

LEGISLATIVE PRIORITY

A Hand Up

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THE MANUFACTURING INSTITUTE recently released a report highlighting that one quarter of those working in manufacturing are over 55 years of age. Delaware's most recent labor report (July) made mention of the state's 65 year old male population seeking work in higher numbers than in prior years, and as an outlier compared to the national average. The Bureau of Labor Statistics reports that roughly 7.3 million jobs are currently unfilled nationally, and that's 1 million more than there are unemployed workers. Add in a 3% unemployment rate, and you have the outline of about as close to full employment as we get, with plenty of room on the margins with open positions, and it's truly an employee's market right now.

As with most cyclical patterns, it's only a matter of time before the economy shifts again, the job market cools and many of those reported job openings disappear as employers choose to scale back hiring in favor of increasing productivity with their current labor force. What happens then?

Much of that question can be answered if Delaware continues down a path of supporting minimum wage increases to \$15 per hour, continues to add burdensome regulations that discourage new business formation and current business growth, and makes it more expensive in general to operate a business in Delaware.

According to a Wall Street Journal article from July, low skill workers are benefiting from a tight labor market. For those with just a high school diploma those aged between 25 to 54 saw a 6 point drop in employment from 2008 to 2010. Starting in 2014 was a sustained jobs recovery for that bracket, and by last year had recovered all the ground they had lost related to wages. It took about 8 years, which has happened in each cycle since 1980. Highlighted in the article was a 2016 study that reported as unemployment increased between 2007 and 2010 the percentage of job postings requiring a bachelor's degree went up 10%, and then fell over the next few years. The report cites a correlation between unemployment and employers raising the requirements of jobs, and then lowering those requirements

when the job market becomes tighter. The need for skills doesn't change, but the initial barriers to entry can be modified.

The concern related to the next economic downturn is what happens to those low skill workers if they are laid off and unable to find work because they lack the skills to compete in a tight job market? Add to that



an inflated minimum wage that acts as a secondary barrier to employment, and Delaware could face an unemployment crisis.

A way to mitigate that outcome is to focus on "training up" Delaware workers. Finding providers like the Delaware Skills Center that offer training in jobs needed today, as well as planning for the wave of retirements set to come in construction, manufacturing, health care and other industries is the answer.

Instead of artificially raising labor costs, which leads to job loss, raises prices for people on a fixed income, exacerbates youth unemployment issues, hastens automation and ultimately hurts low skilled workers, we should be focused on ways to train workers with skills warranting a higher wage that can provide stability during a down market. The State Chamber looks forward to having those conversations with interested leaders in Delaware to provide Delawareans with creative, nimble, real lifestyle changes that will benefit employees, employers and their families.