

Finding work or finding workers?

Part 1: Job vacancy data shows high hurdles for employers, big opportunities for job seekers in Greater Minnesota

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To read this report online, visit our website at www.ruralmn.org.

Ask business owners in Minnesota what their biggest challenge is today and most will tell you: “finding help.” Economic growth coupled with an aging workforce heading toward retirement and fewer young people to replace them is putting significant pressure on Greater Minnesota’s employers, making hiring significantly more challenging.

Business owners have “levers” they can pull to attract applicants, and the data indicate that those levers are being used: wages are up while qualification requirements, such as education and work experience, are decreasing.

But although it might be a good time to be a job seeker, at some point the levers can’t be pulled any further. Without more people entering the labor force to replace the people leaving, businesses will have to make serious decisions, including whether to move or close.

Fortunately for Greater Minnesota, there are numerous partnerships and initiatives developing between private, public, and non-profit institutions to tap hidden talent pools, attract a new workforce through migration and immigration, and retain young people in their regions.

Over the next several months, the Center for Rural Policy will be releasing a three-part series exploring the workforce shortage in rural Minnesota. What follows is part 1, which dives into the job vacancy survey data collected by Minnesota’s Department of Employment and Economic Development (DEED)¹ and sets the context for parts 2 and 3. Part 2 (Fall 2018) will examine the opportunities and barriers facing the private, public, and non-profit collaborations and initiatives being developed to tap hidden talent pools and recruit new workforce into Greater Minnesota. Part 3 (early 2019) will examine the

¹ To find out more about DEED’s job vacancy survey, visit <https://mn.gov/deed/data/data-tools/job-vacancy/>

perceptions high school students have toward job opportunities in their regions and look at the programs that are connecting them with these opportunities.

It seems everyone has an anecdote or reason why Greater Minnesota has so many unfilled jobs:

“Businesses need to pay higher wages.”

“People are just lazy and don’t want to work.”

“There are only low-wage jobs in Greater Minnesota.”

“There are just more opportunities and amenities in the Twin Cities metro, so young people will always migrate there.”

While there is often a kernel of truth in anecdotes, most of what we are hearing from people *not* involved in workforce development nor in the business of hiring employees is inaccurate and is simply encouraging a false narrative of what is currently going on in Greater Minnesota. While the following information is data-heavy, we felt it was important to paint a picture based on the data, thereby building a foundation for productive discussion and exploration of the opportunities and barriers Greater Minnesota is facing when dealing with job vacancies.

Go ahead, play with the data

Of course, each region of Minnesota is different. While this report provides a general overview of Greater Minnesota, we couldn’t include the entire data analysis. We developed an online data report that goes into a bit more detail about the data while allowing users to view job vacancies at both planning region and economic development region levels. You can find that application at www.ruralmn.org/job-vacancy-data.

Talk to the experts

Not only is the data analyzed in this report gathered by the MN Department of Employment and Economic Development’s team of labor analysts, but they also work with employers as well as current and future participants in the labor force. If you want more information about job vacancies in your region or want more information in general about employment and business trends, contact your [Regional Analyst](#).² These professionals are the experts in the field.

The rural challenge: An unprecedented number of vacancies and a barely growing workforce

Rural areas are experiencing an unprecedented number of job vacancies at a time when the growth in the number of people participating in the workforce is either slowing or simply declining. The annual quarterly average of job vacancies is the highest it has been since DEED began measuring job vacancies in 2000, and regions in Greater Minnesota

² <https://mn.gov/deed/business/help/lmi/>

have some of the highest vacancy rates, putting significant pressure on employers in these areas who need to fill positions. The problem is only expected to get worse in rural regions due to a higher percentage of older workers compared to the Twin Cities metro area.

Variations by region

The job vacancy rate is defined as the ratio of estimated job vacancies to filled jobs in a region. Although the number of job vacancies is increasing across the state, the rising percentage of vacancies in relation to total employment in Greater Minnesota shows the true uphill battle employers there are facing in finding workers (Figure 1).

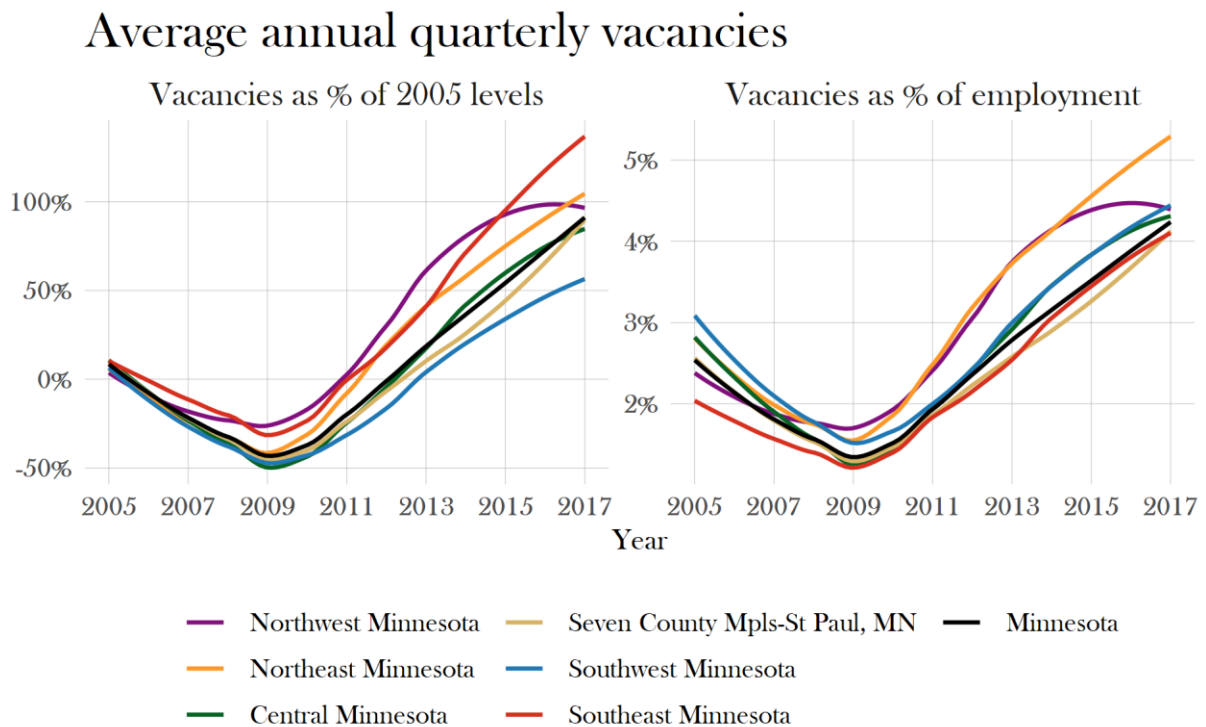


Figure 1: Average number of job vacancies in the second and fourth quarters of each year indexed to vacancy levels in 2005 (left). By 2017, the job vacancy rate (right) was significantly higher in most regions of Greater Minnesota compared to the seven-county metro. Northeast's significantly higher vacancy rate is due not only to a high number of vacancies but also the fact that it is the only region to experience a decline in labor force since 2000. Data source: MN DEED

Job vacancies aren't necessarily a bad quality to have in a region. The challenge comes when the vacancies are difficult to fill, which can stunt business growth and even force businesses to eliminate those jobs that can't be filled. Anecdotally, organizations working with employers to fill workforce needs say they are hearing from more and more businesses struggling to find workers. A 2017 survey conducted by the Minnesota Chamber of Commerce bears that out, showing that 69% of businesses in Greater MN reported difficulty in finding employees, up from 13% in 2009 at the bottom of the Great Recession.

Two indicators highlight the challenges Greater Minnesota faces in filling new positions or replacing retirees today:

- The workforce in Greater Minnesota is barely growing. The seven-county metro is the only region to recover to its 1995 levels of growth in its labor force, which was over 2%. All other regions are growing below 1% and have been since 2010. The southwest and northeast regions have actually been experiencing declines in their labor forces.
- There is a lack of younger workers to replace retirees. In Greater Minnesota, the share of jobs held by people age 25 to 44 make up less than 40% of all jobs compared to older workers who hold more than 40%. In the seven-county metro, the opposite is true: the share of jobs held by people age 25 to 44 is significantly higher than the share of jobs held by people age 45 or older. And as population projections from the Minnesota State Demographic Center indicate, on its current course, Greater Minnesota will be feeling the impacts of a squeezed labor force for some time (Table 1).

Table 1: Labor Force Projections in Greater Minnesota, 2020-2030. Data source: MN State Demographic Center population projections & 2012-2016 American Community Survey 5-year Estimates

Greater Minnesota	2020	2030	2020-2030 Change	
	Labor Force Projection	Labor Force Projection	Numeric	Percent
16 to 19 years	79,420	70,447	-8,972	-11.30%
20 to 24 years	166,554	169,097	2,543	1.50%
25 to 44 years	493,144	514,512	21,368	4.30%
45 to 54 years	244,857	237,529	-7,327	-3.00%
55 to 64 years	248,942	189,982	-58,960	-23.70%
65 to 74 years	73,264	85,293	12,029	16.40%
75 years & over	13,304	19,435	6,130	46.10%
Total Labor Force	1,319,485	1,286,296	-33,189	-2.50%

The gap in median wages is closing

Although the median wages for all job vacancies continue to be lower in Greater Minnesota than in the seven-county metro area, the largest *increases* in wages have occurred in Greater Minnesota. In addition, these gains in wages have occurred at the lower end of the pay scale, while growth in wages at the higher end have been more modest.

Figure 2 shows how by 2017 the gap in median wages offered for job vacancies in the various regions of the state had tightened up considerably compared to 2005.

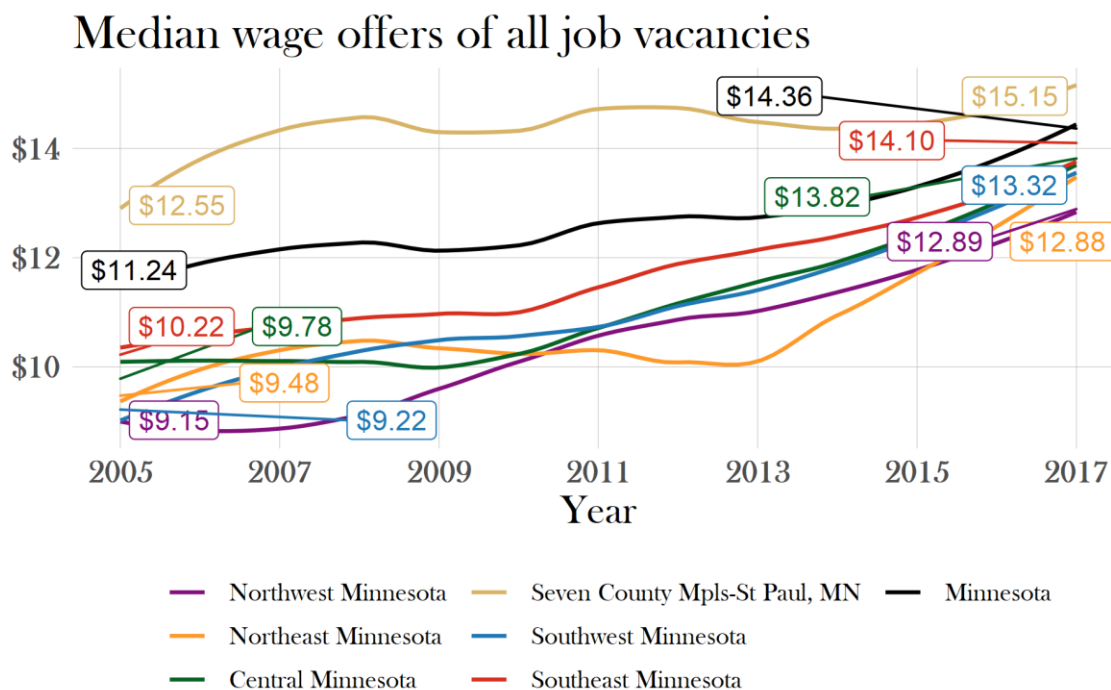


Figure 2: The median wages of all job vacancies have been increasing in Greater MN at a faster rate than in the seven-county metro. Data source: MN DEED

PLAYING CATCH-UP WITH HIGHER PAYING JOBS

The gap at the higher end seems to be the most difficult for Greater Minnesota to close. The data show a clear trend—the higher paying the occupation is, the likelier it is to be paying significantly more in the seven-county metro than in rural areas. For most occupations offering median wages of \$20/hour or more, the median wage for the same occupation was more than \$5 higher in the Twin Cities.

To see the data yourself, go to “Wages of job vacancies” on our [online data report](#).

Figure 3, which breaks down job vacancy wages by percentile, shows that the largest gains in wages since 2005 have occurred in Greater Minnesota, particularly at the 10th, 25th, and 50th (median wage) percentiles, but even the more modest growth in the 75th and 90th percentiles equates to 20% to 30% or more in wage increases over 2005 levels.

Wage percentiles of all job vacancies as a percent of 2005 levels

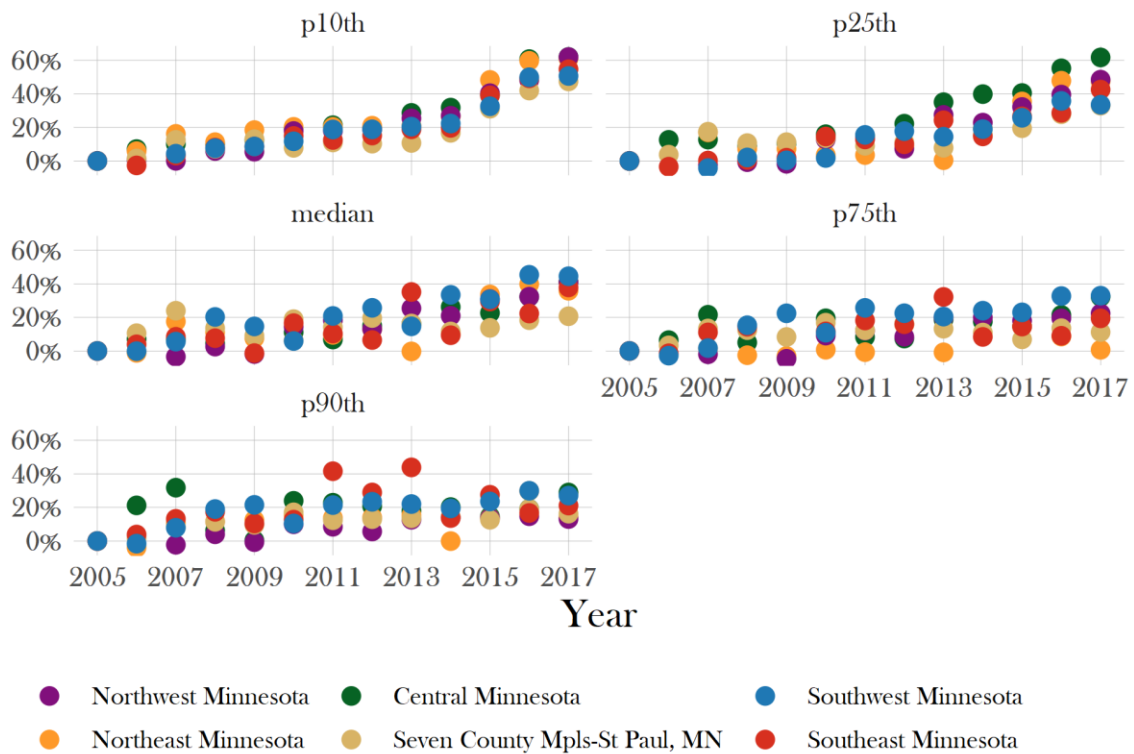


Figure 3: Wage growth in all vacancies indexed to 2005 levels for each planning region, grouped by percentile. Wages offered in vacancies paying at the median or below have increased the most across Greater Minnesota. Wages above the median (e.g., at the 75th and 90th percentiles) increased at a slower rate in Greater Minnesota but still faster in most regions compared to the Twin Cities. Data source: MN DEED

There are two likely reasons why wages have increased so much in Greater Minnesota:

- Employers are voluntarily raising them in an effort to recruit employees; and
- Employers have been forced to raise them because of increasing minimum wage laws.

It's difficult just looking at the data to tell which of these two factors has been more responsible for wage increases, but there is no doubt that raising the minimum wage contributed significantly to wage increases in the 10th and 25th percentile, whereas the influence of that policy would diminish as wages increase from the median to the 90th percentile. For these vacancies, increases in wages are more likely to happen due to employers attempting to recruit employees.

A growing number of open positions are full-time, offer health benefits, and require post-secondary education.

A conventional belief around job vacancies in Greater Minnesota has been that they are largely low-wage, part-time, low-skilled positions that don't offer health care benefits. This stems from the fact that the *percentage* of job vacancies that are this type is in fact increasing. The data show, however, that the actual *number* of vacancies offering full-time work, health care benefits, and/or requiring post-secondary education is higher now than in 2005—significantly higher.

In 2017, Greater Minnesota's regions offered one and a quarter to two times as many job vacancies that were full-time, offered health benefits or required post-secondary education compared to 2005 (Figure 4).

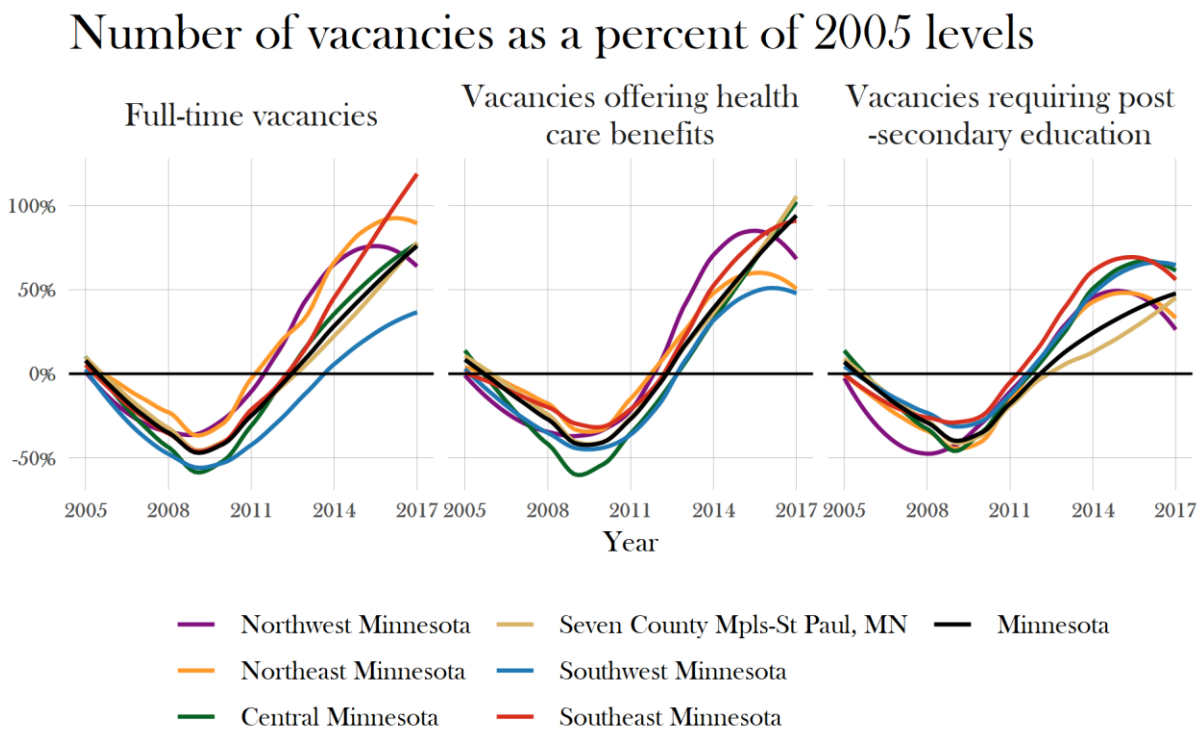


Figure 4: The number of full-time vacancies is between 36% and 123% higher than in 2005. The number of vacancies offering health benefits is between 43% and 113% higher than in 2005. The number of vacancies requiring post-secondary education is between 25% and 60% higher than in 2005. Data source: MN DEED

Changes in employment requirements due to labor force supply and demand

The increase in the number of job vacancies requiring post-secondary education has been more modest since 2012, but this isn't necessarily due to an increase in "low-skilled" jobs. Education and experience requirements can have more to do with reactions by businesses to the availability of workers at the time rather than the types of jobs

available. Businesses view education and experience requirements as two of the levers they can adjust to control the number or type of applicants they receive. When demand for labor is low, employers will increase education or experience requirements to filter out applicants who might require an investment in training. Conversely, when demand for labor is high, employers can decrease these requirements, attracting workers that they can then train in-house. The end result is still a trained worker in a high-skilled job.

To attract workers, employers are currently reducing educational and experience requirements and/or choosing to train new recruits themselves. And it's happening across all occupations, even in occupations one might consider to have limited flexibility.

For example, in 2005, 96% of the job vacancies in Minnesota within the category of healthcare practitioners and technical occupations required some form of post-secondary education. In 2017, it was 82.5%. In construction the percentage went from 13.5% in 2005 to a peak of 40% in 2012 when labor supply was high, then dropped to 19% by 2017. Across nearly all occupations, declines have occurred since 2012, when the labor market began getting tight. According to DEED labor analyst Cameron Macht, "A lot of this is due to employers struggling to fill vacancies, so if not absolutely necessary, they are lowering education requirements to try and entice a larger pool."

Most drastic has been the decrease in the percentage of vacancies requiring work experience of one year or more. Figure 5 shows that all regions have seen a 25-percentage-point drop in job vacancies requiring work experience of at least a year or more. Both the percentage of vacancies and the number of vacancies requiring one year of work experience are lower than in 2005.

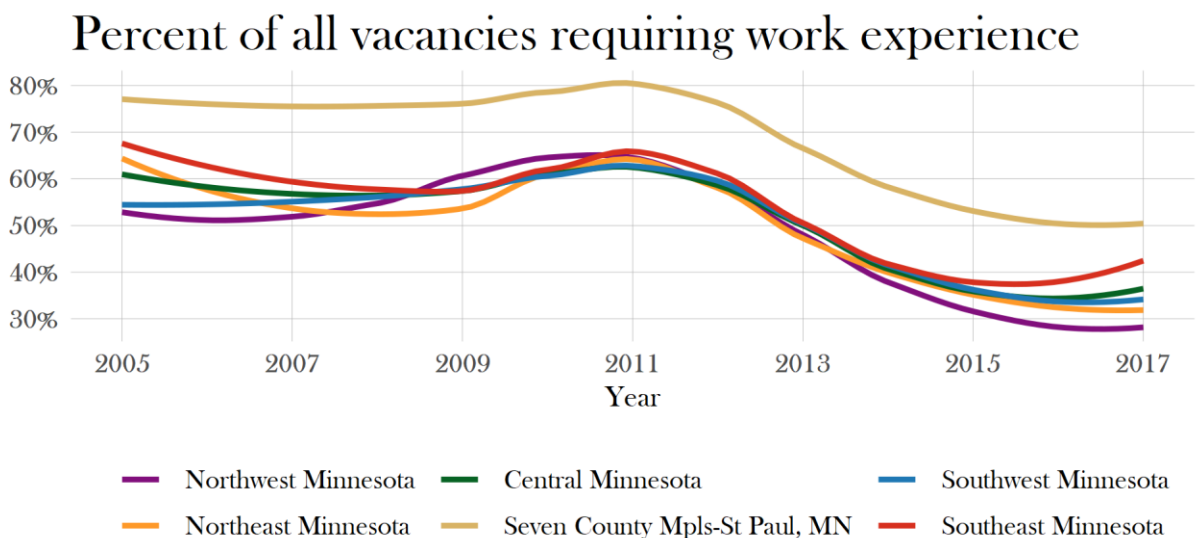


Figure 5: The percentage of vacancies requiring prior work experience has declined significantly across the state as employers respond to the workforce shortage. Data source: MN DEED

Despite all these adjustments by businesses, they are still reporting difficulties in filling positions. Without enough people entering the workforce, businesses end up “poaching” workers from one another. In southeastern Minnesota, Alessia Leibert, a researcher with MN DEED, has heard from many employers in the region frustrated with this issue, particularly in nursing:

“There is a large disparity in wages within nursing occupations there, and many businesses will work to get an employee trained for the position, only for that employee to leave to take another position in the region that can pay more.”

Cultivating a workforce

Of course, there are tremendous differences in the economic fabric of our state that impact the types of job and career opportunities available. The tourism and recreational economies of northern Minnesota mean lower-paying service industry jobs will make up a large percentage of job vacancies, dragging down the overall average wage offer and overshadowing the higher-paying jobs available there. These large regions can also mask differences within a single region, such as the significant differences in opportunities between the Iron Range and the rest of the Arrowhead region.

Employers in Greater Minnesota are looking for ways to increase their workforce. Luckily there is a robust network of partnerships developing between private, public, and non-profit institutions developing strategies to do just this.

Efforts revolve around:

1. Tapping “hidden talent” pools: despite historically low unemployment rates, the percentage of the population 16 to 65 years old participating in the workforce hovers around 80%. And while this is also historically high, businesses and workforce development organizations believe there are still “hidden talent” pools out there that have been overlooked. Their focus is on parts of the population that haven’t participated in the workforce in high rates. In Greater Minnesota, this means engaging Native American communities, people with disabilities and people with criminal backgrounds.
2. Increasing immigration and in-migration: in an effort to recruit urban dwellers who might be interested in living in a rural area, an increasing number of regions are recognizing the importance of reclaiming their narratives and marketing their regions as great places to live. In addition, more engagement is occurring with immigrant populations to help community relations and entice more immigration into the region.
3. Retaining youth: businesses, school districts, and workforce development organizations are partnering to engage high school students in new ways that showcase the opportunities available to them in their regions, and in some cases, implementing trainings into their curriculum and providing jobs right after graduation.

Each region has its own story, yet the overarching message is that there are currently more opportunities to find well-paying employment in Greater Minnesota than at any point in the last twenty years. The big question is whether people know about these opportunities, or if the old narrative that there aren't any opportunities in Greater Minnesota still dominates, keeping people from exploring these regions.

In part 2 we will highlight a few of these initiatives, focusing on their opportunities and challenges and how state leaders can assist in making these efforts even more successful.

Appendix

A note about the data

The job vacancy survey data is compiled during the second and fourth quarters of each year. It should be thought of as a “snapshot” of vacancies for a specific time. To smooth out the vacancies from year to year, the survey data presented in this report are given as “annual quarterly averages.” For example, if there were 100 vacancies for the occupation “sales and related” in the second quarter and 200 vacancies in the fourth quarter, the annual quarterly average presented would be 150 for that particular occupation.