

Identifying and Dealing Labor Shortages

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May 20, 2009

3 Themes

- No universal definition: “shortage” has different meanings; one self-correcting response—wage increases
- Labor markets: data by industry, occupation, area
- Reasons for employer complaints
Quantity (Lack of enough applicants) vs
Quality (Lack of candidates with “right” skills)

Migration—add workers (ag) vs precise

Surplus vs Shortage

- Surplus: unemployment rate by personal characteristics, occupations, and areas
- Shortages: occupational indicators vs help DOL handle individual employer requests for certification (blanket certification?)
- Issues:
 - What detail for indicators?
 - Supply vs demand reasons and solutions for shortage complaints
 - DOL must say yes or no to employer requests to certify need for foreigner workers

Occupational Indicators

- Unemployment rate and change in employment (relative to other occupa)
- Change in wages of workers in occupation
- Projected BLS employment growth: new jobs and replacements for retirees
- Other data: DOL certifications and change in certifications; students in training for the occupation; number taking and passing occupational tests
- Cohen (1995): most comprehensive analysis with 6 absolute and relative indicators
- Veneri (1999): 3 relative change indicators: 50, 30, 30

Butz et al (2003)-S&E

- Number of S&E graduates (supply),
- Share of US S&E graduates among global S&E graduates (supply),
- Employer reports hard-to-fill S&E jobs (supply),
- S&E workers necessary for “national needs” (demand),
- Change in wages in S&E (demand)
- No indication of an S&E shortage

Adjusting S & D

- Shortage of skilled workers--health care, IT, and S&E—increase supply over time
- Shortage of unskilled workers—ag, construction, etc—decrease demand
- Question—what role for migration during adjustment phase? Dangers
 - Migrant workers can slow adjustments via distortion and dependence
 - Distortion—supply of labor creates demand or slows labor-saving change
 - Dependence—migrant families and areas can become dependent on foreign jobs and remittances

Rules vs Incentives

- Rules: employers learn how to get certified and reduce quest for alternatives
- Incentives: maintain employer interest in alternatives
- How: use employer-paid fees and payroll taxes to subsidize alternatives—collective action sometimes necessary (ag)
- Can create industry-specific funds with employer, labor, and government reps
- Refund worker paid taxes to induce returns

Fees and Payroll Taxes

- Subsidize supply-increasing responses at top of labor market, training etc
- Demand-reducing responses at bottom of labor market, labor-saving changes
- Could require industry trust-fund money to be spent or government takes