



Training Today's Youth for Tomorrow's Jobs

Dr. Daniel G. Sullivan was one of three speakers at the 34th Wisconsin Family Impact Seminar on *Training Today's Youth for Tomorrow's Jobs*. He is Executive Vice President and Director of Research at the Federal Reserve Bank of Chicago. He is responsible for monetary policy, banking and financial markets, microeconomics, and regional economics. This issue brief summarizes his seminar presentation.

Dr. Sullivan's PowerPoint presentation and video can be downloaded at wisfamilyimpact.org/fis34.

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Trends in Labor Force Supply and Demand

Why does labor force participation matter to policymakers? When "help wanted" signs go up, this signals a change in the labor force. The rate that the labor force is growing has slowed down, and will remain slower than in previous decades for another decade or two. This poses a challenge for employers who are used to operating in a "buyer's market"—lots of applications for jobs, even though they didn't always meet the employers' needs. Workforce training to make employees productive helps business. Increasingly, economic growth will depend on a well-trained and productive workforce.

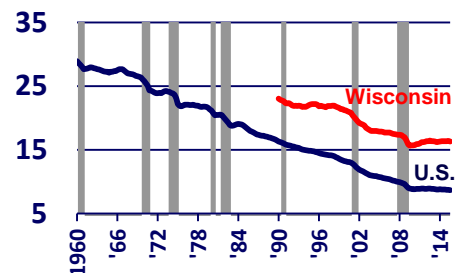
How is the labor force changing? The future labor force is projected to be older and better educated. Youth labor force participation is dropping. In the last 15 years, the labor force participation of young workers is down a good deal with steeper declines expected in the coming years. This drop reflects the long-running demographic trends of an aging society, along with rising education levels as youth stay in high school or go to college.

How important is education and training? Post-secondary education is a good investment for employers, workers, and society. For employers, public investments in skills training help ensure employers have a good pool of workers to pull from. For workers, the personal return on investment exceeds most other investments—12% from higher education and 8%-12% from vocational education. The payoff is highest for relatively younger workers who have longer to use the skills and more time to recoup training costs. For society, education contributes to more participation in the labor force. Of those 25 years or older and in the labor force, less than 10% are high school dropouts compared to nearly 40% who are college graduates. Similarly,

workers with some post-secondary education are more likely to be working than those with only a high school degree.

What industries will be in high demand? In Wisconsin and in the United States, industries expected to grow fastest include construction, education and health, and business and professional services. Industries projected to grow faster in Wisconsin than the United States are natural resources and manufacturing. As shown in the figure below, manufacturing has been shrinking as a market share for decades, but appears to be stabilizing. Yet employment in manufacturing may still go up because the workers are older and will be retiring.

Has The Share in Manufacturing Stabilized?
Share of Employment in Manufacturing (percent)



Source: Current Employment Statistics Survey, Bureau of Labor Statistics accessed via Haver Analytics.

What skills will be in high demand? Because it is hard to predict which jobs will grow in the future, it may be better to focus on the skills likely to be needed in tomorrow's workforce. The jobs that have grown most consistently in the last two decades have required both math and social skills. Hard and soft skills will continue to be in high demand. Jobs that can be outsourced are vulnerable. Also, jobs that are routine, either manually or cognitively, are at risk of being replaced by computers or robots. For the highest return on investment, workforce training should equip the full range of youth with the skills needed for good-paying jobs in industries likely to grow. ●