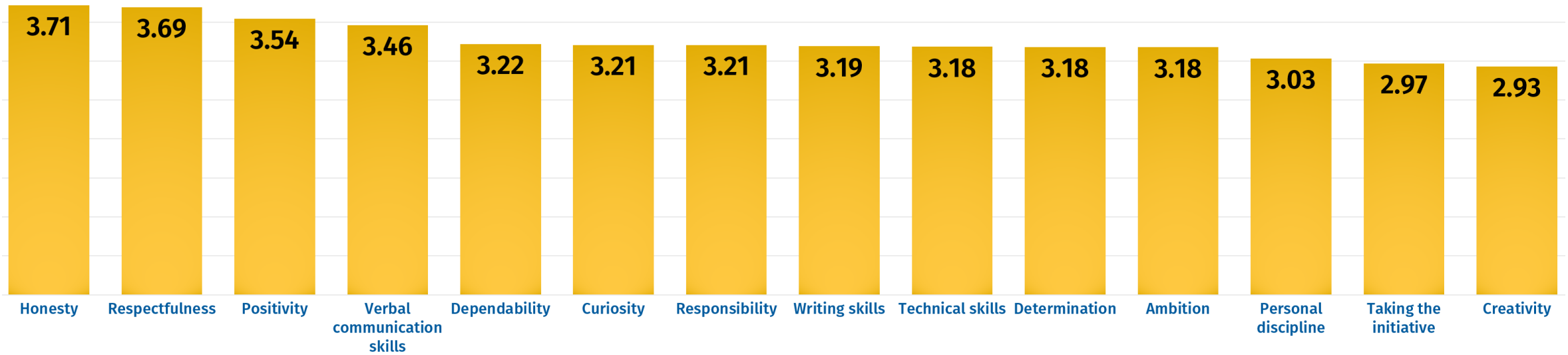


**Poor work habits
still #1**

Top Strengths Seen in Most or All Job Applicants



Ranking of Strengths Seen in Job Applicants



High-skill

requiring a four-year degree or higher

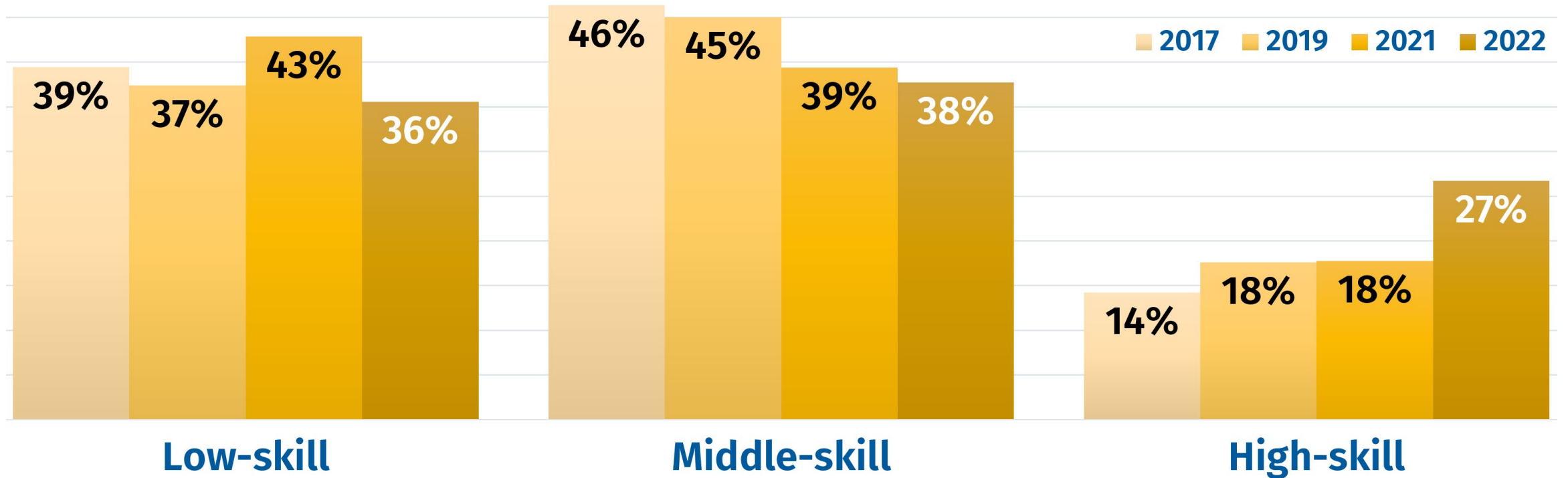
Middle-skill

requiring training or education beyond a high school diploma but less than a four-year degree

Low-skill

requiring a high school diploma or less

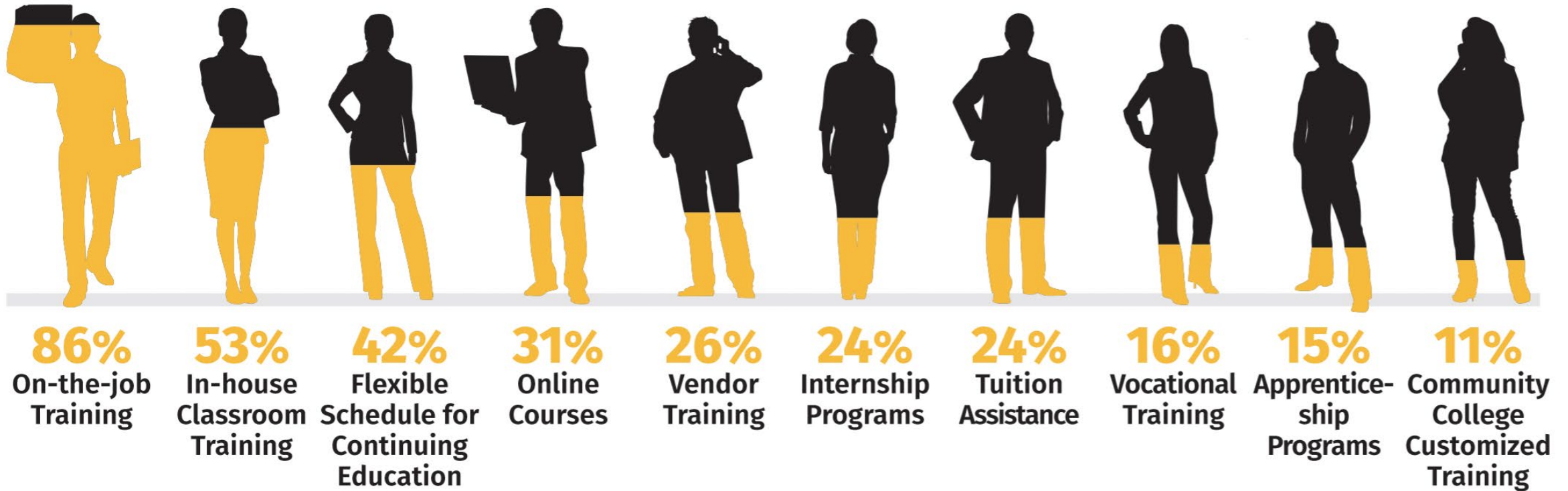
Average Skill Level Required to Meet Skill Shortages



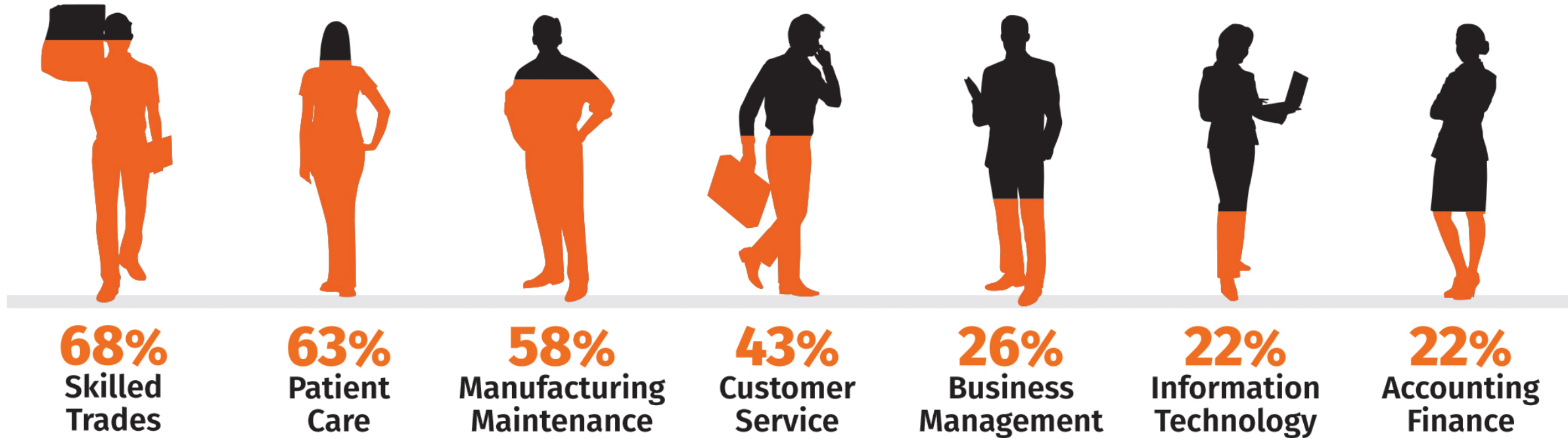
Methods for new or increased skill acquisition

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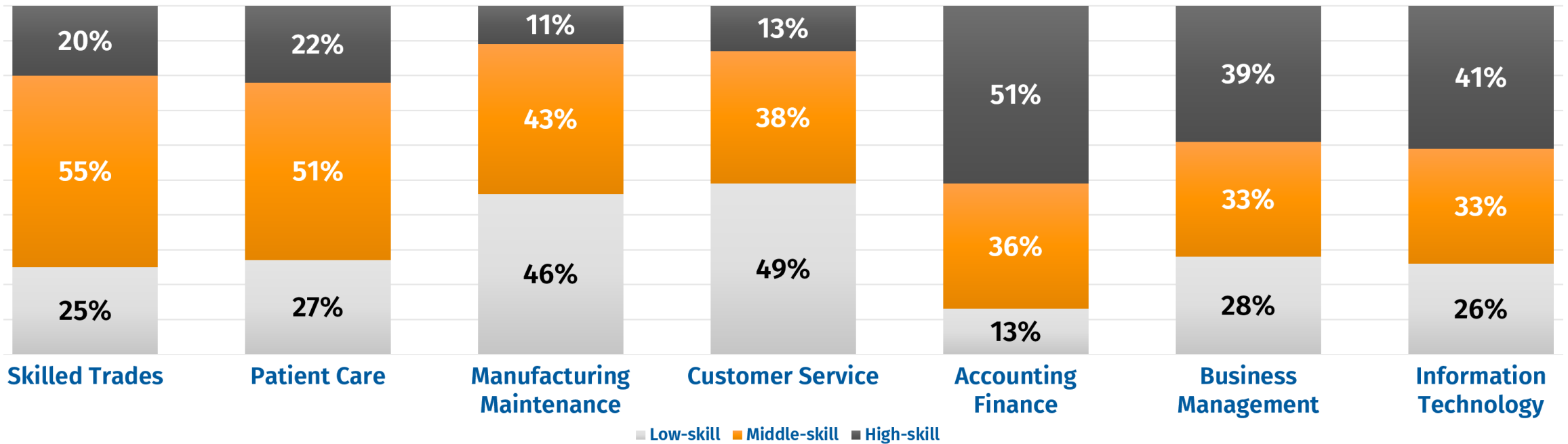
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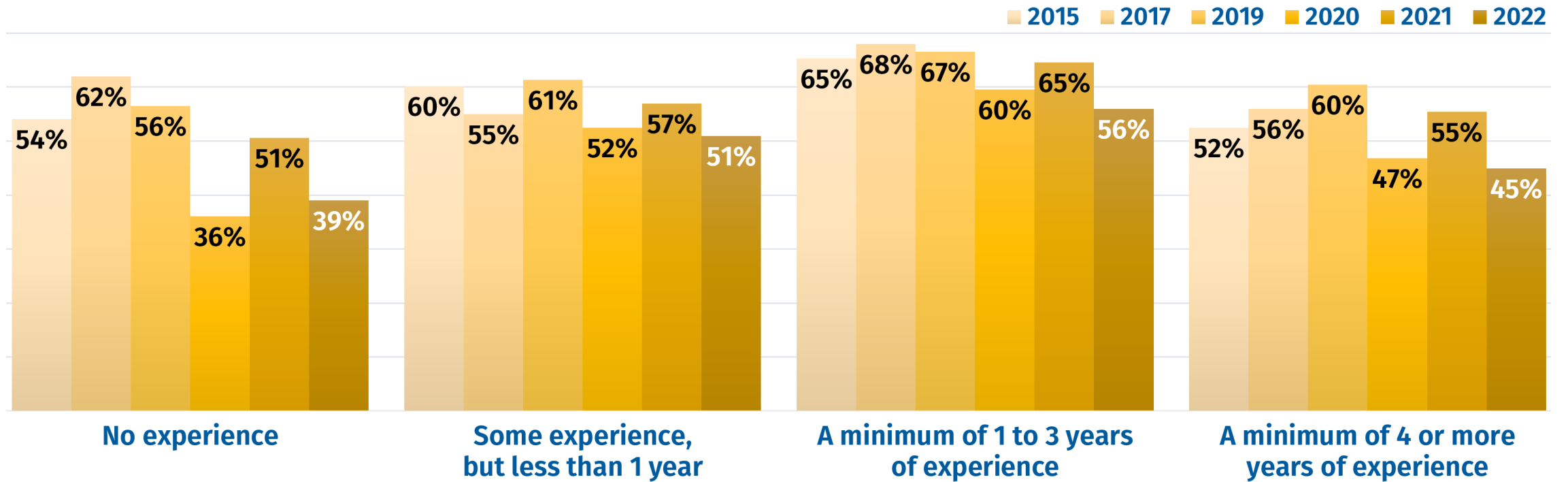
Firms Reporting Applicant Shortages in Functional Areas



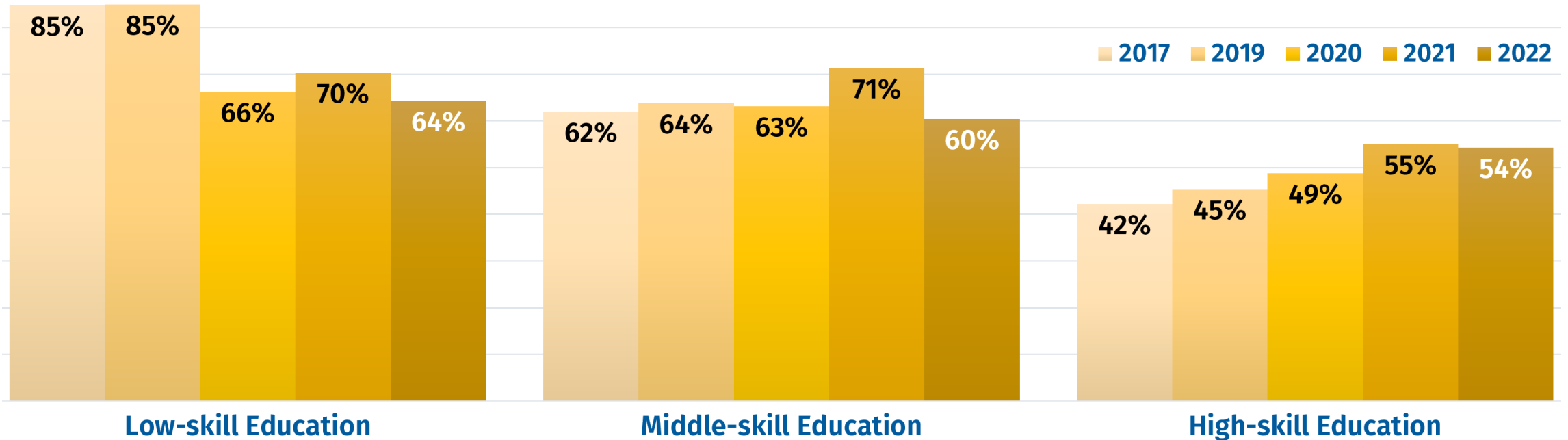
Applicant Skill Levels Sought



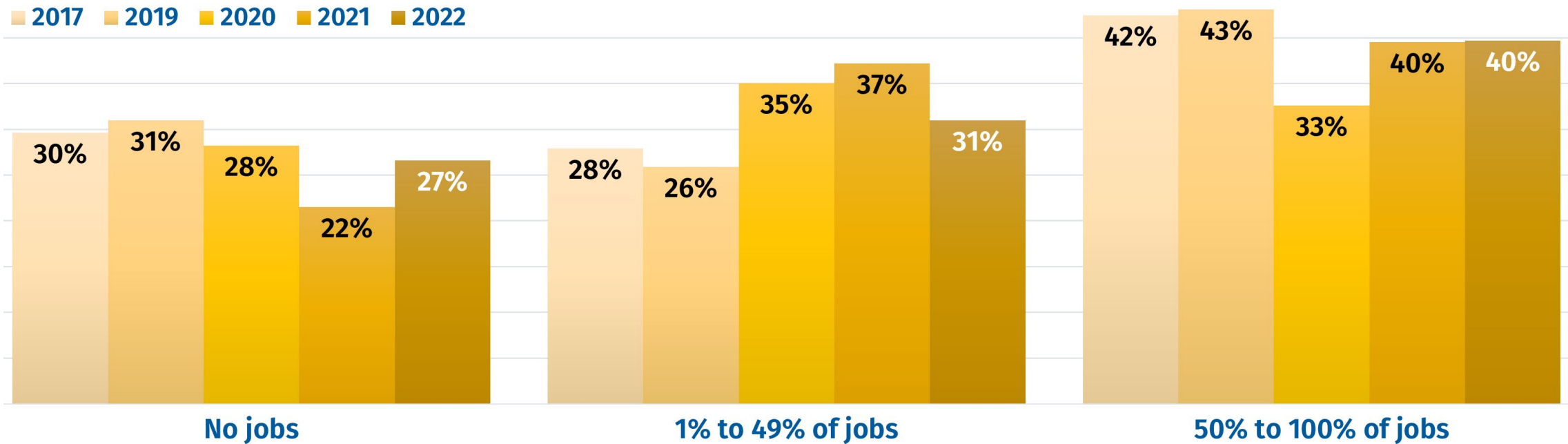
Employers with Jobs at Specified Experience Levels



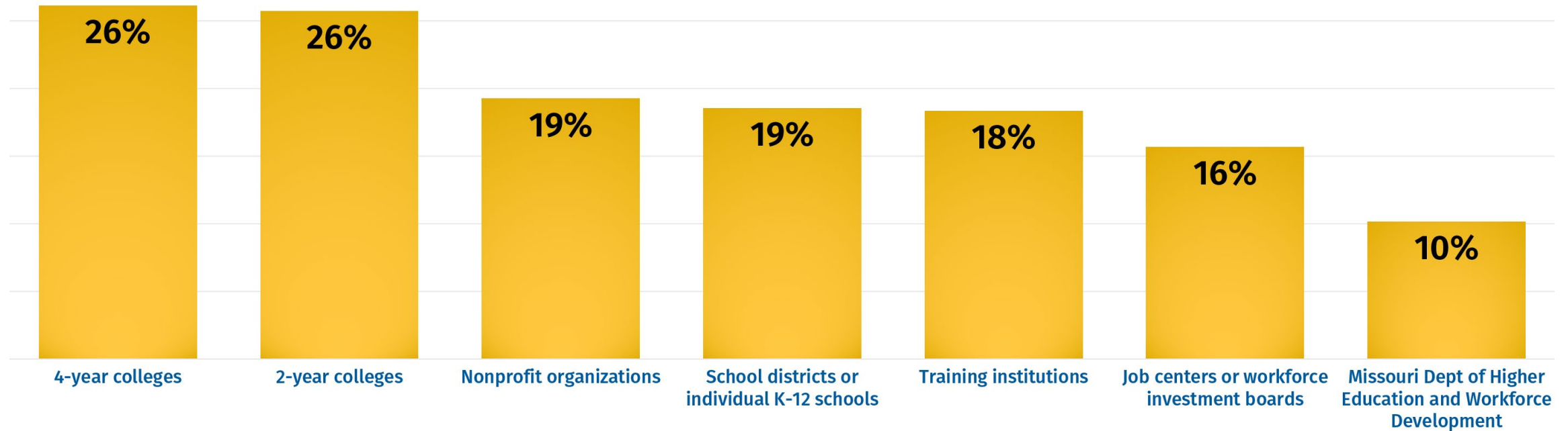
Employers with Jobs at Specified Education Levels



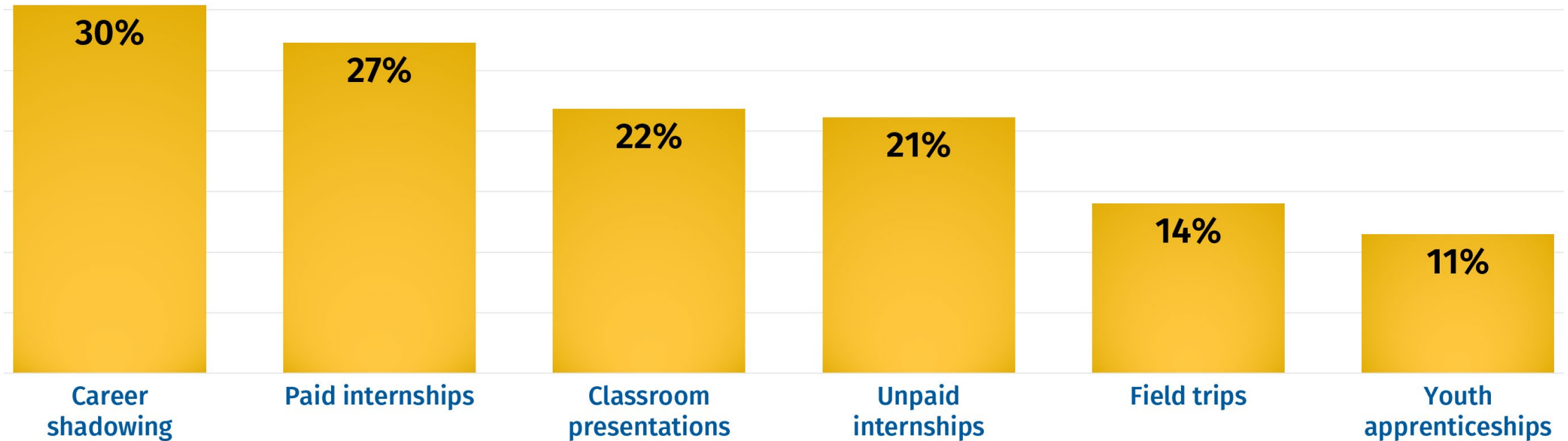
Jobs Available with Short-Term Training



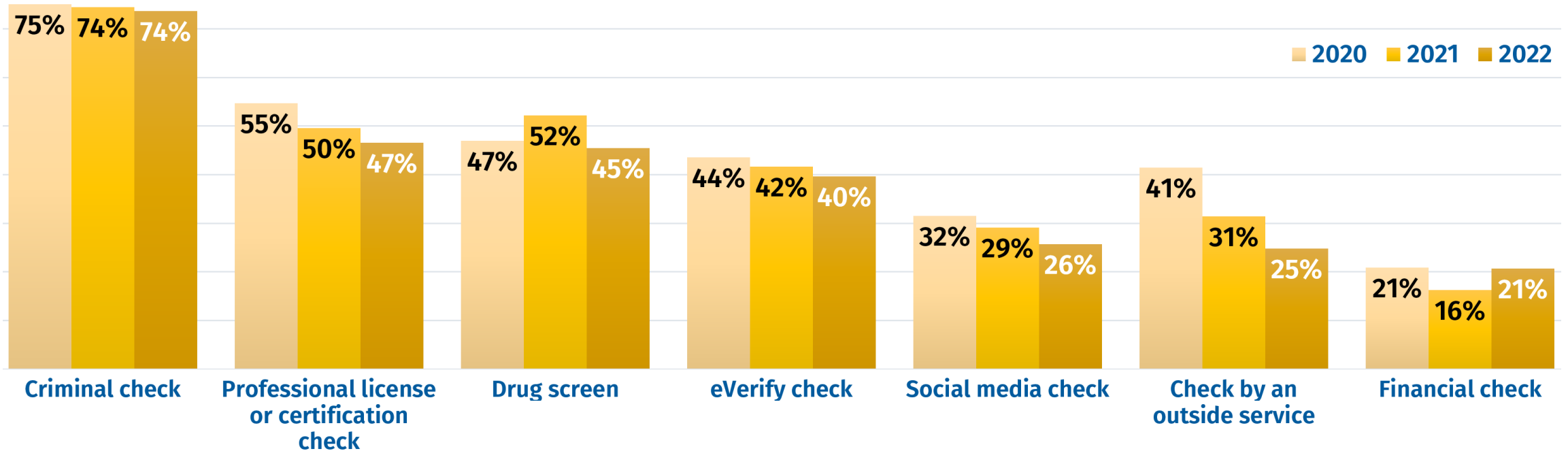
Talent Sourcing Partnerships



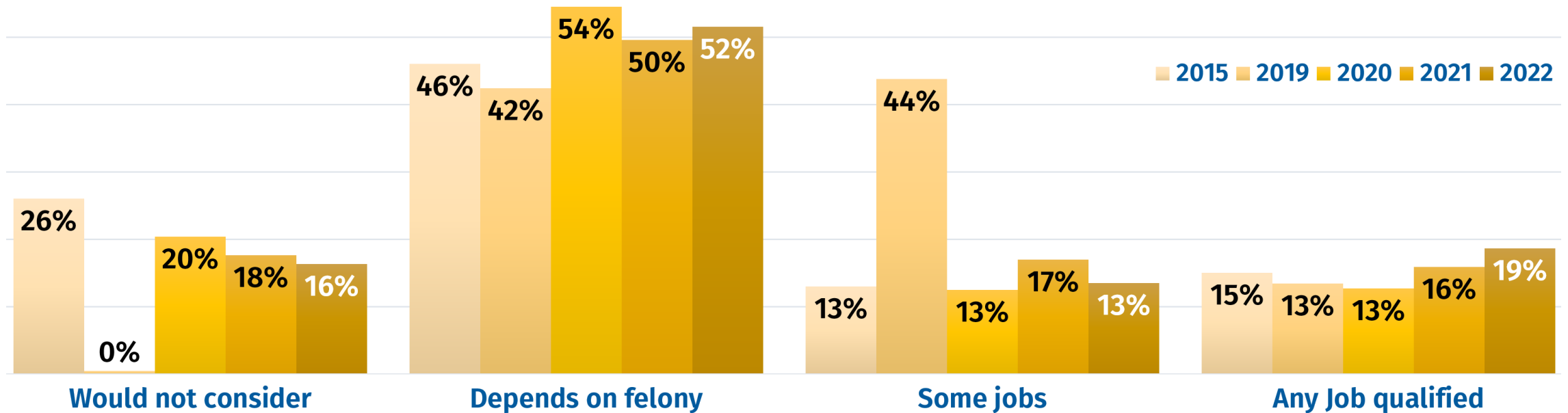
Work-based Learning Opportunities for Students and Young Adults



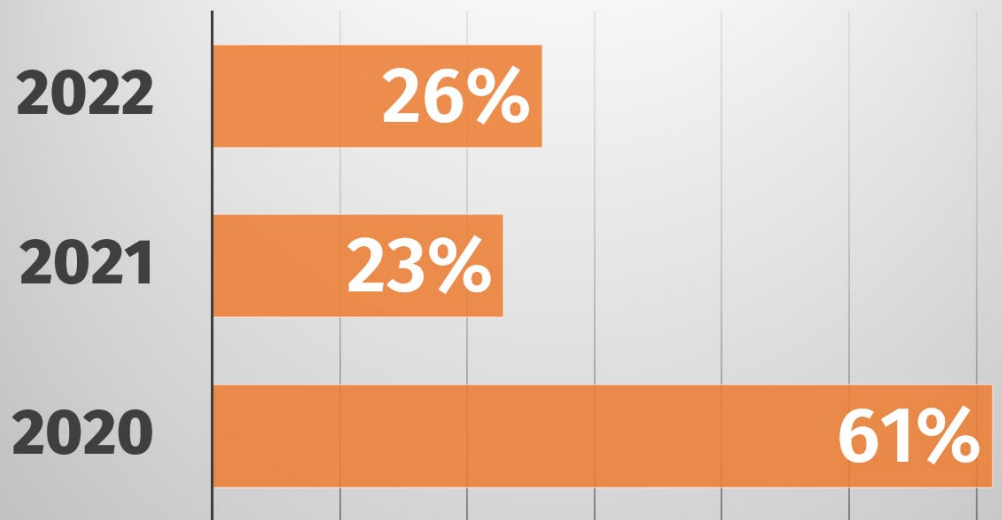
Companies Requiring Pre-employment Screening Checks



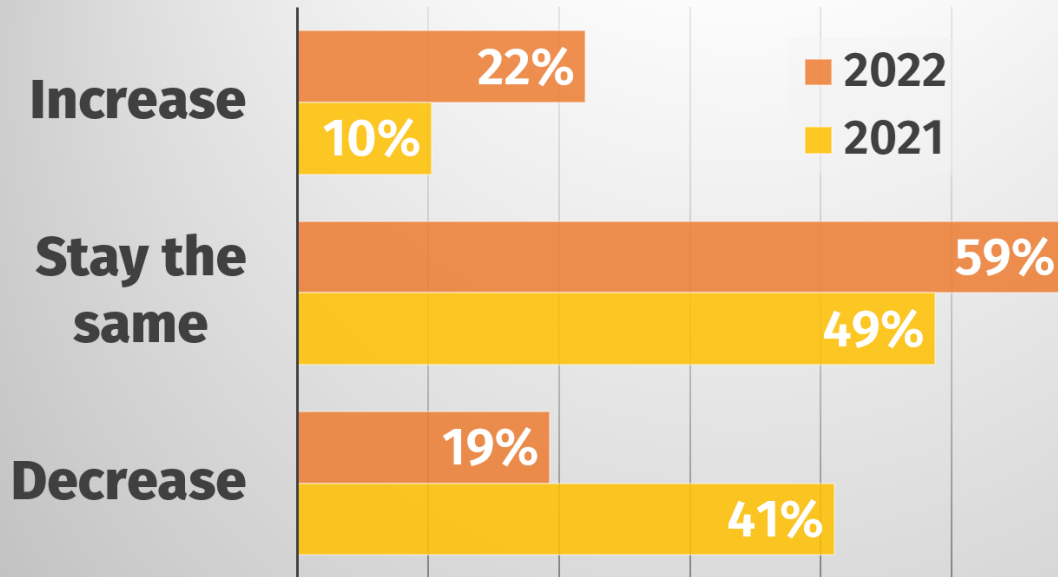
Employer Positions for Justice-involved Individuals



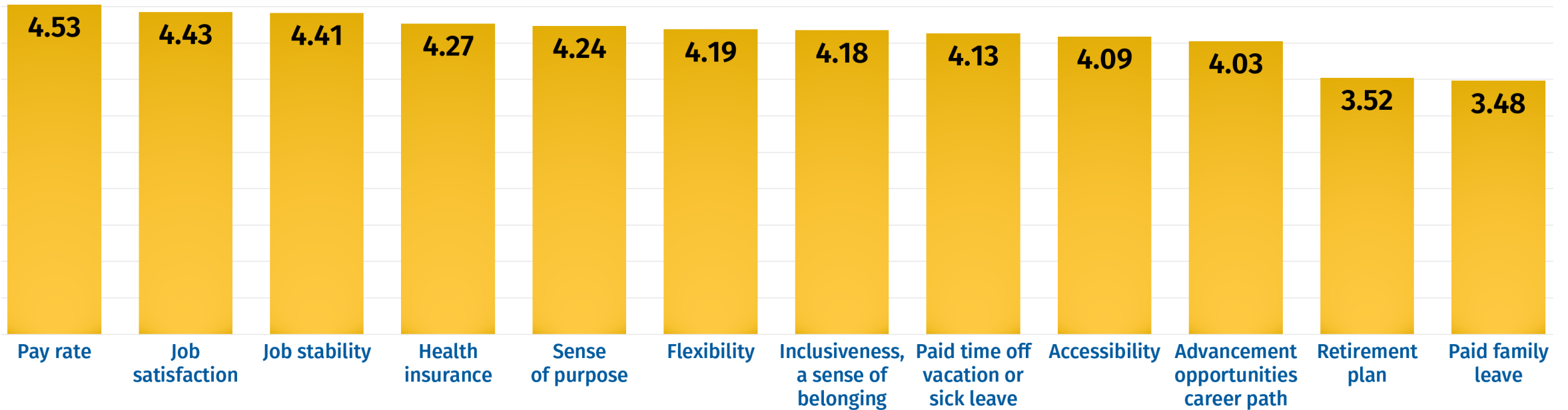
Do you currently have employees working remotely?



Expected change in number of remote workers over the next 12 months



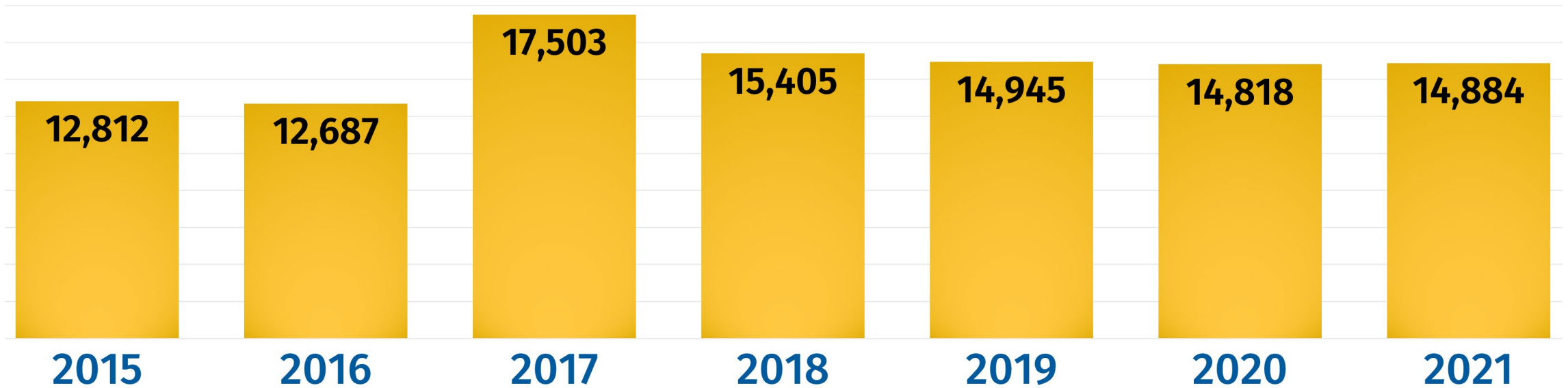
What Makes a “Good Job?”





**St. Louis region
startups added
14,884 jobs
in 2021**

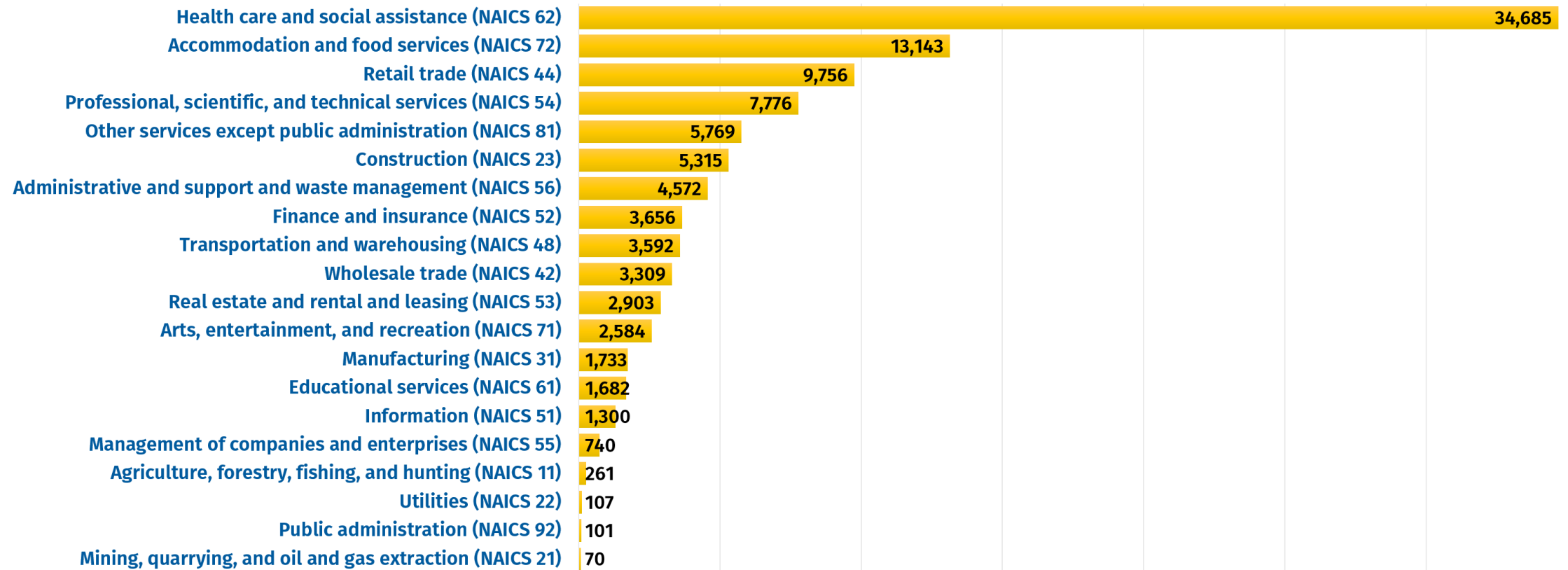
St. Louis Region Jobs Created by First-time Startups by Year



St. Louis Region First-time Startups (2015-2021)

Health care and social assistance (NAICS 62)	27,936
Professional, scientific, and technical services (NAICS 54)	3,683
Other services except public administration (NAICS 81)	2,768
Retail trade (NAICS 44)	2,171
Construction (NAICS 23)	2,034
Accommodation and food services (NAICS 72)	1,630
Finance and insurance (NAICS 52)	1,508
Administrative and support and waste management (NAICS 56)	1,505
Real estate and rental and leasing (NAICS 53)	1,100
Transportation and warehousing (NAICS 48)	900
Wholesale trade (NAICS 42)	884
Information (NAICS 51)	506
Manufacturing (NAICS 31)	499
Arts, entertainment, and recreation (NAICS 71)	404
Educational services (NAICS 61)	361
Management of companies and enterprises (NAICS 55)	183
Public administration (NAICS 92)	98
Agriculture, forestry, fishing, and hunting (NAICS 11)	66
Utilities (NAICS 22)	17
Mining, quarrying, and oil and gas extraction (NAICS 21)	12

St. Louis Region Jobs Created by First-time Startups (2015-2021)



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