THE SKILLS GAP

Highly technically skilled workers are in short supply in the wider manufacturing sector. This same shortage of skilled technical workers is also present with the members of the Associated Equipment Distributors.

AED Members and the Skills Gap

In a survey of AED members, company executives responded that the Skills Gap had a number of impacts on their businesses.

Local Education

Respondents to the AED Survey were asked to rate their local educational institutions on a scale from 1 (poor) to 5 (excellent). Of the three types of local schools, only technical training schools were rated above a 3. The lowest ratings were given to local high schools. This indicates a lack of focus on technical education in the nation’s high schools.

High Schools

Community Colleges

Technical Training Schools

Figure: Local Education Ratings

Unfilled Job

Filled Job

Job Opening Rate =

The job opening rate is a measure of the percent of jobs that are going unfilled at a business. It is equal to the number of unfilled jobs divided by the total number of available jobs, filled and unfilled. The average value for AED survey respondents is 11.34%. This is more than 3 times the national average of 3.7%.


Lack of Technical Skills

Equipment distributors across the nation report a high difficulty in finding qualified candidates to fill open technicians positions. The #1 reason? Lack of technical skills.

Difficulties in Finding Technicians

Lack technical skills
Lack soft skills
Work condition
Negative perception of industry
Industry pay
Inability to pass drug test

Source: 2015 AED workforce survey

Effects of the Skills Gap

Equipment distributors report that the inability to hire skilled technicians has had significant adverse effects on their businesses. More than 50% indicated that the skills gap hindered company growth and increased costs and inefficiencies. Almost 75% said that lack of skilled technicians made it difficult to meet customer demand.

Source: 2015 AED workforce survey
Broader Manufacturing Trends

Executives on the Skills Gap
Surveys of manufacturing executives indicate the significant effects of the skills gap on the manufacturing industry. The executives report that there is a skills gap, that it affects business and that employees lack the training they need.

<table>
<thead>
<tr>
<th>Percentage Responded</th>
<th>84%</th>
<th>82%</th>
<th>67%</th>
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<tbody>
<tr>
<td>There is a Skills Gap</td>
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<td>Skills Gap Effects Business</td>
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<td>Employees Lack Training</td>
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Source: The Manufacturing Institute

Jobs Over the Next Decade
Over the next decade, it is estimated that 2 million manufacturing jobs will go unfilled.

- Projected available jobs: 1.4 million
- Open jobs that will be filled: 3.4 million

About 10,000 Baby Boomers will reach retirement age every day for the next 14 years.

Source: The Manufacturing Institute, Pew Social Trends

College Enrollment Growth
Growth rates in 4-year degree enrollment have skyrocketed while growth rates for 2-year schools increased only modestly between the two periods.

- 4-year schools: 46.6%
- 2-year schools: 7.2%

Source: National Center for Education Statistics

Estimated Unfilled Jobs

<table>
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<th>Unfilled Jobs</th>
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<tr>
<td>2,900,000</td>
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<tr>
<td>600,000</td>
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<td>900,000</td>
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The manufacturing sector, which also faces a skills gap, is predicted to have ever growing numbers of unfilled jobs.

Source: The Manufacturing Institute

Potential Impacts of the Skills Gap
Estimates indicated that the skills gap may be costing businesses effected by it as much as 9% in forgone yearly revenue. If this calculation holds true across both the broader manufacturing sector and for AED members, this represents a profound impact on both member businesses and the wider economy.

9% in forgone revenue

For AED members, this could lead to an organization-wide loss of around: $2.4 billion each year

possibly $180 billion for manufacturing

Recommendation for Addressing the Skills Gap

- Promote state-level initiatives that facilitate coordination among educators and employers to utilize public funding resources for specific programs, like apprenticeships.
- Continue to incentivize career technical education programs at the high school and post-secondary school level, and ease the process for accessing workforce development funds for technically focused programs.

Advocate for the adjustment of national workforce policies to incorporate an emphasis on individuals entering the labor market broadly and those seeking technical careers specifically.

SOURCES: