Unprepared and Unaware

Moderator: Stephen Pruitt, President, SREB

Meagan Crowe, Policy Analyst, SREB
Stuart Andreason
Honorable Joyce Elliot, Arkansas
Honorable Fran Millar, Georgia
In one word, what is the biggest future challenge to workforce in the states?
What current age group should we focus on for a prosperous workforce in 2030?

- 5-18: A
- 18-25: B
- 25-35: C [100%]
- 35-50: D
- 50+: E
- All of the above: F
Setting the Stage
Income
2013 to 2018

Per capita income in the SREB region fell in comparison to the national average.

<table>
<thead>
<tr>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>U.S. Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>93%</td>
<td>91%</td>
<td>90%</td>
<td></td>
</tr>
</tbody>
</table>
By 2030, for every 53 dependent people in the U.S., there will be 47 working-age adults to provide for them.

<table>
<thead>
<tr>
<th>Year</th>
<th>Under 25</th>
<th>25-64</th>
<th>65+</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>32.4</td>
<td>52.1</td>
<td>15.6</td>
</tr>
<tr>
<td>2020</td>
<td>33.2</td>
<td>50.4</td>
<td>16.4</td>
</tr>
<tr>
<td>2030</td>
<td>33.1</td>
<td>47.1</td>
<td>19.8</td>
</tr>
</tbody>
</table>
The SREB Region’s Economic Outlook

Meagan Crowe, Policy Analyst
Changes in the workforce...
unprepared and unaware
More than 50 million people work in SREB states. Most of them will be affected by automation in the coming decades.
Automation potential

- At least 30% of work activities in 60% of jobs are automatable
- 5% of jobs are *completely* automatable
- 23-44% of work activities may be automated by 2030
The adults most vulnerable to changes in the workforce are those with no education beyond high school.
SREB’s vulnerable workforce

18 million workers and their children could be unemployable
Automation potential in SREB’s top 5 industries

- Production: 86%
- Transportation: 63%
- Sales: 42%
- Food Service & Preparation: 69%
- Office & Administrative: 64%
In the top 5 industries:

- 26 million workers — 52% of all employees in the region
- 11 million — 42% — have a high school diploma or less
If state and industry leaders do not act now, more will be:

- underemployed or unemployable
- earning incomes below the poverty level
- dependent on social welfare services
- unable to launch the next generation
## 8th Graders Below Basic on NAEP

<table>
<thead>
<tr>
<th>Parents</th>
<th>Reading</th>
<th>Math</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graduated high school</td>
<td>36%</td>
<td>48%</td>
</tr>
<tr>
<td>Some education after high school</td>
<td>22%</td>
<td>32%</td>
</tr>
</tbody>
</table>
Students whose parents have higher education levels:

- take more challenging courses
- are more likely to graduate high school
- are more likely to enroll in college
- are more likely to earn postsecondary degrees and certificates
Prepare for today *and tomorrow*

Ensure that business and industry have the workers they need now

Ensure workers are prepared for jobs that will be available in the future
Meagan Crowe, CNP
Policy Analyst
Meagan.Crowe@SREB.org
INVESTING IN AMERICA’S WORKFORCE

Stuart Andreason
Center for Workforce and Economic Opportunity Director
Stuart.Andreason@atl.frb.org
Responsible for monetary policy, supervision and regulation of banks, and payment systems.

There is also a Community Development function aimed at *better understanding the processes and resources that support successful programs in low- and moderate-income communities.*
Launched on October 2017

Mission:

- Focuses on employment policies and labor market issues that affect low- and moderate-income individuals

- Acts as a bridge between research and practice for the Federal Reserve System primarily by:
  - Sharing what we know
  - Discovering new information
  - Engaging in discussions towards action
A unique convergence of trends:

- Cyclical opportunity – very low unemployment

- Secular trends in the economy -- increasing importance of skill, talent, education, workforce development
  - Individual labor market success
  - Business competitive advantage
  - Local and national economic growth?

- Demographic changes driving needs for integrating new workers into the workforce – continued declines in labor force participation
  - Retirements, longevity, and diversity to name a few
National Educational Attainment Rates

70% of adults 25 and over in the U.S. do not have at least a bachelor’s degree.

- 41% High School Diploma or Less
- 21% Some College, No Degree
- 8% Associate’s Degree
- 30% Bachelor’s Degree or Higher

Source: 2013 American Community Survey
LARGELY HEALTHY LABOR MARKET, WITH CHALLENGES

High rates of part time workers for economic reasons

CPS, Table A15
LABOR FORCE PARTICIPATION SINCE GREAT RECESSION

FRED - Civilian Labor Force Participation Rate

Shaded areas indicate U.S. recessions
Source: U.S. Bureau of Labor Statistics
myf.red/g/k6AL

ECONOMIC OPPORTUNITY
LABOR FORCE PARTICIPATION SINCE 1940S

Source: U.S. Bureau of Labor Statistics

Shaded areas indicate U.S. recessions

ECONOMIC OPPORTUNITY
• Increasing pace, but a long standing phenomenon
• How many jobs is it going to affect?
  – Two thirds of all jobs have 30 percent technically automatable skills
  – 5 percent of jobs are completely automatable
• Two thirds of jobs requiring less than a high school diploma are completely automatable\(^1\)
• Half of all jobs requiring a high school diploma are automatable
  – 41 percent of the workforce has a high school diploma or less
• Women and minorities are disproportionately in occupations with high exposure to job loss and disruption\(^2\)

2 – Wornell, Devaraj, and Hicks, “Gender, Race, and Ethnic Differences in Exposure to Automation and Trade Related Job Risk” Presented to CWEO Seminar 2018
AUTOMATION CAN HAVE UNEXPECTED EFFECTS: Spreadsheets and the Internet might be expected to reduce employment for analysts – but instead it has soared.

Employment in analyst occupations
Total employment, thousands, 1980-2015

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Total employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Analysts</td>
<td>31</td>
</tr>
<tr>
<td>Budget Analysts</td>
<td>55</td>
</tr>
<tr>
<td>Financial Analysts</td>
<td>255</td>
</tr>
<tr>
<td>Statisticians</td>
<td>59</td>
</tr>
<tr>
<td>Operations research analyst</td>
<td>159</td>
</tr>
<tr>
<td>Economists, market researchers and survey researchers</td>
<td>364</td>
</tr>
<tr>
<td>Management analyst</td>
<td>985</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1.9M</strong></td>
</tr>
</tbody>
</table>
18 million workers in the south
Most jobs in the South are middle-skill jobs.

MOST SOUTHERN JOBS ARE MIDDLE-SKILL JOBS, BUT NOT ENOUGH WORKERS ARE TRAINED TO THE MIDDLE-SKILL LEVEL

- High-Skill Jobs
- High-Skill Workers
- Middle-Skill Jobs
- Middle-Skill Workers
- Low-Skill Jobs
- Low-Skill Workers

SOUTHERN STATES LEAD IN THE SHARE OF YOUTH 16 TO 24 YEARS NOT ATTENDING SCHOOL OR WORKING

PERCENT OF YOUTH NOT ATTENDING SCHOOL AND NOT WORKING, POPULATION 16-24
- 8%
- 9% - 11%
- 12% - 13%
- 14% - 17%

National KIDS COUNT

NATIONAL SKILLS COALITION
Every worker. Every industry. A strong economy.
A skilled and thriving economy must be an inclusive economy.
Apprenticeship Carolina is a state organization that helps firms expand apprenticeships in traditional and non-traditional fields – Trades, manufacturing – Healthcare

The organization works with big and small firms to – Navigate registration of apprenticeship – Support receiving tax credits – Develop curricula to ensure employees have transferable skills and useful training

In its ten year existence, the group has increased apprenticeships from under 1,000 to over 15,000 annually
Employers are the largest funders of job training...mostly informal
- Spending at four-year institutions is the next highest
- Two-year community and technical colleges receive significantly less funding
- Federal programs and certification programs are very small portion of the funding landscape
• A decreasing percentage of workers are participating in either on-the-job training or employer-paid training.

• The majority of spending on employer funded training goes to high-skilled, professional and executive level staff...meaning workers who already have a four-year degree.¹


¹ – Carnevale, Strohl, Gulish, “College is Just the Beginning.” Georgetown Center on Education and the Workforce Nightingale and Eyster, “Results and Returns from Public Investments in Employment and Training” in Investing in America’s Workforce, 2018
**Effective Marginal Tax Rates for Individual Income Tax plus Payroll Tax, 2017**

<table>
<thead>
<tr>
<th>Income percentile</th>
<th>Effective rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest Quintile</td>
<td>16%</td>
</tr>
<tr>
<td>Second Quintile</td>
<td>30%</td>
</tr>
<tr>
<td>Third Quintile</td>
<td>33%</td>
</tr>
<tr>
<td>Fourth Quintile</td>
<td>38%</td>
</tr>
<tr>
<td>Highest Quintile</td>
<td>35%</td>
</tr>
</tbody>
</table>

A comprehensive view of taxation would:

- Include all major federal and state taxes
  - The federal personal income tax, the FICA payroll tax, state income taxes, state sales taxes, the federal corporate income tax, the federal estate tax

- Subtract *transfers payments*
MARGINAL TAX RATES ARE MUCH LARGER THAN FOR HIGHER-WEALTH INDIVIDUALS

Dispersion in Current-Year Net Marginal Tax Rates, Ages 30-39

<table>
<thead>
<tr>
<th>Wealth percentile</th>
<th>Median Marginal Current Year Net Tax Rate</th>
<th>10\textsuperscript{th} Percentile</th>
<th>90\textsuperscript{th} Percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest Quintile</td>
<td>44%</td>
<td>15%</td>
<td>80%</td>
</tr>
<tr>
<td>Second Quintile</td>
<td>43%</td>
<td>26%</td>
<td>73%</td>
</tr>
<tr>
<td>Third Quintile</td>
<td>32%</td>
<td>25%</td>
<td>53%</td>
</tr>
<tr>
<td>Fourth Quintile</td>
<td>33%</td>
<td>25%</td>
<td>38%</td>
</tr>
<tr>
<td>Highest Quintile</td>
<td>35%</td>
<td>24%</td>
<td>38%</td>
</tr>
</tbody>
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HEALTHCARE SERVICES CAREER PATHWAY

**CNA**
- Median Hourly Wage: $13.23

**LPN**
- Median Hourly Wage: $21.65

**RN**
- Median Hourly Wage: $33.65

**Annual Income by Career, Age 25-50**

**Lifetime Earnings**

<table>
<thead>
<tr>
<th>Program</th>
<th>Typical Cost</th>
<th>Typical Length (full time)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CNA</td>
<td>$937</td>
<td>1 month</td>
</tr>
<tr>
<td>LPN</td>
<td>$6,189</td>
<td>1 year</td>
</tr>
<tr>
<td>RN</td>
<td>$11,995</td>
<td>2 years</td>
</tr>
</tbody>
</table>

Notes: the minimum wage changed to $8.46 in 2019. We assume CNA training takes 1 month and LPN training takes one year and individual works part-time while in school full-time.
Cliff effects reduce the benefits to career advancement

The tax payer gains when individuals advance to better jobs
How can better investment frameworks direct resources to programs that benefit businesses and workers?

Get answers from more than 100 leading scholars and practitioners in the new book *Investing in America’s Workforce: Improving Outcomes for Workers and Employers*.

Thank You

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Twitter/LinkedIn - @StuartAndreason
Table Discussions

- What questions and/or reactions does this raise for you or your state?
- What is your state’s current workforce focus?
- What action will you make when you return home?
- What do states need to balance current needs with the future?
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