Why Good People Can’t Get Jobs

Peter Cappelli
The Wharton School
Record levels of job losses and persistent unemployment.
Yet employers complain they can’t find people to hire...

Source: Manpower survey
Obviously there is a shortage of jobs
But the ones that are hard to fill aren’t so obvious ….

**TOP 10 JOBS HARDEST TO FILL JOBS GLOBALLY**

<table>
<thead>
<tr>
<th>POSITION</th>
<th>2006</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technicians</td>
<td>3</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Sales Reps</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Skilled Trades</td>
<td>5</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Engineers</td>
<td>2</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Laborers</td>
<td>N/A</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Mgmt/Execs</td>
<td>10</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Accounting &amp; Finance Staff</td>
<td>9</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>IT Staff</td>
<td>6</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td>Production Ops</td>
<td>4</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>Office Support</td>
<td>7</td>
<td>7</td>
<td>10</td>
</tr>
</tbody>
</table>

* Source: Manpower Survey
Root of the Problem:
Why is it that employers can’t find what they want?

• Does “can’t find what I want” = “can’t find what I need”?
  • The “Home Depot” view of jobs
  • The reality of job descriptions
  • What’s hard to find is prior work experience, not newbees
Assuming some skills are in short supply, why doesn’t the market solve the problem?
How Hard Are We Looking?

RECRUITING INTENSITY PER JOB VACANCY,
JANUARY 2001 TO MAY 2011

Source: Steven J. Davis, Jason Faberman
and John Haltiwanger using data from the
Job Openings and Labor Turnover Survey.
Recessions, as dated by the NBER.

Note: Data for the Nonfarm U.S. economy excluding the federal government.
Not complaining about academic skills in new hires....
Complaints about new hires....
Are US Schools *Really* Failing?

![Graph showing dropout rates by race/ethnicity from 1972 to 2009](image)
<table>
  <thead>
    <tr><th colspan="4">17-year-olds</th></tr>
  </thead>
  <tbody>
    <tr><th>Total</th><th>Level 250</th><th>Level 300</th></tr>
    <tr><td>79 (0.9) 80 (0.7)</td><td>81 (0.9) 83 (0.6) 86 (0.8) 84 (1.0) 83 (0.8) 81 (1.0) 82 (0.8) 82 (1.0) 79 (0.9) 80 (0.6)</td><td>39 (1.0) 39 (0.8) 38 (1.1) 40 (1.0) 41 (1.5) 41 (1.0) 43 (1.1) 41 (1.2) 39 (1.4) 40 (1.4) 36 (1.2) 39 (0.8)</td></tr>
    <tr><th>Male</th><th>Level 250</th><th>Level 300</th></tr>
    <tr><td>74 (1.0) 76 (0.8)</td><td>78 (1.0) 80 (0.7) 83 (1.4) 80 (1.4) 78 (1.2) 76 (1.5) 77 (1.2) 77 (1.5) 73 (1.2) 76 (0.8)</td><td>34 (1.1) 34 (1.0) 35 (1.3) 36 (1.0) 37 (2.3) 36 (1.5) 38 (1.6) 36 (1.9) 34 (1.9) 34 (1.7) 32 (1.2) 35 (0.9)</td></tr>
    <tr><th>Female</th><th>Level 250</th><th>Level 300</th></tr>
    <tr><td>83 (1.0) 84 (0.9)</td><td>84 (1.0) 87 (0.6) 88 (1.1) 89 (1.0) 87 (1.1) 86 (1.2) 87 (1.0) 87 (1.0) 84 (0.9) 84 (0.8)</td><td>44 (1.2) 44 (0.9) 41 (1.2) 45 (1.1) 44 (2.0) 47 (1.3) 48 (1.5) 46 (1.5) 45 (1.7) 45 (1.8) 41 (1.6) 43 (1.0)</td></tr>
    <tr><th>White</th><th>Level 250</th><th>Level 300</th></tr>
    <tr><td>84 (0.7) 86 (0.6)</td><td>87 (0.6) 88 (0.5) 89 (0.9) 88 (1.1) 88 (0.9) 86 (1.1) 87 (0.8) 87 (1.3) 83 (0.9) 87 (0.6)</td><td>43 (0.9) 44 (0.8) 43 (1.1) 47 (1.1) 45 (1.6) 48 (1.2) 50 (1.4) 48 (1.4) 46 (1.5) 46 (1.5) 42 (1.3) 47 (1.0)</td></tr>
    <tr><th>Black</th><th>Level 250</th><th>Level 300</th></tr>
    <tr><td>40 (1.6) 43 (1.6)</td><td>44 (2.0) 65 (1.5) 76 (2.4) 69 (2.8) 61 (2.3) 66 (4.1) 68 (4.0) 66 (2.5) 64 (2.2) 67 (2.4)</td><td>8 (0.9) 8 (0.7) 7 (0.8) 16 (1.0) 25 (3.1) 20 (1.8) 17 (2.5) 22 (3.7) 18 (2.2) 17 (1.7) 16 (1.8) 21 (1.5)</td></tr>
    <tr><th>Hispanic</th><th>Level 250</th><th>Level 300</th></tr>
    <tr><td>[2]<sup>(2)</sup> (1) 53 (4.1)</td><td>62 (3.1) 68 (2.4) 71 (4.8) 75 (4.7) 69 (4.0) 63 (4.4) 65 (4.2) 68 (4.3) 67 (2.4) 70 (1.5)</td><td>[2]<sup>(2)</sup> (1) 13 (2.7) 17 (2.1) 21 (3.0) 23 (3.7) 27 (3.3) 27 (3.2) 20 (3.0) 20 (4.8) 24 (3.8) 23 (2.1) 22 (1.0)</td></tr>
  </tbody>
</table>

source: Digest of Education Statistics, IES/NCES Table 129.
Math Scores 1973-2008

Source: Digest of Education Statistics IES/NCES Table 141

<table>
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<tr>
<th>17-year-olds</th>
<th>All students</th>
<th>304 (1.1)</th>
<th>300 (1.0)</th>
<th>298 (0.9)</th>
<th>302 (0.9)</th>
<th>305 (0.9)</th>
<th>307 (0.9)</th>
<th>306 (1.0)</th>
<th>307 (1.2)</th>
<th>308 (1.0)</th>
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<tr>
<td>Female</td>
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<td>301 (1.1)</td>
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<td>296 (1.0)</td>
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<td>305 (1.1)</td>
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<tr>
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<td></td>
<td>310 (1.1)</td>
<td>306 (0.9)</td>
<td>304 (0.9)</td>
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<td>309 (1.0)</td>
<td>312 (0.8)</td>
<td>312 (1.1)</td>
<td>313 (1.4)</td>
<td>315 (1.1)</td>
<td>311 (0.7)</td>
<td>314 (0.7)</td>
</tr>
<tr>
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<td>270 (1.3)</td>
<td>268 (1.3)</td>
<td>272 (1.2)</td>
<td>279 (2.1)</td>
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<td>Parents' highest level of education</td>
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<tr>
<td>Did not finish high school</td>
<td></td>
<td>— (†)</td>
<td>280 (1.2)</td>
<td>279 (1.0)</td>
<td>279 (2.3)</td>
<td>285 (2.2)</td>
<td>285 (2.3)</td>
<td>284 (2.4)</td>
<td>281 (2.4)</td>
<td>289 (1.8)</td>
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<td>292 (1.3)</td>
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<tr>
<td>Graduated high school</td>
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<td>— (†)</td>
<td>294 (0.8)</td>
<td>293 (0.8)</td>
<td>293 (1.0)</td>
<td>294 (0.9)</td>
<td>298 (1.7)</td>
<td>295 (1.1)</td>
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<td>Some education after high school</td>
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<td>Region</td>
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<td>301 (1.9)</td>
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<td>302 (1.4)</td>
<td>304 (1.9)</td>
<td>311 (2.1)</td>
<td>312 (2.0)</td>
<td>307 (2.2)</td>
<td>314 (2.0)</td>
<td>310 (2.0)</td>
<td>310 (1.3)</td>
<td>309 (1.6)</td>
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<td>West</td>
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<td>295 (1.8)</td>
<td>294 (1.9)</td>
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<td>302 (1.5)</td>
<td>303 (2.3)</td>
<td>305 (2.4)</td>
<td>304 (2.3)</td>
<td>310 (2.0)</td>
<td>305 (1.6)</td>
<td>305 (1.1)</td>
</tr>
</tbody>
</table>
How about compared to other countries?

Latvia and Liechtenstein are gaining on us!
Most Americans are Overqualified for their Jobs*


- Doctoral or professional degree: 877
- Master's degree: 431
- Bachelor's degree: 3,656
- Associate's degree: 1,440
- Postsecondary non-degree award: 1,101
- Some college, no degree: 142
- High school diploma or equivalent: 7,576
- Less than high school: 5,246

Thousands of jobs

Source: BLS Division of Occupational Outlook
The new plug-and-play labor market....
What is in short supply is experience

- Few employers want to train or give initial experience
Work-based skills taught in school

Figure 2 Vocational education and training as a share of the upper secondary sector (ISCED 3), 2006

Some get skills after leaving schools and outside of work

Figure 1.2 Participation in job-related continuing education and training
By level of education, 2003


Crazy Hiring Processes?

Applicant tracking software
Market-Makers....
If you are an employer, what should you do?

- It’s the absence of HR that’s the problem
  - Calculate the cost of a vacant position
  - Recruiter push-back
  - “Good enough” candidates
    - Could you be hired here?
  - What does training really cost
    - Pre-hire?
    - Probation wages?
- Employers have to get in the game
  - If this was a commodity other than labor, would the hands-off approach make any sense?
What can public policy do?

The choices are tough

- Schools should do basic skills – that’s not the problem
- Students are really trying to find the fields that pay off – changes too fast
- Work-based experience is the shortfall –
  - Apprentice programs have collapsed
  - Who wants to provide initial experience
- Should it be public policy to take over training costs?
  - Do you want a credential system
  - Do you want the restrictions of formal apprenticeships?
Percentage of students performing at each of the proficiency levels on the combined reading literacy scale.
Distribution of student performance on the mathematical literacy scale

- Gradation bars extend from the 5th to the 95th percentiles
- Mean score on the mathematical literacy scale
- Mean score of males
- Mean score of females
- 95% confidence interval around the mean score
- OECD average

Performance on the mathematical literacy scale

Countries included in the graph:
- Hong Kong-China
- Japan
- Korea
- New Zealand
- Finland
- Australia
- Canada
- Switzerland
- Belgium
- France
- Austria
- Denmark
- Ireland
- Liechtenstein
- Sweden
- Norway
- Czech Republic
- United States
- Germany
- Hungary
- Spain
- Italy
- Portugal
- Greece
- Luxembourg
- Russian Federation
- Brazil
- Indonesia
- Mexico
- Chile
- Albania
- FYR Macedonia
- Argentina
- Thailand
- Bulgaria
- Israel