The Advisory Alliance
60-Second Email™

This Beveridge Has a Sickening Aftertaste for Millions of Americans

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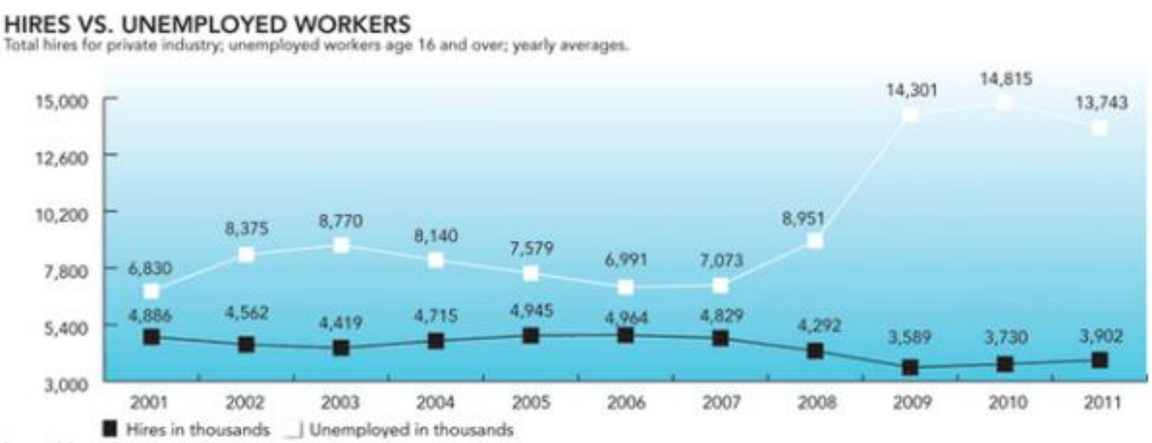
You don't need to be an economist to know that sobering things are occurring in the US economy.

For example, there are fewer jobs for more unemployed workers. Following the 2000 recession, there were 14 people unemployed for every 10 hires. Now, it's 35 unemployed for every 10 hires:



Source: *Workforce Management*

In 2000, only 7% of the unemployed spent more than 6 months finding a job; now, it's almost 27%, or more than 1 in 4 unemployed:

Source: Workforce Management

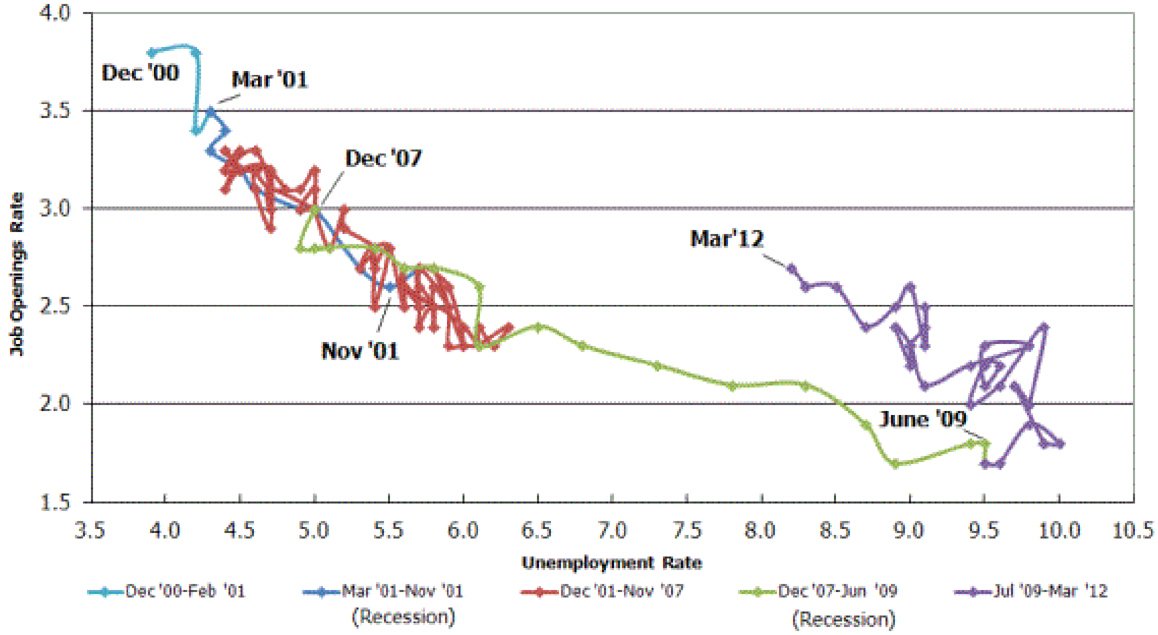
So what's going on?

Many cite the shift in the Beveridge curve. "What's the Beveridge curve?" you ask.

The Beveridge curve is a graphical depiction of the relationship between the unemployment rate and the job openings rate (the number of unfilled jobs divided by the total number of jobs, filled and open, in the economy). It's named after William Beveridge (1879 - 1963), a British economist.

Here's a recent Beveridge curve from the Bureau of Labor Statistics:

Chart 5. The Beveridge Curve (job openings vs. unemployment rate)
Seasonally adjusted



In general, as the unemployment rate increases, the job openings rate falls, which makes sense. As more people are unemployed, the easier it should be for employers to fill job openings.

But notice how the Beveridge curve has shifted to the right since the start of the Great Recession. For example, for the March 2012 data point, the then unemployment rate of 8.2% yielded a job openings rate of 2.7%. But if you look to the left of that point, you'll notice that previously, unemployment was only about 5.7% when the job openings rate was 2.7%.

So why the shift?

The big concern, and we're hearing this anecdotally from regional and national clients, is that companies cannot find the talent they need to fill their open positions, notwithstanding the higher levels of unemployment. So as unemployment has increased, companies still can't find the skills among the newly and longer term unemployed.

If true, if there is indeed a mismatch between the skills of available workers and those needed to fill jobs, that's scary stuff for those looking for work, and also scary implications for the nation itself.

And so what are companies doing about it?

We're seeing greater focus on retaining and developing the talent companies already have. Companies are becoming concerned that, surprisingly, there is a different war for talent now. The cost of replacing a qualified employee is rising significantly, and it's no longer just an issue of the high cost of finding a replacement. Because, in some cases, you can't find a replacement.

And how expensive is that?

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What evidence are you seeing of a "skills gap"? Or are employers being too demanding in their expectations? Post your observations and your comments on our blog.

You can access all of our 60-Second Emails™, including the most recent issue, *Do You Still Say, "Span of Control"?*, via this link.

As always, thanks for reading.
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Best regards,

David

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