

UNDERSTANDING CURRENT **WORKFORCE SHORTAGES**

& HOW TO SOLVE THIS PROBLEM FOR YOUR COMMUNITY



INTRODUCTION

Workforce shortages are a primary concern for businesses and economic developers throughout the country. The sharp decline in people over the age of 55 in the workforce, combined with many potential workers sitting on the sidelines, has left businesses struggling to hire to keep up with high demands for their products and services. For economic developers this creates a clear and urgent challenge - find workers to support existing businesses or risk them going elsewhere. The same is true for business attraction. Economic developers seeking new investment must have a workforce attraction strategy that supports that growth.

According to the [Washington Post](#), the unemployment rate has recovered more rapidly since the start of the pandemic than any other time since WWII, but of the 3.5 million fewer people in the workforce, only 1.8 million of them are actively looking for a job. Furthermore, a “Washington Post analysis found that [over 1.5 million more people were retired in November 2021](#) than would have been expected based on pre-pandemic trends,” creating additional pressure on businesses to compete for the remaining talent.

So, what does this mean for economic developers? Frankly, you have to be aggressive. Take a page from the hiring managers working for businesses in your own community. Most likely, they are stepping up their game by offering signing bonuses and competitive wages. You need a strategy that supports their efforts while strengthening the community’s workforce overall.

This whitepaper will give you the baseline information you need to understand the workforce shortage issues, and to create a plan to address it in your community. We will also share best practices that economic developers throughout the country have been using to strengthen and grow their workforce. Learn from them, develop a plan and start implementing. Your local businesses and community are counting on you.

Best wishes,

Bethany Quinn

VP Strategy and Content Development

Golden Shovel Agency

UNDERSTANDING LABOR FORCE PARTICIPATION RATES & WHY PEOPLE DROP OUT OF THE WORKFORCE

Labor force participation rates drop when fewer people of working age are either employed or actively looking for work. According to the U.S. Bureau of Labor Statistics, the percentage of working-age people between 25 and 54 years old peaked in 1995 at 72 percent, and it has been on a steady decline since. The St. Louis Federal Reserve, in a 2016 report, stated, "Simultaneously, nationwide the percentage of 16- to 24-year-olds not working is at 13 percent, the highest since WWII (Restrepo-Echavarria, 2016). They continued discussing labor participation rates by stating, "The clearest trend is the overall aging of the working-age population, largely because the baby boomers started retiring in the early 2000s. Similarly, more education implies spending more years in school, giving people later starts to their working careers" (Restrepo-Echavarria, 2016).

The combination of young people entering the workforce later and baby boomers taking early retirement can be harmful to the economy and needs to be addressed outside of pandemic recovery initiatives.

Reasons People Drop Out of the Workforce

There are several factors contributing to a national decline in labor force participation.

Retirement

The demographics tell us with absolute certainty that we will see more and more people leaving the workforce to retire. The hope is that they continue working until the age of 65 to give younger people more time to graduate, become trained, and enter the workforce. When boomers retire early, as many have during COVID, this creates additional gaps in the workforce.

Education

To pursue their education, many youths are delaying entering the workforce. Technical training programs are an alternative that takes youth out of the workforce for a shorter period of time, while still allowing them to earn a good living. More youth need to become aware of this option. EDCs can play an important role here. By working as a conduit between K-12 education, companies, and technical schools, EDCs can help direct youth towards careers they can enter shortly after graduating from high school.