

Skills Pave the Way to an Equitable Recovery

BY KYLE DEMARIA AND KEITH WARDRIP

FOR THE 24 MONTHS leading up to the COVID-19 pandemic and the onset of the recession, the national unemployment rate rose no higher than four percent, and there were more job openings than there were job seekers. During this strong economic stretch, the Philadelphia and Cleveland Feds embarked on a study aimed at both helping employers fill open positions and identifying advancement opportunities for workers. The economy looks different today, but given the level of hiring anticipated in the months and years ahead, our findings may be more relevant than we could have ever imagined.

In *Exploring a Skills-Based Approach to Occupational Mobility*, we analyze tens of millions of online job advertisements to understand the specific skills requested by employers for occupations in each of the 33 largest labor markets in the country. Using these skills and the frequency with which they are requested, we calculate a similarity score that measures the overlap of the skill sets required for roughly 685,000 pairs of occupations. Our objective is to identify the most feasible opportunities for workers to switch from a lower-paying occupation to a higher-paying one without the need to earn a bachelor's degree. We call these very similar pairs of occupations "top transitions," and this is what we learned about them.

There are nearly 4,100 top transitions in the 33 metro areas we studied. In fact, the Philadelphia-Camden-Wilmington metro area, which includes New Castle County, includes 151 of these top transitions. By way of illustration, local examples involve switching occupations from a bill collector to a credit counselor, a maintenance worker to an industrial machinery mechanic, or an office clerk to an HR assistant.

Skills can be viewed as a bridge rather than as a gap. Many of the top transitions share a set of 21st century (or soft) skills such as communication, customer service, and teamwork that are required of workers up and down the pay scale. Skills that are transferable from one occupation to another can lay the groundwork for more technical training to be delivered by employers themselves, a community college, or any number of other partners.

Nearly half of lower-wage jobs can be paired with a top transition. Compared with the overall level of 49 percent, we find that a slightly below-average share of lower-wage jobs in the Philadelphia metro area are associated with a top transition (44 percent).

Top transitions can represent substantial wage gains. On average, top transitions represent an increase in annual median wages of nearly \$15,000 — from roughly \$30,000 to almost \$45,000.

Skills can substitute for a four-year degree in some cases. Some of



the most similar pairs of occupations involve transitioning into a job that typically requires a bachelor's degree, according to the Bureau of Labor Statistics. In other words, the skills gained through prior work experience could, in some cases, lay the groundwork for career advancement through targeted training that could circumvent the need for a four-year degree.

As the economy regains its footing and hiring accelerates, the private sector can play a critical role in capitalizing on the findings of this research. By critically assessing the skills that a worker needs to be successful in a given role, testing applicants for those in-demand skills, and committing to hiring candidates who possess them — whether or not they have a college degree — employers can feel more confident that the worker will hit the ground running, and research suggests that these employees may stay with a company longer. Moreover, given the existing disparities in degree attainment by race and income, prioritizing skills over educational credentials could lead to a more equitable recovery. Employers can also invest in the professional development of their existing workers to prepare them for higher-paying roles with greater responsibility. Finally, employers can engage with their local workforce development ecosystem to ensure that the training being delivered meets the region's demands. Focusing on the skills that workers need to be successful and investing in their development could lead to better outcomes for both employers and the millions looking for work in the new COVID economy.

To download the full report, visit <https://tinyurl.com/y5mknx9> ■



Kyle DeMaria and Keith Wardrip work in the Federal Reserve Bank of Philadelphia's Community Development and Regional Outreach Department. The views expressed here do not necessarily represent the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.