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Kerrville Workforce Shortage of 2021 - White Paper

EXECUTIVE SUMMARY:

As per the Kerr Economic Development Corporation, the following white paper provides a history and narrative of the current workforce shortage through research, analysis, unscientific surveys and anecdotal information. The KEDC staff, through its research and discussions with experts and economists, explains how Kerrville's workforce shortage is further compounded by the national labor crisis as well as Texas' success in attracting major job-generating companies, specifically in the Austin-San Antonio metro corridor.

Though there are no clear solutions to the current situation, both locally and nationally, the white paper proposes several ideas which could perhaps start the process of addressing the workforce shortage.

NATIONAL TRENDS, PRE AND DURING THE PANDEMIC:

Pre-pandemic, The U.S. economy was at its strongest in two decades boasting of a low national unemployment rate at 3.7 percent, which was already making it difficult for many employers to fill open positions. However, wages for many low- and middle-skilled workers had remained stagnant during this decade of superb economic growth.

Economists refer to this period as a 'Low Wage Economy' which deprived many Americans. For 40 years, the incomes (defined as per capita income from national labor statistics) of the following have grown extremely slow:

- Low income households
- Blue-collar working class

Much of the middle class, in contrast, post WWII and through the early 1970s, the U.S. economy provided huge wealth generating opportunities for all working classes. Experts note that today, there is not necessarily a shortage of workers, but a shortage of workers willing to

accept conditions demanded by today's work atmosphere. March 2020 could be the turning point of this low wage economy, as it's the date when the country shut down due to Covid and the economy most Americans were accustomed to is now in the history books.

"Americans are flush with cash right now,"-- Editorial Board of the New York Times August 2021

Reasons Behind Labor Shortage and Unemployment Rate:

The following provides a glimpse into the reasons why people who are available to work are not seeking employment, as per a Deloitte survey of major employers:

Unemployment insurance payments	10 percent
Child care responsibility	17 percent
Financial cushion	21 percent
Spouse employed	18 percent
Covid fears	17 percent
Other (anxiety, remote work, etc.)	33 percent

The U.S. economy is going through a major evolutionary change and for the first time in half-a-century, there's a significant mismatch between available jobs and what workers actually want in a job.

Experts are predicting the workforce shortage will last through the end of 2023.

Other possible causes of the labor shortage:

- Combined pandemic stimulus packages (during the Trump and Biden administrations)
- Home values, giving households financial cushion
- Stock prices increased, giving certain families more cash

"We're calling this the 'The Take This Job and Shove it Economy,'" --Betsey Stevenson Former Chief Economist, U.S. Department of Labor

As a result, workers in service industries have decided either not return to their old jobs, seeking training for better job prospects or simply stop working in any job.

The United States is currently experiencing a revolt by the American worker, and is being described as the 'Take This Job and Shove it Economy'.

What's Happening Now and Into Next Year:

Thought it might still be too early to tell, economists are predicting the current national labor shortage will continue for another 2 years until the following variables converge:

- Increased wages in service sector
- Improved work conditions
- Flexibility for remote working

The Spiral Effect:

More than half of new jobs created nationally today are in the Leisure & Hospitality sector and the following trends are becoming prominent:

- There's more money for Americans to spend, putting more strain on certain sectors, i.e. leisure & hospitality
- Customers have now become more impatient and ruder
- And workers are reporting to be miserable to be working in this sector due to:
 - Don't want to be in a job where they'll be harassed
 - People making fun of wearing a mask
 - Calling them traitors
 - Questioning their patriotism
 - People deliberately coughing or spitting on them

In addition to medical staff and first responders, service-oriented workers come into contact with people putting them at a huge risk of getting Covid, possibly death. In a nutshell, workers of these sectors are claiming service jobs have gotten more demanding and will require more money to perform such a job.

Upskilling Their Talents:

People are now using some of these funds to get specialized training for better paying and less stressful jobs than the service sector.

We're also seeing more and more jobs being done remotely, and with success. Many in the working class are now positioning themselves to land remote-working jobs. They're getting trained to do so and they'll wait as long as possible to get that job.

POST PANDEMIC WORK DECISIONS:

People are making very different decisions about work than they did pre-pandemic.

Resignations are the highest on record, up 13 percent from pre-pandemic levels. There's about 4.9 million people who are either not working or looking for other work, than there were before the pandemic. In addition to the 4.9 million, there were 3.6 million people who retired early during the pandemic, which is more than 2 million than expected.

Also, a huge boost in entrepreneurship which is causing the biggest jump in years in new business applications.

Some members of the U.S. Congress are evaluating policies to expand child tax credits and provide paid family leave. However, policy making takes years to develop and there's no certainty it will get done in the near term.

LABOR SHORTAGE IN KERRVILLE:

In the last couple of months, the KEDC has fielded many calls from local businesses, Workforce Solutions Office and media in regards to the lack of workforce availability and businesses having to momentarily shut down. The current local unemployment rate is at 4.8 percent, down from about 8 percent the same time a year ago. The unemployment rate is expected to drop during the holidays, which will further strain our local workforce situation.

Companies such as OW Lee, Killdeer Mountain Manufacturing, Kerrville State Hospital, James Avery Jewelry, Gulf Avionics, RBR Aviation, All Plastics Manufacturing and Peterson Medical Center combined have more than 700 positions open, most of which are paying good salaries. The trickle down effect is being felt in entry level positions offered by the retail and commercial sectors.

In addition to having a lower unemployment rate than the national average and companies with open positions, Kerrville's workforce population actually shrank from 2009 when it had it's highest number of workers on record.

Recent U.S. Census Bureau Data, 2010 to 2020:

Kerr County posted 6 percent growth
From 49,625
To 52,598

City of Kerrville posted 8.64 percent growth
From 22,347
To 24,278

Texas Workforce Commission Data, Post Economic Recession to Today:

Civilian Labor Force, Kerr County

2009	23,400
2010	22,900
2019	21,600
2020	21,400

2021 YTD 21,300 AVG

Note – Civilian labor force includes all people age 16 and older who are classified as either employed and unemployed.

Analyzing the data shows these are two forces which are slowly drifting apart from each other, where the:

- City/County population is trending upward
- While civilian workforce population is trending downward

In economic development, this is what's labeled as a 'Wake Up Call'.

LOCAL ECONOMIC, WORKFORCE TRENDS:

The following trends and patterns can be derived from local economic indicators, as well as national data, showing some of the causes of the workforce shortage in Kerrville:

- Forced early retirements from baby boomers, due to Covid
- Aging demographic not being replaced evenly by birth rates
- Not retaining young workers and talent
- The city continues to grow in:
 - Population (8 percent last decade)
 - New businesses
 - Service oriented jobs
- Number of visitors continues increasing, creating more demand on service jobs
- Like the national indicators show, there's a ton of money in the community
- Covid has made a certain demographic of workers afraid to show up to work
- All of the above further compounds the employment situation by creating harsh work environments due to understaffed businesses
- People also do not want to work in a place where they'll be harassed by anti-vaccine, anti-mask, anti-immigrant or racial rhetoric
- And lastly, workers now have options as they know they're in demand.

NEXT STEPS, ECONOMIC DEVELOPMENT:

The Kerr Economic Development Corporation is supporting the workforce and housing efforts of the City of Kerrville and Kerr County. The KEDC is working with local industry, manufacturers and large employers through its Business Retention & Expansion program as well as with the Texas Workforce Commission and Office of the Governor to provide short-term solutions to the local issue. The KEDC is launching a series of editorials pertaining to workforce and housing as part of a local public awareness campaign. And, the KEDC will begin work with its stakeholder entities in developing long term strategies specifically for:

- Stopping the bleeding of workforce, both short and long term
- Implementing programs to increase the civilian labor force pool
- Having millennials, the largest workforce generation, grow roots in Kerrville

ABOUT THE AUTHOR & RESEARCH ENTITIES:

IN ADDITION TO A SERIES OF ARTICLES AND SUMMARIES FROM ECONOMIC DEVELOPMENT AND WORKFORCE RELATED PUBLICATIONS, THE FOLLOWING ENTITIES CONTRIBUTED TO THIS REPORT:

THE KERR ECONOMIC DEVELOPMENT CORPORATION (KEDC) IS AN ECONOMIC DEVELOPMENT ORGANIZATION AND BUSINESS LEAGUE WHICH IS TASKED WITH PROMOTING, RECRUITING AND FOSTERING THE ECONOMIC GROWTH AND WORKFORCE DEVELOPMENT OF THE KERR COUNTY REGION IN TEXAS' HILL COUNTRY, SPECIFICALLY THROUGH THE ATTRACTION OF COMPANIES PROVIDING HIGH VALUE JOB OPPORTUNITIES AND CAPITAL INVESTMENT.

THE INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL (IEDC) IS THE WORLD'S LARGEST MEMBERSHIP ORGANIZATION SERVING THE ECONOMIC DEVELOPMENT PROFESSION WITH A NETWORK OF MORE THAN 25,000 ECONOMIC DEVELOPMENT PROFESSIONALS AND REPRESENTING THE VAST MAJORITY OF ECONOMIC DEVELOPMENT ORGANIZATIONS IN THE UNITED STATES.

THE ECONOMIC DEVELOPMENT RESEARCH PARTNERS (EDRP) IS A 'THINK TANK' COMPONENT OF THE IEDC, DESIGNED TO HELP ECONOMIC DEVELOPMENT PROFESSIONALS WEATHER THE CHALLENGES AND GRAB OPPORTUNITIES FROM ECONOMIC CHANGES AFFECTING OUR COMMUNITIES.