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If You Pay Them, They Will Come

By Peter Fisher

If the question is, “What do we do about an impending labor shortage?” the short answer might be: “If you pay them, they will come.” That’s how markets deal with shortages. If Iowa firms can’t find enough skilled workers, they should offer higher pay, enticing college grads to remain in the state and high school grads to continue their education.

But first we ought to figure out exactly what the problem is. Iowa firms are projected to face a shortage of workers on the order of 150,000 by 2012 and many argue the shortage will be concentrated in skilled occupations. But it is also claimed that Iowa college grads by and large have been leaving the state, and will continue to do so.

How can Iowa suffer from a brain drain and a shortage of skilled workers at the same time? Perhaps there is a skills mismatch. There is evidence much of the predicted shortage will be in occupations requiring more than a high school diploma, but less than a four-year degree.

If so, Iowa needs to begin to make some post-secondary education an expectation for all, and an entitlement. Higher pay will help, but the state will need to expand its commitment to education and training.

There is another possibility. Perhaps Iowa college grads are not filling skilled positions in Iowa because they can get paid more elsewhere, or because they find alternative locations more appealing.

Wage data show a relative lack of higher paying jobs in Iowa, so the predicted surplus of skilled jobs may actually help stem the exodus of college grads.

The state has a role to play here also: investing in its natural resources, recreation potential, education system and health care will make Iowa a more appealing place for young people to begin their careers.

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