

SKILL MISMATCHES CHARACTERIZE THE LABOR MARKET IN THE 1990s

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Historically, immigration has played a central role in the U.S. economy and is a fundamental part of today's labor market profile. So it is perhaps inevitable that anxiety about labor market shortages and skills gaps leads some to conclude that immigration can resolve the economic problems of the 1990s. This is a mistake that can only create further difficulties, both for the economy and for our competitive position.

Labor shortages present different prospects for different actors in the marketplace. For employers, they slow growth, intensify inflationary pressures and threaten technological leadership and international competitiveness. For U.S. workers, labor shortages translate into better job options, higher wages, more promotions, and improved working conditions, especially for women, ethnic and racial minorities, trade-displaced workers, and the handicapped. Immigration can mitigate the deleterious effects of shortages for employers and dilute the potential for improvements they represent for workers.

For the nation, shortages represent a special challenge because they arise rarely in economic history and offer relatively short-lived opportunities to promote the well-being of U.S. workers, at a time when the productivity of the overall economy must be stimulated.

The most recent labor force projections should change somewhat the sense of impending crisis. The Bureau of Labor Statistics (BLS) projects that labor force growth will, indeed, continue to slow as the smaller, baby-bust generation follow their baby boom-parents into the workforce. The projected growth rate in the labor force for the 1990s is 1.2 percent annually, only modestly slower than the rate of labor force increase we have experienced in the 1980s. Assuming either current or the Senate's proposed increases in levels of immigration, newcomers will increase their share of labor force growth above the 22% contribution they have made in the 1980s.

But the new projections also report several points that are especially important for the immigration debate: apparent scarcities of young workers will likely abate during the end of the decade; gaps between job requirements and educational proficiencies of college-educated workers may be narrowing; and an important area of shortage may involve the rapid growth of jobs that require post-secondary training but not college degrees, a problem that would diminish by lowering the high secondary school dropout rate.

These indices provide an optimistic outlook. Slower labor force growth and an economy producing a large number of jobs could lower unemployment rates to levels not reached in the past two decades. But this bright economic future remains threatened by skills and educational imbalances. The picture is one of serious, pervasive skill mismatches that flow directly from inadequate educational preparation of U.S. workers. The deficiencies run deep and have been extensively documented.

In addition to the problem of skill mismatches, uneven geographical distribution of economic growth is also a source of labor shortages. 1990s trends are likely to reinforce this uneven pattern. Half of the new jobs that will be created by 2000 are estimated to be in the 55 largest cities. The escalating concentration of high-tech jobs in limited numbers of geographic locations exhausts labor pools in local areas and outstrips affordable housing, another feature of geographical mismatches in the labor force.

Finally, imbalances between work and workers are combining to create a polarization of the American economy, its workforce and society. This economic polarization means a widening income and opportunity gap between majority and minority groups. Blacks and Hispanics will continue to increase their share of the labor force in the 1990s. Yet, they are overrepresented in occupations with the slowest rate of projected growth, underrepresented in jobs that have the fastest growth future, and are concentrated geographically in a small number of central cities suffering from severe economic and social problems.

The role of immigration in the 1990s, then, must be understood in the context of severe skill mismatches, uneven distribution and regional concentration of growth and jobs, and widening opportunity and performance gaps. The shortages we are experiencing are not shortages in absolute numbers. They are shortages of properly trained people in various places for particular kinds of jobs. As such, the shortages will be partially corrected by market forces. More importantly, they can be overcome by aggressive public and private investment in human capital improvements.

If immigration is substantially increased, in the name of addressing labor shortages or for other reasons, it could seriously weaken the economic and political forces necessary to bring about the wholesale education and training improvements that are required to compete effectively and advance domestic well-being.

Arriving at an immigration policy for the 1990s that does not undermine the readjustment required to refit the American workforce for a new era of economic competition requires careful attention to the role that contemporary immigration plays in the labor market and the economy.

The relation between immigration and the labor market and economy is complex and highly uneven. Immigrants are concentrated in relatively few states and metropolitan areas, and they work in only selected industrial sectors. This makes it difficult to assess the effect of admitting more immigrants in a swiftly changing, national labor market. The traditional goals of immigration policy embodied in family reunification, refugee resettlement and labor market needs overlap and interact rather than function as separate streams

Where immigration selection is concerned, the current system affords employers access to intending immigrants who possess needed skills and experience when American workers are not available. Preserving this dynamic is an important element in fashioning a selection system that is consistent with encouraging needed labor market readjustment in the future.