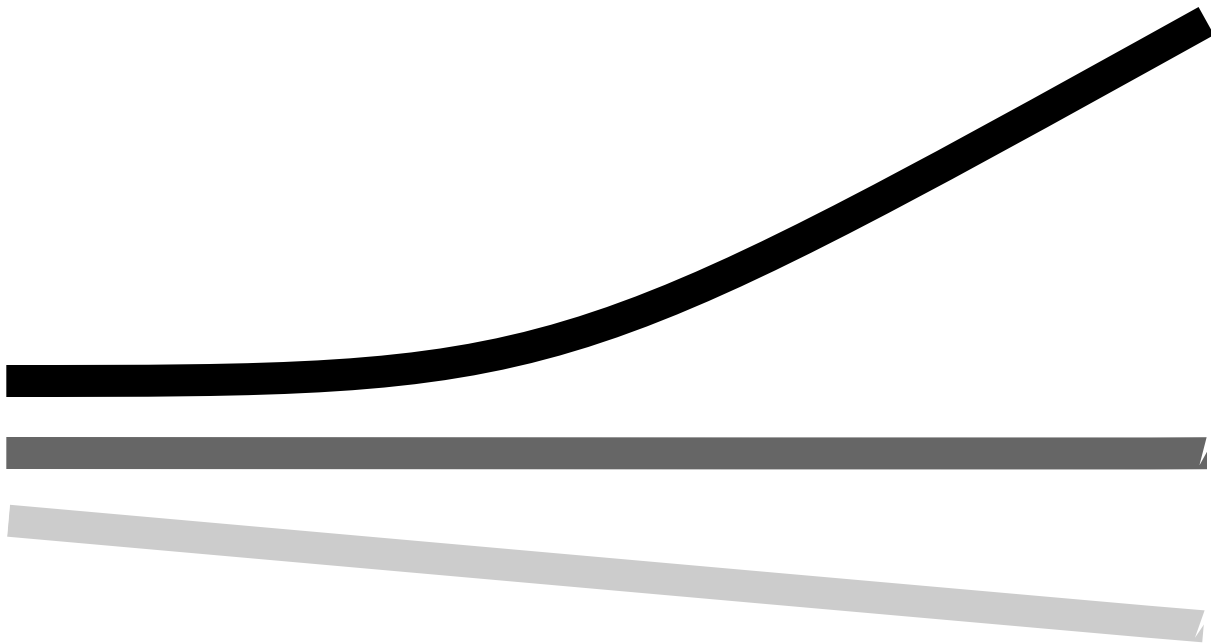


WORKING PAPER

TRAINING AND WAGE LEVELS IN THE WISCONSIN JOB MARKET:

An Analysis of the Relationship Between Wage Levels and Educational Requirements in Occupational Growth Areas



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Part I. Introduction

On September 1, 1997, Aid to Families with Dependent Children ended in Wisconsin. AFDC provided for approximately one quarter of a million very low-income people in Wisconsin, 70% of whom are children. The new program, *W-2 (Wisconsin Works)*, eliminates cash assistance and, instead, places low-income parents in four employment options including private employment, subsidized private employment, community service jobs, and supervised transitional work.

The viability of this plan is being examined from a range of viewpoints. In this paper, the Institute for Wisconsin's Future (IWF) examines the feasibility of securing jobs in the state's labor market and the impact of training, or the lack of it, on both access to employment and wage levels. This report utilizes updated information from a previous IWF study on the labor market along with new information that pertains to training and wage level variability. Hopefully, this information can be useful in designing and evaluating the current programmatic models designed to assist AFDC recipients enter the work force.

Part II. Labor Market Analysis

In a previous analysis of the Wisconsin labor market, the Institute for Wisconsin's Future (IWF) assessed:

1. The capacity of the state's economic system to absorb substantial numbers of new job seekers.
2. The compatibility of existing educational levels among AFDC recipients with the educational requirements of available jobs.

Findings

Labor Market Conditions

1. Statewide, there are not a sufficient number of jobs to employ the total number of current AFDC recipients and unemployed persons.

An examination of employment projections generated by the Wisconsin Department of Workforce Development demonstrates that there is an insufficient number of job openings to meet the employment needs of all unemployed persons, including those individuals currently receiving public assistance. There are currently 39,336 adult recipients of AFDC who would have 24 months to find unsubsidized employment under the W-2 plan. These new entrants to the workforce would be competing for private sector jobs with the unemployed population, currently 95,174 people. Together, this constitutes 134,510 people in need of employment in the state. The average annual job openings projected for the state through the year 2005 is 85,464.

TABLE 1. Four-county labor market assessment of job availability versus placements needed.

	Milwaukee	Rock	Marinette	Eau Claire	Wisconsin
Job Openings ¹	20,035	2,877	829	1,624	85,464
AFDC adult ²	24,599	880	158	458	39,336
Unemployed ³	20,118	3,218	1,039	2,472	95,174
Total Jobseekers	44,717	4,098	1,197	2,930	134,510
Job Gap	24,682	1,221	368	1306	49,046

2. Without funded training programs, there will continue to be a serious mismatch between the skill levels of AFDC recipients and the skills required for most openings.

The state job shortage is further exacerbated when jobs requiring education beyond high school are eliminated from the total pool of available jobs. According to a recent survey of job openings done by the Employment and Training Institute of UW-Milwaukee, 61% of the full-time openings in the metro Milwaukee area "required education, training or occupation-specific experience beyond high school."⁴ The availability of entry level jobs is critical, as these are the type of jobs needed by welfare recipients, who typically have less formal education, less recent labor market experience, and fewer job skills than the currently employed. In Wisconsin, approximately 40% of AFDC recipients have not finished high school and only 12% have post secondary education (See **Chart A below**). This discrepancy will reduce the number of jobs available to the AFDC mothers attempting to enter the labor market and leave employers with a continuing shortage of skilled workers.

Chart A. Educational Status of AFDC Recipients.⁵

Education Level	AFDC Recipients
AFDC recipients with less than a high school education	38.6% of all recipients (15,184 persons)
Recipients with High School Diploma or GED Certificate	37.3% of all recipients (14,672 persons)
Recipients with post-secondary training or education	12.4% of all recipients (4,878 persons)
Educational levels unknown	11.8% of all recipients (4,642 persons)

Part III. Assessment of the Relationship between Training and Wage Levels

Given the narrow window of job opportunity for AFDC clients entering the market, it has been suggested that training provides two significant benefits. Training expands the occupational options for persons entering the labor market and reduces the competition for low-skill jobs. Training also provides opportunities for persons entering the workforce to secure employment that pays higher wage levels thus reducing the dependence of households on supplementary public assistance and hastening families toward real self-sufficiency.

To examine the possible impact of training in the W-2 transition process, the Institute for Wisconsin's Future reviewed data on both those occupations that are projected to have the most openings and those occupations that are expanding the most rapidly in the state. IWF employed data from the Department of Workforce Development's projections and the Bureau of Labor Statistics to determine the wage levels and the training requirements for these occupations. This data is summarized below in Tables 3 and 4.

Table 3: Wisconsin's Top 15 Fastest Growing Occupations With 500+ Employment

<u>Occupational Title</u> ⁶	<u>Level of Education and Training</u> ⁷	<u>Annual Wage</u> ⁸
1. Computer Engineers	Bachelor's Degree	\$32,461
2. Systems Analysts	Bachelors Degree	36,206
3. Human Service Workers	Moderate-Length T/E	20,720
4. Demonstrators, Promoters, Models	N/A	N/A
5. Personal Home Care Aides	Short-Term T/E	19,240
6. Home Health Aides	Short-Term T/E	12,898
7. Electronic Pagination Systems Operators	Long-Term T/E	26,624
8. Paralegals	Associate Degree	26,536
9. Detectives and Investigators	Work Experience/Moderate T/E ⁹	30,160
10. Corrections Officers and Jailers	Long-Term T/E	24,066
11. Teachers, Special Education	Bachelor's Degree	40,560
12. Nursery Workers	Short-Term T/E	17,181
13. Insurance Adjusters, Investigator	Long-Term T/E	27,270
14. Child Care Workers	Short-Term T/E	11,480
15. Dental Hygienist	Associate's Degree	37,440

Key:

T/E = Training and Experience

N/A = Not Available

Short-Term Training/Experience = up to 1 month of on-the job-experience.

Moderate-Length Training/Experience = 1 to 12 months of combined on-the-job experience and informal training.

Long-Term Training/Experience = more than 12 months of on-the-job training.

Source: Bureau of Labor Statistics, Occupational Outlook Handbook, "Employment from 1994-2005, by Level of Education and Training." (<http://stats.bls.gov/oco/ocotjt1.htm>)

Findings

Analysis of the 15 fastest growing occupations projected for Wisconsin reveals that all but four require substantial work experience and/or training beyond a high school level education.¹⁰ Those occupations that do not require substantial training are in the childcare and health care fields. These occupations pay the lowest wages, two of the categories pay wages that are below the poverty level.

On average, those occupations that require more than short term training pay more than twice (2.34) the wage levels as those in the lower skill category. Average wages for low skill workers are \$13,554 compared to \$31,694 for trained workers.

Table 4: Wisconsin's Top 15 Occupations With the Most Job Openings - 1992-2005

<u>Occupational Title</u> ¹¹	<u>Level of Education and Training</u> ¹²	<u>Annual Wage</u> ¹³
1. Salespersons, Retail	Short-Term T/E	\$15,041
2. Cashiers	Short-Term T/E	10,939
3. Waiters and Waitresses	Short-Term T/E	8,840
4. General Office Clerks	Short-Term T/E	17,245
5. General Managers and Top Executives	Experience plus Bachelor's	48,996
6. Teachers, Secondary School	Bachelor's Degree	36,400
7. Food Preparation Workers	Short-Term T/E	12,383
8. Janitors and Cleaners	Short-Term T/E	16,480
9. Truck Drivers, Heavy	Short-Term T/E	23,613
10. Registered Nurses	Associate's Degree	34,699
11. Secretaries, Excluding Legal and Medical	Postsecondary Vocational	19,885
12. Nursing Aides and Orderlies	Short-Term T/E	14,726
13. First Line Supervisors, Sales	Work Experience	24,557
14. First Line Supervisors, Clerical	Work Experience	26,142
15. Teachers, Elementary	Bachelor's Degree	35,880

Key:

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Source: Bureau of Labor Statistics, Occupational Outlook Handbook, "Employment from 1994-2005, by Level of Education and Training." (<http://stats.bls.gov/oco/ocotjt1.htm>)

Findings

Additional assessment of the 15 occupations projected to have the most job openings in Wisconsin through 2005 shows a similar pattern. While eight of the 15 occupations analyzed required only short term training, the jobs themselves necessitate a strong set of basic skills including mathematics, as well as some technical and communications skills.

Wage levels for high skills jobs are more than 250% higher than the low skill, minimal training jobs. Average wages for the high skill jobs are \$33,331 compared to \$14,685 per year for low skill jobs which is only 120% of poverty (\$12,278 for a family of three).

Part IV. Conclusion

While the Wisconsin economy is in a strong growth period, a large discrepancy between the number of persons seeking employment and the number of job openings available still exists. This is particularly true for jobs at the entry level and low skill end of the labor market. When examining those occupations that have the most openings available and those growing at the fastest rate, two facts are evident.

- The number of jobs available to jobseekers increases with the amount of training that person receives.
- Wage levels paid to workers are substantially higher in those occupations that require more extensive training.

Based on this information, it would appear that the design for W-2 should include a comprehensive training component. This would ensure that recipients have the skills needed to secure employment and that the employment pays wages adequate to establish secure and self-sufficient households.

Notes

¹ Openings: Average Annual Openings by County and Service Delivery Area. (Eau Claire, Marinette County and La Crosse projections are based on their share of regional employment) WI Department of Industry, Labor and Human Relations. Wisconsin Occupational Projections to 2000 (1989), the most recent publication of regional projections. State projections are based on the 1995 edition of Wisconsin Occupational Projections, 1992-2005.

² AFDC Adult: May, 1997. WI Department of Health and Social Services, 1997.

³ Unemployed: Local Area Unemployment Statistics, May 1997, Department of Workforce Development. (<http://www.dwd.state.wi.us/dwelmi>)

⁴ Employment and Training Institute and Social Science Research Facility at UW-Milwaukee. (1995) "Survey of Job Openings in the Milwaukee Metro Area," page 7.

⁵ U.S. Department of Health and Human Services. (1991) "Characteristics and Financial Circumstances of AFDC Recipients," Table 29: "AFDC Adult Recipients by Years of Education."

⁶ Wisconsin Projections, 1992-2005, page 52.

⁷ Bureau of Labor Statistics, Table of OES Occupations by Education and Training and 1994 Employment. (ftp://stats.bls.gov/pub/special.requests/ep/miscellaneous/oes_trn.txt)

⁸ Wisconsin Department of Workforce Development, OES Occupations and Annual Wage, 1995. (<http://www.dwd.state.wi.us/dwelmi>)

⁹ Public Detectives require work experience, while non-public ones require moderate training and experience.

¹⁰ According to the Bureau of Labor Statistics, all occupations listed require a high school education.

¹¹ Wisconsin Projections, 1992-2005, page 53.

¹² Bureau of Labor Statistics, Table of OES Occupations by Education and Training and 1994 Employment. (ftp://stats.bls.gov/pub/special.requests/ep/miscellaneous/oes_trn.txt); Bureau of Labor Statistics, Occupational Outlook Handbook, "Employment from 1994-2005, by Level of Education and Training." (<http://stats.bls.gov/oco/ocotjt1.htm>)

¹³ Wisconsin Department of Workforce Development, OES Occupations and Annual Wage, 1995. (<http://www.dwd.state.wi.us/dwelmi>)