

Overview of U.S. Workforce

In recent years, the U.S. economic landscape has changed in ways that make workforce development a critical policy area for state legislatures. The U.S. population is aging and a significant portion of our population growth is from immigration. U.S. companies face increased competition from around the world and both domestic and foreign-owned firms now find it more feasible to relocate their businesses outside the U.S. to take advantage of cheaper or more skilled labor, lower production costs, and easier access to markets. The composition of available jobs is also changing: as manufacturing jobs are lost, jobs in retail, healthcare and other services are added.

The result is that some workers who had jobs with relatively high wages and benefits are being displaced by layoffs and relocations. Because there are fewer and fewer low-skill manufacturing jobs available, these displaced workers have greater difficulty finding employment that utilizes their existing skills and experience. Those who enter the job market with less education and fewer workplace skills struggle to find employment that pays enough to support a family. Income inequality is rising, with those who have attained higher education and skill levels earning more than those with less education and fewer skills.

To develop and maintain policies that effectively support workforce development, legislators must recognize how the economic picture has changed in their own states and be aware of opportunities for cooperation among workforce development systems, employers, educators, and others. Many states have found significant value in providing workers with the tools and support they need to qualify for, find, and keep good jobs while building better lives for themselves and their families.

Demographic Changes in the U.S. Workforce

Demographic changes are reshaping the workforce. The cohort of the U.S. population known as baby boomers is now reaching retirement age. At the same time, certain minority groups, especially Hispanics, represent a considerable and growing proportion of the population. Immigrants represent approximately 12 percent of the population and account for an estimated 40 percent of U.S. population growth.¹ According to the U.S. Census Bureau, current immigration patterns, coupled with differences in birth rates, will result in substantial increases in the racial/ethnic diversity of the nation's population.²

These demographic changes present a critical policy challenge. The U.S. economy increasingly rewards high-level skills and educational attainment. However, the education and skills needed to affectively participate in the economy are not evenly distributed across racial/ethnic and socioeconomic groups.³ For example, 13.9 percent of Hispanics in the workforce have a high-school diploma compared with 31.9 percent of whites and 20.2 percent of African-Americans.⁴

The segments of the population that are growing most rapidly are those whose members have historically obtained less education and fewer job-related skills. If this situation persists, employers will have to choose workers who are replacing retiring baby boomers from a pool of less-skilled workers.

Changes in the U.S. Job Composition

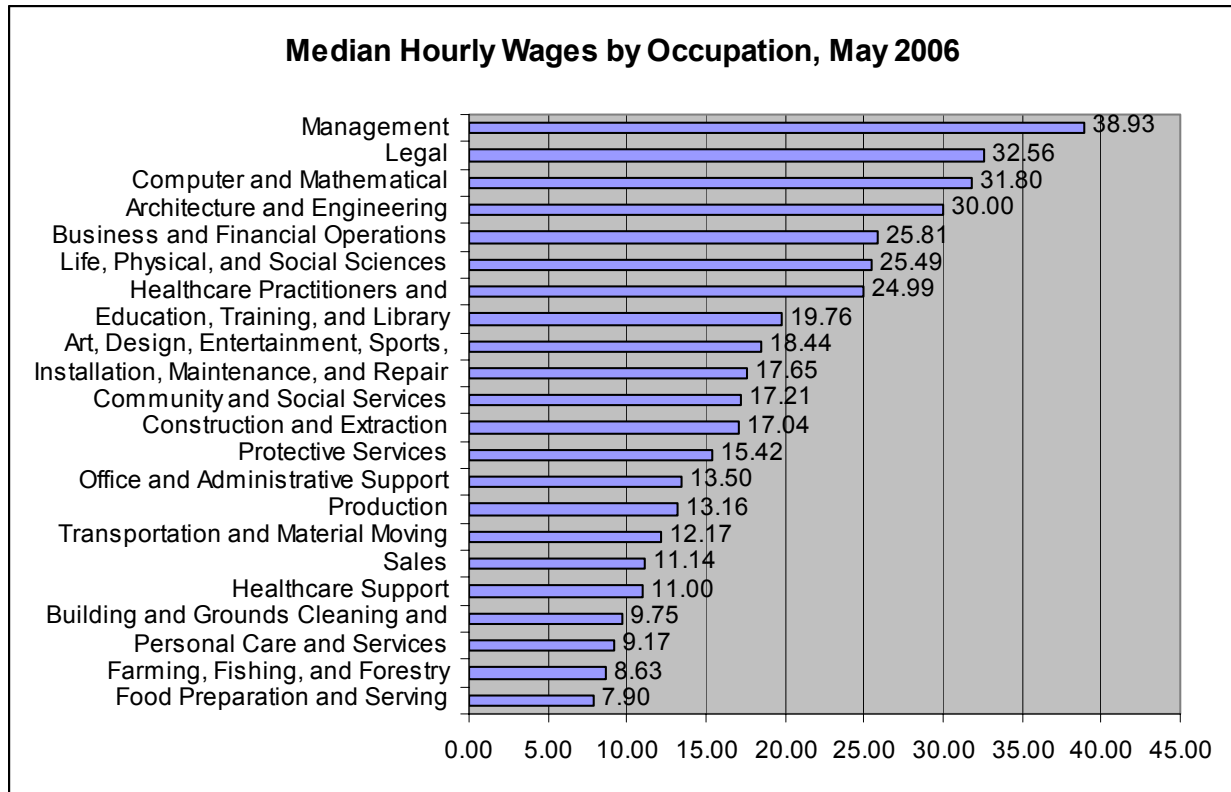
Job composition continued to shift among occupations between 2000 and 2005. In 2005, the percentage of U.S. workers employed in production (a broad category that includes manufacturing, food processing and utilities) dropped from 9.56 to 7.87 percent. At the same time, the percentage of workers engaged in business and financial operations, education, healthcare, and service industries increased.

Occupation	2000	2005
Management	6.00%	4.57%
Bus. & Fin. Operations	3.56%	4.15%
Computer & Math	2.26%	2.27%
Architecture & Engineering	1.99%	1.83%
Life, Physical & Social Science	0.80%	0.91%
Community & Social Services	1.13%	1.30%
Legal	0.69%	0.76%
Education, Training, and Library	5.74%	6.20%
Arts, Design, Entertainment, Sports, and Media	1.17%	1.29%
Healthcare, Practitioner, and Technical	4.66%	5.02%
Healthcare Support	2.34%	2.58%
Protective Services	2.32%	2.35%
Food Preparation & Serving	7.67%	8.29%
Cleaning & Maintenance	3.33%	3.33%
Personal Care & Service	2.08%	2.45%
Sales & Related	10.41%	10.69%
Office & Administrative Support	17.68%	17.49%
Farming, Fishing, and Forestry	0.36%	0.34%
Construction & Extraction	4.77%	4.89%
Installation, Maintenance, and Repair	4.10%	4.07%
Production	9.56%	7.87%
Transportation & Material Moving	7.39%	7.36%

Nearly 3 million of the jobs created in the U.S. economy between 2004 and 2014 are expected to be in retail sales, nursing, higher education, customer service, and janitorial services. Many of these newly created positions have a higher than average concentration of low-paid workers.⁶

Occupation	Projected Employment Growth
Retail Salesperson	736,000
Registered Nurse	703,000
Postsecondary Teachers	524,000
Customer Service Representatives	471,000
Janitors and Cleaners*	440,000

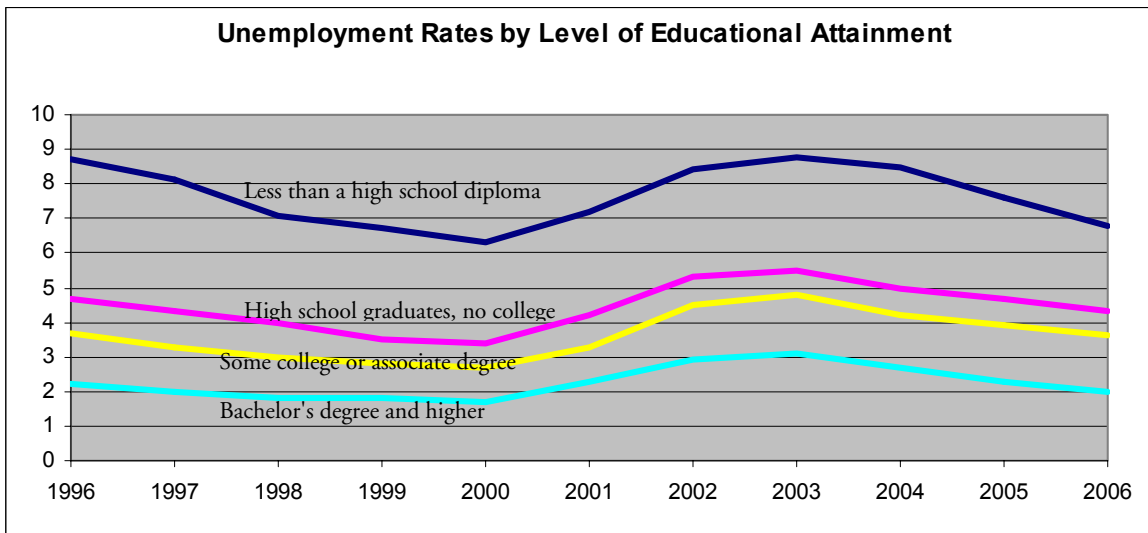
*Excluding Maids and Housekeeping Cleaners



Source: Bureau of Labor Statistics, Occupational Employment and Wages, 2006, USDL 07-0712, (Washington, D.C.: BLS, May 17, 2007).

Most U.S. jobs are filled by workers who do not have a bachelor’s degree. Between 2004 and 2014, job openings for workers who are entering their occupation for the first time and who don’t have a bachelor’s degree are expected to total roughly 40 million, more than twice the number of job openings for 4-year college graduates. About 25 million of these openings are expected to be held by workers who have a high school diploma or less education. Another 15 million openings are expected for workers who have some college education or an associate degree but who do not have a bachelor’s degree.⁸

While less-educated workers can find jobs, education and training are critical for those who wish to obtain jobs that pay higher wages and offer healthcare and other benefits. Jobs held by college graduates are more likely to provide health and other benefits than those held by high-school graduates.⁹ For those with less education than a bachelor’s degree, the majority of the occupations projected to have the most job openings between 2004 and 2014 had median earnings below \$28,580—the median for all workers in 2004.¹⁰ Further, the 6 highest paying occupations for workers without a bachelor's degree — customer service representatives; truck drivers; bookkeepers, accountants, and auditing clerks; registered nurses; executive secretaries and administrative assistants; and general maintenance workers—require more training than lower paying occupations.¹¹



Source: Bureau of Labor Statistics

Educational attainment also affects an individual's ability to find and keep a job. As the chart above illustrates, the more education an individual has, the less likely he or she is to be unemployed. The unemployment rate for individuals without a high school diploma is several percentage points above that of individuals with more education.

Income Inequality

Despite serious challenges to our economic well-being from global competition and changing job composition and workforce demographics, the U.S. economy is growing and our productivity is increasing. Gross domestic product (GDP), the broadest measure of economic growth, increased 12.5 percent from 2000 to 2005. During the same period, productivity (output per hour) rose 16.6 percent.¹² However, the benefits of our economic growth and rising productivity were not evenly distributed.

In 2005, 50.4 percent of our national income went to the richest fifth of households, 14.6 percent went to the middle fifth, while 3.4 percent went to the bottom fifth. Median household income remained below its 2000 level while the poverty rate, at 12.6 percent in 2005, grew from its 2000 rate of 11.3 percent.¹³

Income inequality still occurs along racial lines. 2003 statistics from the U.S. Census Bureau show that average household income varied significantly by race.

	Median Household Income¹⁴	% of White Household Income
White	\$48,000	
Black	\$30,000	63%
Hispanic	\$33,000	69%
Asian	\$55,500	116%

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- ¹ Blaine Harden, "America's Population Set to Top 300 Million," *The Washington Post*, October 1, 2006, A01, <http://www.washingtonpost.com/wp-dyn/content/article/2006/10/11/AR2006101101730.html>.
- ² Amanda Paulson, "Coming U.S. Challenge: A Less Literate Workforce," *Christian Science Monitor*, February 6, 2007, <http://www.csmonitor.com/2007/0206/p02s01-legn.html>.
- ³ Irwin Kirsch et al., *America's Perfect Storm Three Forces Changing Our Nation's Future* (Princeton: Educational Testing Service, January 2007), 6.
- ⁴ Organisation for Economic Co-operation and Development, *Skills Upgrading: New Policy Perspective* (Paris: OECD, 2006), 182.
- ⁵ U.S. Bureau of Labor Statistics, *May 2005 National Occupational Employment and Wage Estimates* (Washington, D.C.: May 2005), http://www.bls.gov/oes/current/oes_nat.htm and Bureau of Labor Statistics, *Occupational Employment and Wages, 2000* (Washington, D.C.: November 14, 2001), <ftp://ftp.bls.gov/pub/news.release/history/ocwage.11142001.news>.
- ⁶ OECD, *Skills Upgrading*, 179.
- ⁷ Statistics and Research Center of the U.S. Chamber of Commerce, *United State Business Facts*, (Washington, D.C.: U.S. Chamber of Commerce, n.d.), 10.
- ⁸ Olivia Crosby and Roger Moncarz, "The 2004-14 Job Outlook for People Who Don't Have a Bachelor's Degree," *Occupational Outlook Quarterly* (Washington, D.C.: U.S. Bureau of Labor Statistics, Fall 2006), 30.
- ⁹ Skills Upgrading: New Policy Perspectives, OECD, 2006., p. 179.
- ¹⁰ The 2004-14 Job Outlook for People Who Don't Have a Bachelor's Degree, p. 30.
- ¹¹ Ibid.
- ¹² Economic Policy Institute, "Income Picture," 08/29/2006 at http://www.epinet.org/content.cfm/webfeatures_econindicators_income20060829
- ¹³ Ibid.
- ¹⁴ Carmen DeNavas-Walt, Bernadette D. Proctor, and Robert J. Mills, *Income, Poverty, and Health Insurance Coverage in the United States: 2003*, P60-226 (Washington, D.C.: U.S. Census Bureau, August, 2004), 3.