

WEST MICHIGAN VIEWPOINT

Future Labor Shortage of Production Workers?

From 2000 to 2005, the state's manufacturers cut more than 210,000 workers from their payrolls as manufacturing employment declined by 24.3 percent. Moreover, the University of Michigan is estimating that manufacturers will trim another 29,000 workers from their workforce this year and an additional 58,000 workers in the two years after that. Still, many analysts fear that the state's manufacturers will face a labor shortage within the next ten years. But employment estimates released by the U.S. Census Bureau suggest that these concerns, if driven solely by demographic trends, may be overblown.

Of course, demographics is only one of two factors that will have an impact on the availability of qualified production workers in the future. With the state's more competitive manufacturers demanding more than the ability to do simple repetitive tasks in a fast-paced environment, many workers may not qualify for the openings that they would have ten years ago.

Demographic trends could matter. Even if the skill requirements of production jobs were to remain the same in the coming decade, manufacturers would still face a challenge if a high percentage of the state's production workers were of retirement age. This, however, is not the case.

According to U.S. Census figures for 2005, the number of Michigan's production workers declined by nearly 19 percent from 2000 to 2005, while employment in nonproduction occupations rose by 1.5 percent. As shown in the table below, the percentage of workers 44 years of age and under declined in both production and nonproduction occupations, although clearly the reductions in manufacturing were much larger.

| Change in employed workers in Michigan by age from 2000 to 2005 (%) | | |
|---|------------|---------------|
| Age groups | Production | Nonproduction |
| Below 25 | -27.6 | -5.1 |
| 25-29 | -23.6 | -3.8 |
| 30-34 | -20.4 | -8.6 |
| 35-39 | -32.1 | -11.0 |
| 40-44 | -22.9 | -4.7 |
| 45-49 | -7.9 | 7.0 |
| 50-54 | -10.8 | 14.6 |
| 55-59 | -0.4 | 29.5 |
| 60-64 | -1.9 | 34.2 |
| 65 and older | -12.7 | 8.7 |
| Total | -18.9 | 1.5 |

SOURCE: U.S. Census PUMS, from the 2005 American Community Survey and from the 2000 Census.

At the same time, the percentage of production workers between the ages of 55 and 64 barely changed in the five-year period. But for the nonproduction workers in these age groups, the percentage mushroomed during those five years.

With the percentage of production workers 44 years of age or less shrinking dramatically, it is not surprising that fears of a pending labor shortage could arise. However, the age distribution of production workers in the state in 2005 should abate these concerns.

The percentage of the state's production workers between the ages of 25 and 39 is barely different from that of nonproduction occupations—34.1 and 32.8, respectively. In addition, the percentage of the state's production workers between the ages of 55 and 64 is very similar to that of nonproduction workers—12.0 to 12.9 percent.

The major differences in the age profile of the two groups are that 1) a lower percentage of the state's production workers are under 25 years of age, and 2) a higher percentage are in their 40s. The lack of entrants into production occupations is not surprising given that sector's nearly 19 percent decline in employment: young adults are turning to faster-growing occupations for their careers. The large share of production workers who are in their 40s will still be in the workforce for an additional 15 to 20 years. These numbers do not foretell an impending labor shortage if only headcounts matter.

Of course, it is not the number of workers that matters, but how well they are trained. A labor shortage can still occur, but if it does, it will be due to a lack of training, not a lack of job applicants.

| Distribution of employed workers in Michigan by age in 2005 (%) | | |
|---|------------|---------------|
| Age groups | Production | Nonproduction |
| Below 25 | 10.1 | 13.1 |
| 25-29 | 10.7 | 10.2 |
| 30-34 | 11.4 | 10.7 |
| 35-39 | 12.0 | 11.9 |
| 40-44 | 15.3 | 13.0 |
| 45-49 | 15.6 | 13.4 |
| 50-54 | 11.1 | 11.6 |
| 55-59 | 8.3 | 8.5 |
| 60-64 | 3.7 | 4.4 |
| 65 and older | 1.8 | 3.2 |
| Total | 100.0 | 100.0 |

SOURCE: U.S. Census PUMS, from the 2005 American Community Survey and from the 2000 Census.