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COUNCIL FOR A BETTER LOUISIANA

Survey of Louisiana Employers Indicates Workforce Quality Crisis

Louisiana businesses are in the middle of a “Perfect Storm” where quality workforce shortages are impacting our state’s ability to maintain and grow businesses and jobs.

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(Baton Rouge, LA)—More than 70% of employers in Louisiana say they are having a difficult time finding qualified workers, nearly 40% say it’s more difficult today than it was five years ago and 47% say the skill needs of entry level employees are rising.

Those are among the findings of a new CABL survey of employers in Louisiana. The survey was conducted for CABL by the Public Policy Research Lab at LSU in October and November 2004.

The survey also showed that Louisiana businesses are extremely concerned with rising health care costs with almost 60% saying it’s a very important issue and more than 70% saying the situation is getting worse. Along with these critical issues, 60% of employers say they share the negative perceptions sometimes expressed by out-of-state business and opinion leaders about doing business in Louisiana. This perception among Louisiana employers appears to be based on concerns about corruption, politics and a population with low education levels.

CABL believes the most significant finding in this survey is that the vast majority of employers are having problems assembling the workforce they need for their businesses. More than 70% of them report difficulty hiring people with problem solving skills and good work habits, and more than 40% have a hard time finding applicants with even basic reading skills. All this is happening while a significant number of them report that their skill needs for entry-level positions have increased over the last five years.

“What we have is the perfect storm of all the things we don’t want to see,” said Barry Erwin, CABL President. “Employers have a hard time finding qualified workers, skill needs are increasing, but even the most basic skills are in alarmingly short supply. How is Louisiana to maintain, much less grow business with conditions like this? If we don’t find a way to educate more of our citizens, we won’t have much of a future to look forward to.”

This situation is taking its toll on Louisiana businesses. Nearly half of employers responded to these problems either by hiring someone less qualified or by leaving the position unfilled. As a result these companies lowered their productivity and output, delayed expansion and development of new services, and reduced quality.

Another strong current running through the results of this survey is the lingering, but serious concern about politics and corruption, and its impact on doing business in the state. When asked the number one negative aspect about doing business in Louisiana the top response was public education followed by corruption—ahead of other traditional business issues.

“These findings underscore two critical areas where Louisiana must show vast improvement if we are going to compete in the ‘new economy,’ Erwin said. “First, we must re-double our efforts to develop a workforce that can get the job done for the businesses we have. Secondly, we must address the reasons that cause employers to say politics and corruption hurt their ability to do business in Louisiana.”

While rising health care insurance costs are a nationwide concern for businesses and their employees, the Louisiana respondents to this survey did not show strong interest in government solutions.

On the positive side, a modest number of employers feel their businesses will do better in the next 12 months than they did in the previous year, with more expecting to increase their workforce and capital spending than those who say they will reduce it. In addition, when asked about positive aspects of doing business in Louisiana, a quarter of the employers cited a good or improving business climate—good news for recent efforts already occurring in the state.

These findings suggest that perhaps Louisiana should seriously consider developing public information and marketing efforts, for our citizens and for business leaders outside the state, highlighting some of the positive, substantive changes that have occurred in recent years.

CABL believes that while this survey contains a great deal of sobering information, it also serves as a guide to state leaders who have made economic development and job growth a top priority.

And one message is abundantly clear: Most of the problems associated with a quality workforce are not with our university or college-educated students. Employers are having the most trouble finding workers with basic skills, problem solving skills and work ethic. That means we must continue to improve pre-k through 12 public schools for the long term. But in the very short term, we must act on substantive solutions that improve our high schools, decrease dropouts, increase literacy and critical thinking skills of our workers, and provide more highly accessible quality training programs and high-skill/technology credentials for students and adults.

If Louisiana wants to be seen at the end of this decade as joining the “New South,” we must maintain the pressure to improve and allow nothing that would stall progress or move us in the opposite direction.

Council for A Better Louisiana
Statewide Survey of Louisiana Employers
SUMMARY OF KEY FINDINGS
DECEMBER 2004

*Conducted by the Public Policy Research Lab at LSU
October and November, 2004 with 419 randomly selected business respondents.*

Workforce Issues

The CABL survey of Louisiana employers delved in depth into issues dealing with workforce quality and training. One of the more striking findings was that 72% of the employers surveyed said they have a difficult time finding qualified applicants to fill open jobs—and a full quarter of employers said it is “very difficult.”

More than just being difficult, though, the situation has gotten worse. Thirty-eight-percent say it is harder to find qualified applicants than it was five years ago. Why? The findings suggest that one of the key reasons is that skill needs for employers are increasing. Forty-seven-percent of those surveyed said skill requirements for entry-level positions in their companies have increased in recent years. More than 10% of those say the increase has been “significant.”

The problem this poses for Louisiana is huge. Employers are having this experience in a state where 21% of adults age 25 older do not have a high school degree or equivalency, and another 53% have earned less than an associate degree. With workforce projections telling us that by the year 2020, 85% of all jobs will require at least a two-year associate degree or some type of advanced training, this is an alarming validation of workforce concerns that CABL and others have raised for the last several years.

This becomes more clear when employers were asked what kinds of skills they are having the most difficulty finding.

Perhaps the most alarming finding is that 42% report they have difficulty finding employees with adequate basic reading skills, and 10% of those say it is “very difficult.” It is hard to come up with a scenario where Louisiana prospers in the “new economy” when more than 40% of employers say even today they are having difficulty finding employees with enough reading skills to perform on the job.

But employers are having problems finding workers with other important skills, as well:

- * 74% report difficulty hiring people with problem solving skills
- * 71% say they are having a problem finding people with positive work habits
- * 56% have a hard time finding individuals who can adapt to change
- * 48% have trouble finding workers with adequate computer or technical skills

We also wanted to know how employers reacted to these difficulties and the impact this had on their business, and we allowed them to give us multiple responses.

- * 29% hired a less-qualified applicant
- * 23% increased their recruiting efforts
- * 20% increased wages to attract new applicants
- * 19% did not fill the opening
- * 14% provided training on their own to upgrade the employee's skills
- * 9% outsourced to another firm

To see the severity of the problem for Louisiana businesses, putting two of those numbers together tells a disturbing story. Forty-eight percent of the employers surveyed indicated they dealt with this issue by hiring a less qualified applicant or leaving the position unfilled. This means that there are literally tens of thousands of jobs open at one time or another because of lack of a qualified workforce and thousands more being filled by individuals who really don't meet the qualifications.

Employers say this has had an impact on their businesses that is significant.

- * 29% said they lowered productivity
- * 21% reduced their output or sales
- * 17% said it prevented them from developing new products/services or expansion
- * 3% said it caused them to move some operations out of state
- * 14% said there was no impact because they found other ways to compensate.

This problem of inadequate education and training showed up again when employers were asked to name the single most negative aspect about doing business in Louisiana. The number one reason they gave was public education (18%). When coupled with those who said the biggest negative was the availability of quality labor (9%), the results reflect other findings in the survey. What was somewhat unexpected was the second most negative aspect of doing business in Louisiana.

Politics/Corruption

Despite being given the option to choose among a number of traditional business issues, employers ranked "corruption" second among their most negative concerns (13%). That ranked higher than the cost of health insurance (11%), business taxes (11%) and government regulation (9%).

That sentiment is apparently widespread. Besides asking employers the single most negative aspect of doing business in the state, we also allowed them to list multiple issues that impacted them negatively. When looked at this way, 48% of those surveyed mentioned health insurance as a problem, which shows it is a common concern. Forty-five-percent cited public education, which relates to the lack of availability of quality labor cited by 36%.

But significantly, 41% of employers still identified corruption as a major problem—the third highest issue mentioned. This indicates it is not just a small group of employers who think it is a

very serious problem, but a large group who believe some form of corruption or politics negatively affects business in Louisiana. This is a high and disconcerting number.

Unfortunately, it appears this sentiment is fairly deeply entrenched. We also posed this question: “Opinion makers or business leaders outside of Louisiana sometimes express a negative perception about doing business in Louisiana. Based on your experiences in this state, do you agree or disagree with that perception?”

In all, 60% agreed that the negative perception of outsiders matched their reality of doing business in the state, only 19% disagreed and the rest had no opinion. When asked in an open-ended question to elaborate on the negative connotation, 32% pointed to issues involving politics and corruption, 16% mentioned education, 12% cited taxes and 9% said red tape. Ten-percent said they believed the state’s negative image is undeserved.

Some of this concern about politics and corruption came through in the direct responses employers gave us in our survey and provides some idea about what is driving this sentiment. Typical answers included:

- * “Doing business in the state is a political maze.”
- * “The good-old boy network is alive and well in Louisiana.”
- * “Governmental corruption, bureaucratic complexities, poorly-educated workforce make Louisiana an undesirable place and a difficult place to do business.”
- * “Officials are corrupt, the populace is uneducated. No work ethic.”
- * “Politics plays a big part in this state. It’s not what you know, it’s who you know.”
- * “Seems like if you want to do business with the state, you need to have supported a politician in power.”
- * “We live in a state that has a dirty appearance. We do not care about our people. Political greed. No opportunity for my children’s future.”

Not all of the responses were as deeply negative, however. Several acknowledged problems, but also mentioned progress:

- * “Louisiana is viewed as being backwards. Our image has changed, but it does need further improvement.”
- * “Louisiana is changing its image. Education is improving. Corruption is down. This all takes time.”
- * “Louisiana is a good place once you get to know it.”
- * “We have our problems, but the state is great.”

It is difficult to tell from this survey how many of these reactions are based on direct experiences of corruption and unfair politics, and how much has to do with lingering attitudes developed over years of actual corrupt practices. What is clear, however, is that this is a problem that must be addressed.

If corruption or unethical governmental practices—whether at the state or local level—still exist at the levels suggested by this survey, our governmental agencies must find out and aggressively address the problem. If, on the other hand, as some suggest, the perception among many of our

citizens is worse than the reality, Louisiana must still attack this issue in a way that is proactive, but honest with the public. This entrenched perception of corruption breeds distrust and lack of confidence in government which will make it all the more difficult for state leaders to lead and make the hard choices needed to move Louisiana forward.

Issues Important to Business

We also asked employers to tell us what issues are most important to them when it comes to doing business in Louisiana and whether the situation has improved or gotten worse. Listed below are the issues and the percentage of employers who said it was “very important,” followed by the percentages who believe the situation has gotten better and worse.

Issue “Very Important”	<u>Better</u>	<u>Worse</u>
* Cost of Health Insurance: 59%	6%	72%
* Overall Quality of Life: 56%	26%	17%
* Availability of Quality Workers: 55%	11%	36%
* Quality of Public Education: 54%	24%	34%
* Cost of Business Insurance: 47%	12%	51%
* State Tax Structure: 43%	10%	32%
* Information technology Networks: 29%	62%	3%
* Access to Ports, Roads & Airports: 25%	37%	13%

Positives

Despite the fact that this survey revealed several areas where the state must focus its efforts, there were also some positives of note. Generally, employers are slightly more optimistic about their business prospects over the next 12 months than they were about the previous year, and that is reflected in expectations of modest increases in their capital investment and workforce.

	<u>Better</u>	<u>Worse</u>	<u>Same</u>
Change in General Business Conditions Past 12 months	27%	31%	42%
Change in General Business Conditions Next 12 Months	36%	14%	49%
	<u>Increase</u>	<u>Decrease</u>	<u>Same</u>
Change in Work Force Next 12 Months	27%	13%	59%
Change in Capital Spending Next 12 Months	32%	18%	50%

We also asked employers to name the most positive reasons they would give to an out of state businessperson for locating their business in Louisiana. The responses given most often were culture and quality of life (49%), natural resources (45%), cost of labor (43%), transportation (32%), the fact that Louisiana is a right-to-work state (31%) and an improving business climate (25%).

Employers also indicated they are interested in economic development and willing to assist the state in these efforts. Seventy-five-percent of the employers surveyed believe attracting new businesses to the state would help their own business grow and expand, versus only 9% who viewed it as competition which might directly or indirectly hurt their business. Forty-seven-percent of employers said they would be willing to assist the state in its efforts to attract new jobs by meeting with companies considering locating in their area, while 21% would not and 32% said maybe.

And, in light of the serious issues employers raised in this survey, we asked them if they had the option to move out of state, would they consider doing so? Fifty-three-percent said they would not consider moving, 18% said they would consider it and 29% said moving was not really an option.

Finally, we asked employers in an open-ended fashion what one thing the state could do to help businesses like theirs grow and expand in Louisiana. The top things were to cut taxes (24%), improve education and workforce training (23%), attract new businesses to the state (14%) and help with the high cost of insurance (13%).

This survey was conducted in October and November by the Public Policy Research Lab at Louisiana State University. It has a margin of error of +/- 4.9%. Figures in this summary are rounded.