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Talent 2025 Update Brief: Regional Workforce Demand and System Flows

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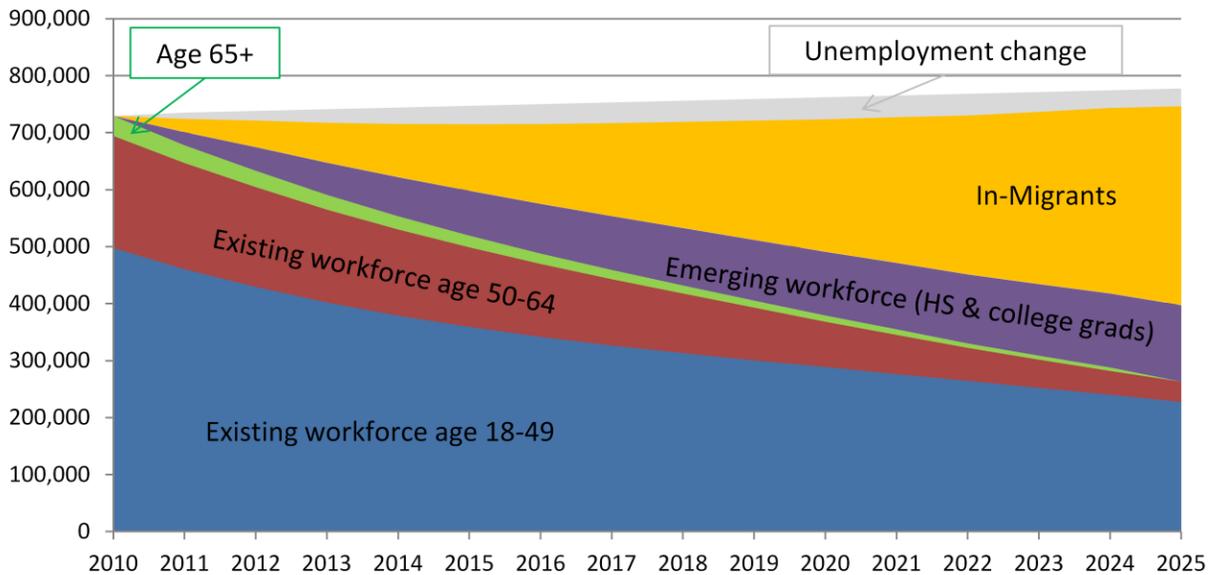
For west Michigan to remain a world class center of innovation and production, it must develop and attract the workforce talent that businesses demand.¹ Today, approximately one-third of west Michigan's workers hold a two-year degree or higher; however, some local leaders are suggesting that the level is already insufficient to meet their demands. In this report we examine what the future workforce supply and demand may look like by 2025, as well as the major issues that the region might consider addressing in an effort to improve future workforce outcomes.

Workforce Supply: The region will need to retain and attract more workers

An analysis of the current workforce suggests that if current trends in labor force participation continue, the region will need to see additional levels of in-migration to maintain an adequate supply of workers. By 2025, more than 25 percent of the today's current workforce, including some of the region's most experienced and better-skilled workers, will retire or move. Moreover, nearly half of the region's current workers between the ages of 18 and 49 will have moved out of the region by 2025, seeking employment opportunities elsewhere.

¹ In this analysis, west Michigan is defined as Allegan, Barry, Ionia, Kent, Lake, Mason, Mecosta, Montcalm, Muskegon, Newaygo, Oceana, Osceola, and Ottawa counties.

Projected Talent 2025 Region Workforce Supply Flow



Assuming a modest 0.4 percent annual rate of growth, from 2010 to 2015, the region will be facing a seemingly formidable challenge in replacing its current workforce who are retiring or moving out of the region. Of the roughly 730,000 workers that currently reside in the region, only about 263,000 are expected to remain in the workforce in 2025. To meet the demands of a modest employment growth forecast, the region will need to grow, import, or entice into the labor force approximately 514,000 more individuals, as well as maintaining current levels of in-commuting and multiple job-holding.

As shown in the chart above, we estimate that

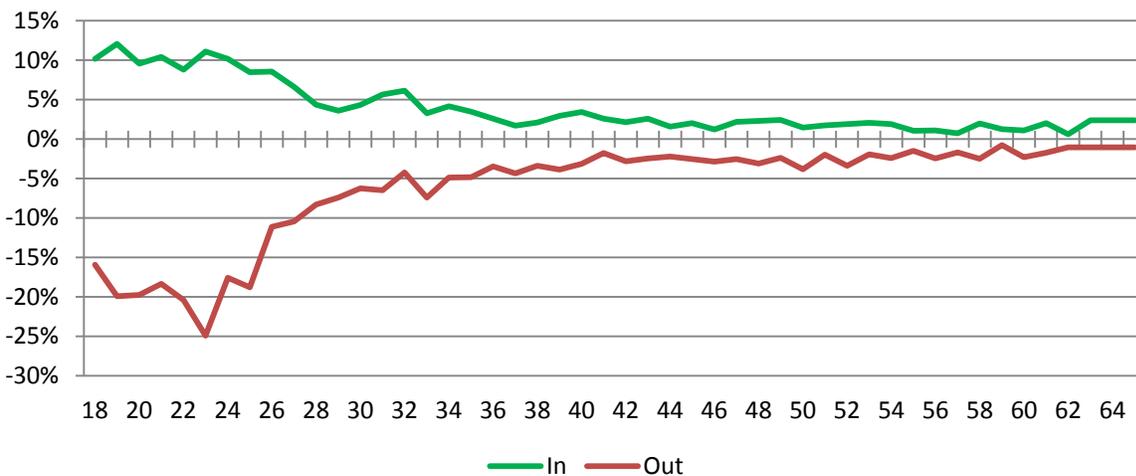
- Nearly 45 percent of the region's workers in 2025 will have moved into the region. It is very possible that a large share of these workers will be former residents: individuals who may have gone away to attend college or started their careers outside the region and then returned home. Others will be new residents. Regardless of whether they were former residents or not, the region must provide the employment opportunities and environment that will convince them to make west Michigan their new home.
- New entrants who grew up in the region, and never moved out of the region, will make up just over 17 percent of the 2025 workforce.
- Approximately one-third of the 2025 workforce will be comprised of today's current workers.²

² The remaining roughly four percent of the region's 2025 forecasted employed workforce will be composed of the region's unemployed workers, including discouraged workers—those that are currently not looking for work because they perceive a lack of employment opportunities.

Migration: Focus on young movers

Because so much of the future workforce will depend on in-migration, the region will need to ensure it is attractive to potential residents who have the skills that employers demand. The next chart shows the average annual portion of each age group that migrates into or out of the region, based on migration patterns during the 2007–2010 period. The probability that an individual will migrate is highly related to age and education. Migration in either direction is highest among young adults, but quickly diminishes after age 30, once aspects of life such as family and career are more established. In short, solving the migration dilemma may require a focus on attracting younger adults as they make decisions about where to establish a long-term residency.

Percent Expected Migration by Age and Direction for Talent 2025 Region



Source: Authors' analysis of microdata from Ruggels et al., IPUMS, University of Minnesota.

Young adults who have earned a college degree are extremely mobile. Large metro areas hold an advantage because of the career opportunities they offer to individuals and their spouses. However, smaller metro areas that offer strong cultural opportunities, affordable housing, and good career options, can be competitive as well. For many who grew up in west Michigan, there would be a strong interest in moving back, if the opportunity arose. For the region, the larger challenge will be attracting young, skilled workers who have other options. Why should they pick west Michigan, instead of Austin, Portland, or Chicago? The location decision made by persons in their late 20s will likely stick, since once a person reaches 30, he or she is more stationary, and by the time they are 40, they have planted strong community roots.

One group that is unlikely to leave, however, is the region's high-school dropouts and young adults who failed to find a career. Evidence shows that these individuals are more likely to remain in the region, as they face fewer job offers outside the region. This presents a dual

challenge: how to attract the brightest residents back to the region if they leave for college, while also creating local training opportunities that maximize the skills of those workers that never leave.

Alternate Demand Forecasts: The region will need more talent in order to compete

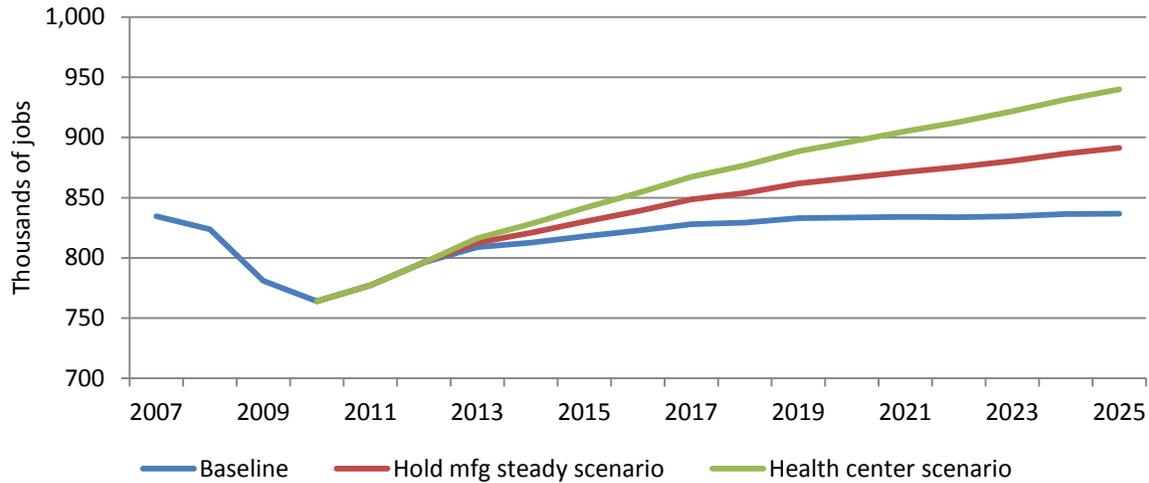
To understand where the region is going and what employers will need in 2025, several demand forecasts were generated to give a picture of both expected total employment change, as well as underlying shifts in occupational and skills demand. Although most forecasts focus on total change, the most important changes can happen in the underlying mix of industries and occupations that are demanded over time. In preparing this report, we generated the following three separate forecast scenarios for the region, which take into account both macro-level economic growth projections and expected changes in the industrial-occupational composition.

1. **Baseline forecast.** A modest 0.4 percent annual rate of growth from 2012 to 2025 is based on national trends and the region's industrial composition. Under this scenario, the total number of jobs in the region is expected to increase by roughly 73,000 from 2010 to 2025. The scenario also assumes that the underlying industrial composition will shift based on national trends and that employers will demand workers that meet the minimum entry-level skills for all workers.
2. **Manufacturing strength scenario.** In this scenario we held manufacturing employment constant throughout the forecast. Although this may sound modest, in the baseline forecast manufacturing employment drops by 2.1 percent annually, due to expected productivity improvements, which would result in a loss of 30,000 workers. If the region's manufacturers increase their market share and output and, thus, maintain their 2012 employment levels, the region's economy would grow by 90,000 workers or 11 percent by 2025.
3. **The region becomes a regional medical center.** At this time, the region does not have a significant concentration in the medical and healthcare sector relative to the nation. The region's healthcare providers are growing; however, healthcare is becoming a major employer in nearly all regions in the nation. There are ongoing efforts and interest in turning west Michigan into a leading medical center. If these efforts are successful and the region becomes 50 percent more concentrated in healthcare than the nation as a whole by 2025, it would gain 140,000 additional jobs, a 17 percent increase in employment.

While these scenarios portray distinctive alternative futures, they all require a more trained and educated workforce than the region currently has. As shown in the next chart, the growth varies widely for the three scenarios, but even the low-growth scenario predicts a strong increase in the skill level that will be demanded. Under all three scenarios we estimate 42 percent of the region's jobs will demand a two-year degree or higher level of education. In short, none of these

forecasts are obtainable if the current regional workforce does not become more skilled and educated.

Projected Total Nonfarm Employment in the Talent 2025 Region



Under the most conservative forecast assumption, the baseline scenario, there will still be a fairly significant change in the number of jobs that demand a given skill level. The next table illustrates the change in the number of jobs by the level of education demanded. The growth in higher-skilled jobs is actually expected to exceed net total job growth, as the number of unskilled jobs requiring less than a high school diploma is expected to decline by nearly 50,000.

Change in Credentials Demanded by Jobs in the Region

Degree level	Percent of jobs		Change in number of jobs
	2010	2025 Baseline	
Advanced degree	2.4	3.2	+8,400
Master's	5.6	8.2	+25,800
Bachelor's	17.5	22.0	+50,400
Associate's	8.9	8.5	+3,100
Some college (inc. certificates)	22.8	22.3	+12,400
HS diploma or GED	30.9	30.9	+22,400
Less than HS	12.0	5.0	-49,800

Competing Forecasts: Disagreements should not stop the region’s effort to improve its workforce

Although our projections suggest that there will be an increase in the skills demanded by employers in the Talent 2025 region, it is important to note that economists are not in agreement regarding the skill needs of tomorrow. In particular, the U.S. Bureau of Labor Statistics (BLS) recently released their 2020 national forecast which concluded that the skill needs in 2020 will be no different than today.³ In fact, according to its forecast, 68 percent of the jobs available in 2020 will be filled by persons with a high school degree or less. This forecast is not based on the Bureau’s own estimates of the minimum education requirements for each occupation but on the educational attainment of the current job holders in these occupations.

The table below provides a comparison between the BLS national projections and an alternate composite national forecast comprised of other economists, including ourselves. Also provided for comparison is our forecast for the Talent 2025 region.

Employment Share by Educational Attainment Demanded

Degree level	2010 U.S.	U.S. Forecast		Talent 2025 Region	
		BLS (2020)	Consensus 2025	2010	Upjohn 2025
Advanced degree	3.1	3.2	3.2	2.4	3.2
Master's	1.4	1.5	7.7	5.6	8.2
Bachelor's	15.5	15.8	22.2	17.5	22.0
Associate's	5.6	5.8	10.2	8.9	8.5
Some college	4.6	4.7	21.3	22.8	22.3
Postsecondary cert.	0.6	0.6			
HS diploma or GED	43.4	42.6	28.9	30.9	30.9
Less than HS	25.9	25.9	7.5	12.0	5.0
Total share associate's or higher	25.6	26.3	43.2	34.4	41.9

Note: Consensus forecast for 2025 is the average of forecasts from Georgetown, Neumark, and Upjohn.

In our forecasts, we are assuming that future job holders will be required by employers to at least have the minimum level of training for the position, based on the BLS estimates of minimum entry-level requirements for individual occupations. We do not believe that businesses can effectively compete if they are forced to hire workers who do not have the minimum training required for the positions. Therefore, if the BLS’s own assumptions about minimum entry-level job requirements hold, employers can be expected to demand more from workers in the future. In short, jobs currently employing dropouts will not be filled by dropouts in the future, if the skill requirements are at a higher level.

³ C. Brett Lockard and Michael Wolf, “Occupational Employment Projections to 2020,” *BLS Monthly Labor Review*, January 2012. <http://www.bls.gov/opub/mlr/2012/01/art5full.pdf>

Based on these assumptions, in 2025 we are forecasting that occupations demanding less than a high school diploma will only account for five percent of jobs in the Talent 2025 region. We are further predicting that a full one-third of the region's jobs will demand a four-year college degree or higher in 2025, compared to just 26 percent in 2010.

Although the BLS may be wise to point out that relatively low-skill jobs such as food service and nurse's aides may be growing in number, we disagree with the assumption that employers will not demand more out of future workers. The exact nature of future change is unknown, however, international competition, prevalence of technology, and the importance of personal interaction in the workplace seem unlikely to abate. Additionally, it should be noted that the Talent 2025 region already has a different, more educated, job-skill composition today than the nation as a whole, which suggests that it will face a different trajectory in the future as well.

Pressure Points in the Development of Regional Talent

As the Talent 2025 region proceeds to address its goals of developing a workforce ready to fill the job needs of the future, there are several major intervention points that should be considered as relevant potential places for addressing the issues identified in this report. While we do not intend to propose policy, these points within the workforce system bear identification as obvious and immediate places for conducting interventions intended to improve the current workforce system.

1. Early education

Recent research clearly shows that student overall performance is significantly impacted by the quality of education received before the fourth grade. While there is an ongoing debate about the importance of each grade level from pre-kindergarten to the third grade, it is evident that it becomes increasingly difficult to reach failing students in middle school and high school. For example, in Montgomery County, Maryland, 80 percent of the students who excelled in third grade were college ready at the end of high school, compared to only 37 percent of the county's overall high school student body.⁴

2. Develop better links between college students and the business community

As shown earlier, young adults—particularly college graduates—are very mobile. Any strategies such as the development of internships or professional job fairs, which are focused on developing greater linkages between the region's college graduates and the business community, will only increase the likelihood of the region attaining talent. Moreover, these efforts could be expanded to include reaching out to the region's high school graduates who are attending college elsewhere. While the ages of the late-teens and 20s will likely always be a time of high mobility,

⁴ Clare Von Secker, *Closing the Gap: Seven Keys to College Readiness for Students of all Races/Ethnicities*, Montgomery County Public Schools, Maryland, February 2009.

creating deeper ties with current residents and making the region more open and attractive to outsiders in this age range can only help bolster the workforce in the long term.

3. Amenities and job market information

As highlighted above, for the region's employers to obtain the talent they need to compete, the region must be able to attract skilled workers from outside the region. Quality of life, career opportunities for trailing spouses, and the availability of challenging, career-building employment opportunities should all be on the table for discussion.

In summary, the future of the west Michigan economy will depend upon the ability of its businesses to attract the skilled workers that they will need. The region cannot expect to meet this demand solely through its existing public and private education systems. While improving the region's K-12 programs, especially pre-Kindergarten through third grade is important, it is not sufficient. Offering strong career opportunities and excellent social and cultural amenities will also be key to attracting skilled workers into the region.