Understanding and Responding to a Tight Labor Market

Alicia Sasser Modestino
Associate Professor, Northeastern University
Associate Director, Dukakis Center for Urban and Regional Policy

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How tight is the labor market?

As of October 2017, there was roughly one unemployed person per job opening – the lowest ratio since the Bureau of Labor Statistics started measuring job openings.

Unemployment (Oct 2017):
MA = 3.7%
US = 4.1%

Is this the “New Normal”?

The percentage of workers engaged in alternative work arrangements rose from 10.1 percent in February 2005 to 15.8 percent in late 2015.

Is there a labor market mismatch?

During the Great Recession, the ratio of unemployed workers to job openings increased in sectors such as manufacturing, construction, retail, and leisure/hospitality.

Number of Job Openings vs. Unemployed by Industry

What actions can employers take in a tight labor market?

Employers have a range of options to choose from when faced with a tight labor market that include training, automation, outsourcing, and temp or part-time workers.

Survey of Employer Approaches to Hiring Decisions

- **Your firm prefers to invest in new technology to perform work rather than hire or retain employees**
  - Strongly Agree: 17%
  - Somewhat Agree: 29%
  - Neither Agree Nor Disagree: 19%
  - Somewhat Disagree: 17%
  - Strongly Disagree: 9%
  - N/A: 6%
  - Do Not Know: 4%

- **Your firm prefers to rely on vendors that can be outsourced rather than hire additional employees**
  - Strongly Agree: 15%
  - Somewhat Agree: 34%
  - Neither Agree Nor Disagree: 15%
  - Somewhat Disagree: 21%
  - Strongly Disagree: 9%
  - N/A: 4%
  - Do Not Know: 3%

- **Compared to three years ago, your firm’s U.S. operations use part-time workers**
  - More: 20%
  - About the Same: 49%
  - Less: 10%
  - U.S. Operations Established <3 Years Ago: 9%
  - Do Not Know: 13%

How can workforce development policy support employer solutions that also benefit workers?

• Develop partnerships with employers
• Improve basic skills of workers
• Articulate career pathways
• Fund apprenticeships
• Others?

... we must accept a hard but undeniable truth—the nation’s current approach to skills development is no longer capable of meeting the needs of a rapidly changing business environment.

- U.S. Chamber of Commerce Foundation (2014) Managing the Talent Pipeline: A New Approach to Closing the Skills Gap
Thank You!

Alicia Sasser Modestino
a.modestino@northeastern.edu