

# **Economic Research and Employer input: Working Together to Guide Tomorrow's Training Needs**

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With the labor market and employer practices changing so rapidly, and with the need for skilled workers so important for regional economic development, it is increasingly important that we know what occupational skills must be imparted by education and training providers. Despite current efforts to upgrade the national labor market information system, many stakeholders still lack access to necessary information and automated analytical tools. Moreover, there is an increasing push to ask employers directly what they need—especially since employers are the primary customers of the education and workforce development system. The assumption is that surely employers are best equipped to direct education and training initiatives since they offer the prized outcomes—jobs. Finally, anyone who has studied general economics, regional economics or statistics knows that the material can be dry, complex, somewhat abstract and difficult to communicate to those without a keen interest. After a few hour-long briefings on regional analysis I have heard some long and heavy sighs. Some have even said the material is boring!

Ask an employer about a skilled labor shortage they might have and they can tell you precisely what they need...*for today*. If the feedback you seek is for a *single employer*, then this represents valuable information. If you seek information about a *particular industry* as a whole, it would be critical to ask the same questions of other representative employers which produce or market the same products or services. Finally, if you seek information about an *entire geographic area*, you must survey and receive responses from a sample of employers that represent each industry segment in which local employers operate.

From a statistical perspective, the greatest difficulty in collecting and using responses directly from employers is aggregating enough representative, non-biased sample responses from a survey covering the entire labor market in order to guide decision-making. This is certainly possible, assuming sufficient robustness in survey techniques and sufficient resources; neither of which is a given. The biggest barrier to using employer feedback exclusively to drive offerings is that programs cannot provide intake, training and supply a skilled worker *immediately*. There is always a time lag since most job related training requires a minimum of six months with some lasting two to four years. This training time lag confounds the process if it is based on what employers say they need *today*. To bring these forces together, education and training program providers must have an idea what employers need *in the future*. For all practical purposes, schools can do little about meeting employer needs of today.

To identify training program needs for future occupational opportunity, employers must speculate on the demand for their product or service, gauge the overall health of the economy and foresee changes in the tools, equipment, and processes they will use to provide their product or service competitively. However, rather than predicting these market forces, employers generally respond to the tidal wave of economic activity that surrounds them. To have knowledge of the future, employers would have to study the market forces which affect their business and take the time to forecast their labor needs. Some employers have the time, talent, and wherewithal to do this as part of their decisions and investments. This is true for many reasons, not the least of which is that many occupations cross into more than one industry niche. It is more likely that a skilled regional analyst whose sole job is to study employment and industry trends will develop an understanding of where the economy is headed and begin to direct training decisions based on future needs. This assures that jobs will be available for labor market participants when they complete training, not just because they existed when the training program was conceived based on current shortages.

### **Role of Regional Analysts**

So enters the regional labor market analyst. The regional analyst relies on several factors to develop training recommendations. The use of current and historical trend data is significant in analyzing the size and movement of existing industries in a regional economy, the patterns of growth, and in developing a statistical sense for the direction and magnitude of potential change. With some exceptions, most industries evolve within particular growth patterns based on local resources and market factors. Although employer units can be quite volatile, industry employment in a region seldom responds on an all or nothing basis e.g., the industry barely existed here today, tomorrow it is unlikely to become an employment loci for the community.

Analysts also examine regional historical trends and use independent regional, state and national projections as part of the process for determining growth. The analyst takes knowledge gained from historical movements and statistical projections and seeks validation of any insight from local business and community leaders. A key process before this validation stage is aggregating and analyzing data on the basis of common coding systems, geographic regions and definitions. Employer payroll titles, for example, may be meaningful only to a specific employer and not to others in the same industry or to the workforce development community. Developing a common framework for presentation and discussion is critical if it is to be widely communicated and form the basis of a public education and training action plan.

Finally, infusion of local wisdom is especially important since there may be planned firm expansions or layoffs or community economic development efforts whose results must be included in the final analysis. After all, business will be consumers of the products of the education and training system and should have an integral role in validating competencies and skills that are essential hiring requirements for any specific occupation. This infusion of local wisdom is the best role for employer input since it calls not for random speculation but for validation of trends that can be documented through empirical study. Moreover, careful analysis

rather than sporadic and potentially biased employer feedback gives training providers enough confidence to make investments in equipment and classroom facilities with the knowledge that the expenses incurred will not be abandoned in the next round of employer-based immediacy. The commitment of training resources is not insignificant and should not be based on personal preference, politics, pure speculation or whimsy.

Having established a role for the regional analyst in determining demand industries and occupations, let us refer back to gleaning information from an employer survey. Clearly, a well-conceived and implemented employer survey can result in useful information to guide program offerings in the public workforce development system. Any entity considering the addition of direct employer input into their labor market analysis might keep in mind a few thoughts and potential pitfalls in the conduct of an employer survey.

### **Employer Surveys: Look Before You Leap**

At the top of this list should fall a reminder that employer surveys tend to be expensive to conduct, time consuming in their own right, and must be repeated regularly with little to no cost savings. There is an inherent time lag in (1) determining the objectives of the survey, (2) designing the questionnaire, (3) conducting the initial wave of the survey, (4) following-up with second or third wave reminders to non-responders, (5) tabulating and analyzing the results, and (6) formatting the end-product for presentation. This process must be repeated each time the information is updated since there are no cost savings such as those found with regularly collected administrative records or secondary data bases.

The corollary to the cost issue is the tendency to fund a survey based on resource limitations or availability; not based on desired sample size, return rate or heterogeneity of the population. It is not uncommon for an administrative body to declare that they have, for example, \$25,000 available for a survey and then let someone figure out how to conduct the survey for that amount of money. If you are assessing the amount of in-house training provided by employers with 500 or more workers in a small, rural county, this level of resources may be appropriate. If your goal is to get hourly wage data for 700 OES coded occupations in the Dallas-Ft. Worth Metropolitan Area, \$25,000 will not suffice. This disconnection between survey funding and objectives often leads to inadequate sample size to get sufficient data about all occupations or industries intended. It also may severely limit the generalizability of sample survey findings to all employers in the universe. To be more specific, if the labor market consists of 100 firms with 500 workers or more, spread across many different industries in the region, and only five firms respond to your survey, you would likely be stretching the integrity of your survey to say that these five firms were representative of all the large firms in your region.

Asking employers to speculate about future economic conditions is not only a challenging question but, just like economists, no two will use the same set of assumptions. When an employer survey questionnaire is received at the worksite, a clerical person may decide who should take the time and has the expertise to complete it. In many cases, even if the

questionnaire is filled out, the person completing the form may not have the specific knowledge required and may give merely speculative answers. Moreover, asking employers to speculate about future occupational needs requires the individual completing the form to have (1) knowledge of existing business staffing and skill shortages, (2) knowledge of business strategic designs which might affect staffing needs, and (3) knowledge of changing production processes or changing capital for labor substitution plans. Except in small organizations or very highly integrated firms, this body of knowledge generally does not fall into a single job description.

Just as in economic analysis, the more volatile the industry or regional labor market the less reliable will be employer forecasts of economic activity. In asking employers to speculate about the future, each will make unique economic assumptions that will be undocumented and inconsistent across all respondents. This is contrasted with the process of regional economic analysis that is built on a series of consistent and documented assumptions and data sets that can be regularly reviewed and updated.

Employer surveys have a history of biased response through no fault other than the pure competitive drive instilled through capitalism. If an employer has the need for five skilled electronic technicians today, but is uncertain what the needs will be for tomorrow, it is highly likely that the employer would like to have not just five workers trained but many more than that. After all, none of the five workers may have the personal traits or backgrounds that interest the employer. Ideally, from the employer perspective, if there were ten equally trained workers, the employer could choose which five best suited the organization. It becomes easy for the employer to second-guess the question in hopes that soon the labor market will be flooded with qualified applicants; thus increasing both the skilled labor pool and possibly driving down wages by virtue of excess supply. This is a function of pure capitalism, where civic responsibility to the workforce development system usually takes a back seat to a profitable business operation. Civic responsibility can also be the culprit in poorly worded questions that test the employer's social conscience. Questions such as, *would you be willing to hire welfare recipients?* frequently elicit positive responses, but not necessarily honest or accurate answers.

Finally, the would-be surveyor also should be advised that employers already carry a heavy burden of data reporting. Many are irritated by what they consider excessive red-tape and reporting requirements they face in dealing with public agencies. Employers are surveyed regularly by local, state, and federal agencies that administer Unemployment Insurance, education and training programs, health and occupational safety programs, general environmental programs, and industry-specific regulations. There can be a fine line between fulfilling your civic duty and having an unreasonable level of reporting requirements affect your bottom-line.

The prospective researcher's marginal desire to have yet one more piece of information must be weighed against the likelihood that heaping additional survey burdens upon employers may provoke many not only to refuse to respond to the survey in hand, but also to reject other

surveys which are more integral to the formulation of public policy. To reiterate, there is an enormously important role for employer involvement in determining future workforce needs. Both the direct employer input and the regional analytical approaches have something to offer. Independently, however, they are each flawed and likely in isolation to yield specious and potentially misleading results. A well-conceived strategic planning process for workforce development needs is best performed with the groundwork and documentation provided through regional labor market analysis and validated through employer expertise and insight. Together, the employer community and government labor market analysts can build a better bridge to recognizing regional skill deficiencies and facilitating a smoother exchange among employers and workers.