

20 22 | EMPLOYER NEEDS SURVEY



NC DEPARTMENT
of COMMERCE
LABOR & ECONOMIC
ANALYSIS

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COMMISSION

Letter from the Chair

As the state of North Carolina's workforce development board, the NCWorks Commission places great emphasis on gathering good data to help inform our recommendations. The data can help us to develop strategies to maintain a responsive, successful workforce system that meets current challenges. The unique challenges posed by the COVID-19 pandemic highlighted, like nothing else before, the need to collect data to better understand what our employers, jobseekers and communities were facing, as well as the need to communicate that data.

While we have partnered with the Labor and Economic Analysis Division (LEAD) of the N.C. Department of Commerce to produce Employer Needs Surveys every other year since 2014, our 2022 survey stands out as the first conducted during a global pandemic. We collected data for the 2020 survey before our lives, and our economy, changed in March of that year.

This new survey captures a moment in time, in late 2021, after North Carolina had experienced the pandemic's economic disruptions that left many out of work, followed by a period of rapid recovery and a tightened labor market. It is therefore illuminating, but not surprising, to read in this report about our employers' hiring difficulties. As these labor market challenges continue, we will use this data to help provide guidance to North Carolina's workforce system.

Despite the great strides we have made in recent years, many opportunities remain for the workforce system to more fully engage with employers. To that end, while they were filling out this Employer Needs Survey, more than 400 employers expressed interest in both learning more about workforce services and participating in workforce discussions, such as panels and roundtables. This led to outreach by workforce professionals to the businesses that asked for follow-up, and then to a series of regional employer roundtable discussions throughout the state. In these ways, this survey has added value by helping to inform many employers about workforce services and strategies, while also helping us to discover both successes and challenges.

The Employer Needs Survey represents an important way in which we strive to meet the second goal of our Commission's Strategic Plan, which is to "create a workforce system that is responsive to the needs of the economy by fostering employer leadership." At the same time, this survey is aligned with North Carolina's "First in Talent" Strategic Economic Development Plan. The second, over-arching goal of that plan is to "prepare North Carolina's businesses for success by growing and attracting a talented workforce."

A piece of good news in this report is that employers expressed optimism about business conditions going forward. This reflects North Carolina's resilience and numerous economic assets. At the NCWorks Commission, we remain committed to celebrating our state's success while moving forward with a closer alignment of economic development and workforce development, in order to meet the changing needs of employers.

I want to thank Governor Cooper and N.C. Commerce Secretary Machel Baker Sanders for their leadership during extraordinary times. I also wish to thank the team at LEAD and everyone who has supported the Commission in presenting this impactful survey report to the people of North Carolina.

A handwritten signature in black ink that reads "Tom B. Rabon, Jr." in a cursive style.

Tom Rabon, Jr.

Chair, NCWorks Commission

EXECUTIVE SUMMARY

Since 2014, on behalf of the NCWorks Commission, the Labor and Economic Analysis Division (LEAD) of the North Carolina Department of Commerce has conducted a biennial survey of employers to gauge hiring difficulties, recruitment practices, and other workforce needs. During the fall of 2021, we surveyed business establishments in North Carolina with at least 10 employees and collected 2,363 responses from private and public employers in 97 of the state's 100 counties.

Many more employers reported hiring difficulties during the fall of 2021 than in previous years, with 81 percent of those attempting to hire reporting at least some difficulty. A lack of applicants was the top reason chosen by employers. These findings are not unexpected given the current tightness of the labor market, which has become even tighter since the initial months of the pandemic. In the fall of 2019, for example, there were approximately 1.3 jobseekers per job opening; in the fall of 2021, there was less than 1 (0.9) jobseeker per opening. Therefore, there are simply fewer applicants for a large number of job openings. While some potential workers may be hesitant to return to the labor force due to health concerns, childcare, and family obligations, and retirements, employers may be challenged to adjust to the realities of a smaller labor force in the future due to basic demographic conditions. This may require employers to evaluate both offered wage and non-wage benefits such as health insurance and childcare to attract needed workers.

A lack of basic employability and an unwillingness to accept offered pay levels were also top issues for those jobseekers who did apply, according to employers. Although low pay is an issue that employers can address, it is less clear whether employability can also be addressed through formal training and education programs. Because employability is more frequently mentioned as an issue for entry-level jobs, it is possible it could be addressed more formally through instruction at the high school level, or through the experience gained by working itself. For this reason, work-based learning programs such as apprenticeships (used by only 16 percent of respondents) remain underutilized tools for employers to consider.

As indicated through these surveys over time, employers increasingly recruit online, and although some use the workforce development system (including Community Colleges, Workforce Development Boards, NCWorks Career Centers and NCWorks.gov), opportunities for more participation remain. One potential opportunity is for the workforce system to partner with smaller businesses and specific industries, particularly to help them take advantage of online resources for job postings. There may also be more opportunities for the workforce system to help specifically with training, which may need to be provided in an online and flexible fashion.

KEY FINDINGS

81% of Employers had **Difficulty Hiring** in the past 12 months (up significantly from 56% in 2019)

Employers struggled with both *Entry-level* and *Above-Entry-level* positions

Top Reasons for Entry-Level Difficulties:

1. *"Too Few Applicants"*
2. *"Employability issues"*
3. *"Offered Pay was Too Low"*

Employers tried *Revising Pay* and *Increasing Training* in response

1/3 of Employers used the *Workforce System*; lack of *awareness* the top reason for those who didn't

Use of *online resources* to recruit was higher than in previous years

Greatest Workforce Need was *"Finding Workers"*

In response to the pandemic, Employers *raised existing workers' and new hires' wages* and made *scheduling more flexible*

Businesses confident about future despite hiring challenges—82% were *confident or very confident* about success in the coming year

Despite the challenges of continuing to operate during the pandemic, employers continue to express optimism. Many have made changes during the pandemic, particularly by raising wages and offering flexible scheduling, including remote work. Smaller numbers of employers added or expanded benefits during the pandemic, and this could be another area where employers can increase their attractiveness to jobseekers and become more competitive. While real-wage increases have leveled off across the state recently, it may be more cost-effective and attractive to focus on non-wage benefits to meet the concerns of potential workers.

Finally, the pandemic may have accelerated certain trends in the economy, particularly by accelerating retirements and revealing the dependencies of workers on reliable childcare and other family obligations. Because the tight labor market means workers are in higher demand, employers may have to adjust to increasing wages and benefits, being more flexible about scheduling and remote work, as well as being creative about recruitment and retention practices. In addition, investments in technology and automation may also become more appealing options for some employers as they adjust to the post-pandemic environment. North Carolina's workforce system should be on alert to look for potential changes in training needs that would accommodate a shift from labor to technology/automation, should employers pursue that solution.

BACKGROUND

Since 2014, on behalf of the NCWorks Commission, the Labor and Economic Analysis Division (LEAD) of the North Carolina Department of Commerce has conducted a biennial survey of employers to gauge hiring difficulties, recruitment practices, and other workforce needs. During the Fall of 2021, we surveyed business establishments in North Carolina with at least 10 employees and collected 2,363 responses from private and public employers in 97 of the state's 100 counties.

These responses came from 6 samples of industries, including an All Industry sample reflective of the state's industrial mix, a Manufacturing sample, a Construction sample, a Health Care and Social Assistance sample, a Hospitality sample, and a sample of Scientific, Technical, and Engineering (STEM) businesses. Each sample received approximately 400 responses. The Center for Urban Affairs and Community Services (CUACS) at NC State University conducted telephone interviews between August and October of 2021. In addition to this summary of the findings, a dashboard with the complete results and visualizations of the data is available at <https://analytics.nccommerce.com/employer-needs-survey/>.

KEY FINDINGS

Most companies tried to hire over the previous year

Respondents were first asked if their establishment tried to fill any positions in the past 12 months, and 86 percent of employers in the All Industry sample said they did—about the same as in the previous survey. Construction (84%) and Manufacturing (89%) responses were similar to those in the All Industry sample, while more Hospitality (89%) and Health Care (93%) employers and fewer STEM (81%) businesses tried to hire.

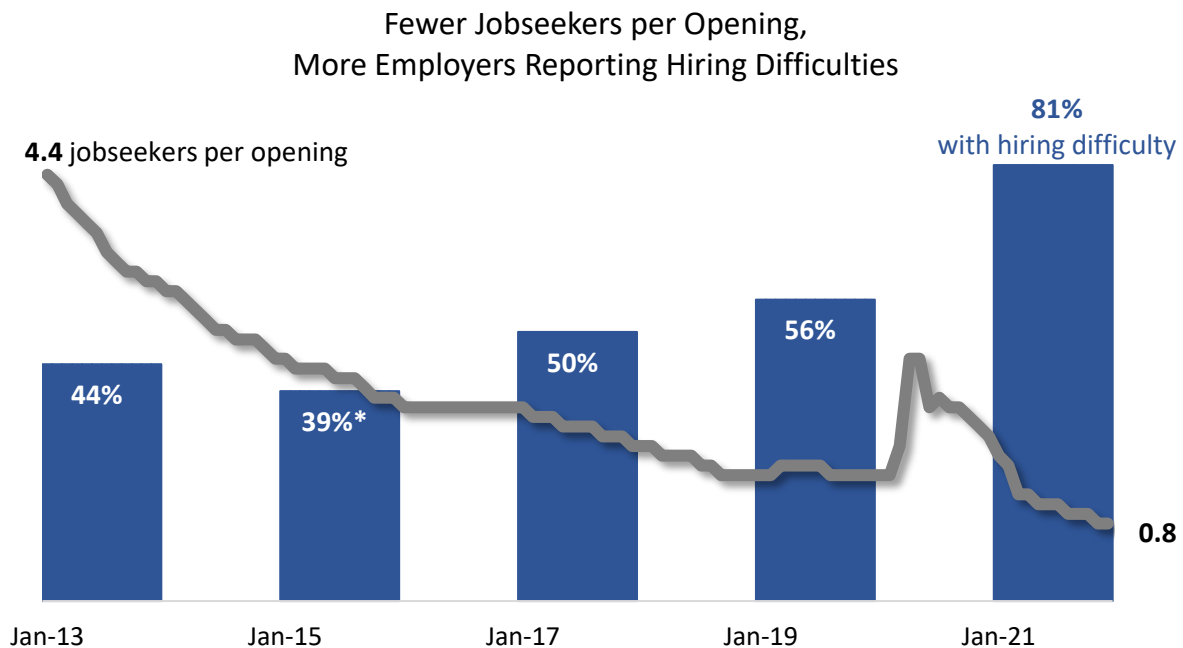
Those respondents who did attempt to hire were then asked about the experience required for those positions. ***Most employers tried to hire for entry-level positions***, defined as those requiring one year or

less of experience. Eighty-five percent of All Industry employers tried to hire for entry-level positions, with similar percentages for Construction and Manufacturing. Higher percentages of Hospitality (96%) employers reported seeking entry-level positions, while those in Health Care (75%) and STEM (73%) reported lower percentages.

Just over half (55%) of those who tried to hire reported looking for above-entry-level positions, defined as requiring more than one year of experience. Manufacturers had a similar rate, but Construction (68%), Health Care (72%), and STEM (76%) employers reported higher percentages seeking above-entry-level positions. Fewer Hospitality (42%) employers reported seeking these types of positions.

A higher percentage of employers reported hiring difficulties than in previous surveys

Employers who indicated that they tried to hire were then asked if they had difficulty filling at least one position in the past year. 81 percent of All Industry employers reported hiring difficulties, up from 56 percent of employers in 2019. Since this survey was first conducted in 2014, North Carolina’s labor market has “tightened,” with fewer jobseekers available per job opening. Labor markets were already tight in 2019, and although the first few months of 2020 saw an uptick in jobseekers per opening, labor markets have since become even tighter than before the pandemic. This increasing tightness over time may explain the increased percentages of employers reporting hiring difficulties in recent surveys.



**No statistical significance in hiring difficulty from 2013
Bars represent reference period asked in Employer Needs Surveys*

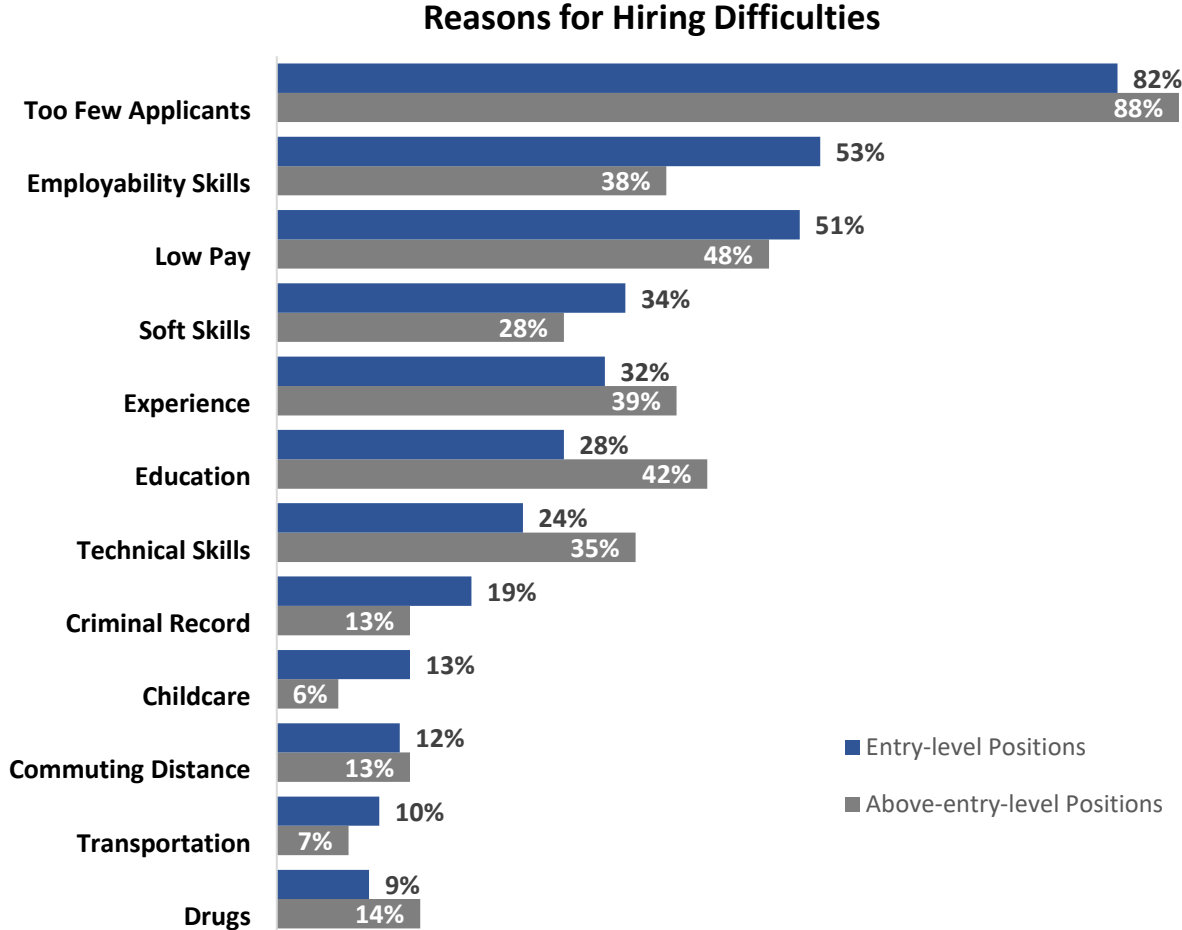
Employers from Construction, Manufacturing, and Health Care businesses reported similar levels of difficulty. Hospitality employers reported more difficulty (89%), while STEM businesses reported less difficulty (71%).

Those employers who reported difficulty in hiring were then asked whether they were seeking entry-level and/or above entry-level positions. Ninety-five percent reported difficulty hiring for entry-level positions while 84 percent reported difficulty hiring for above entry-level positions. Entry-level difficulty was higher for Hospitality (97%) employers and lower for those in STEM (83%). For above entry-level positions, difficulty was higher for Construction (89%) and STEM (91%) employers but lower in Hospitality (75%).

A lack of applicants was the top reason for hiring difficulties

Employers who reported that they experienced difficulty in hiring were asked to indicate which of the following reasons may have contributed to the hiring difficulty for both entry-level and above entry-level of positions. While hiring difficulties are often described as the result of “skills gaps,” this survey and previous surveys have shown that **a lack of technical or soft skills are often not the most frequently mentioned explanations for difficulties**. Although these types of skills can be important, particularly for some positions and industries, they are often not the most common explanations, mainly during very tight labor markets when employers are more likely to loosen requirements.

For *entry-level* positions, the most frequently selected explanations in this survey were too few applicants (82% of employers), a lack of basic employability skills (such as work ethic) among jobseekers (53%), and applicants who were unwilling to accept the level of offered pay (51%).



For *above-entry-level* positions, employers also reported a low number of applicants (88%), low pay issues (48%), and a lack of educational degree or credential (42%). As in previous surveys, a lack of work experience, technical skills, and soft skills on the part of jobseekers were also frequently reported by employers. Along with education, these were generally more important for above-entry-level positions.

When compared to the 2019 survey, the percentage of employers selecting a low number of applicants for entry-level positions jumped from 68 percent to 82 percent. Similarly, applicants being unwilling to accept the offered pay increased from 38 percent to 51 percent. Other top reasons in the previous survey, such as basic employability and work experience, decreased relative to their importance in 2019, ***potentially suggesting that employers are willing to overlook some factors in a very tight labor market.***

For above-entry-level positions, too few applicants also increased as a reason for difficulty, from 64 percent to 88 percent, while unwillingness to accept the offered pay stayed the same. Other top reasons, including work experience, basic employability, and technical skills also decreased in frequency as reasons for hiring difficulties.

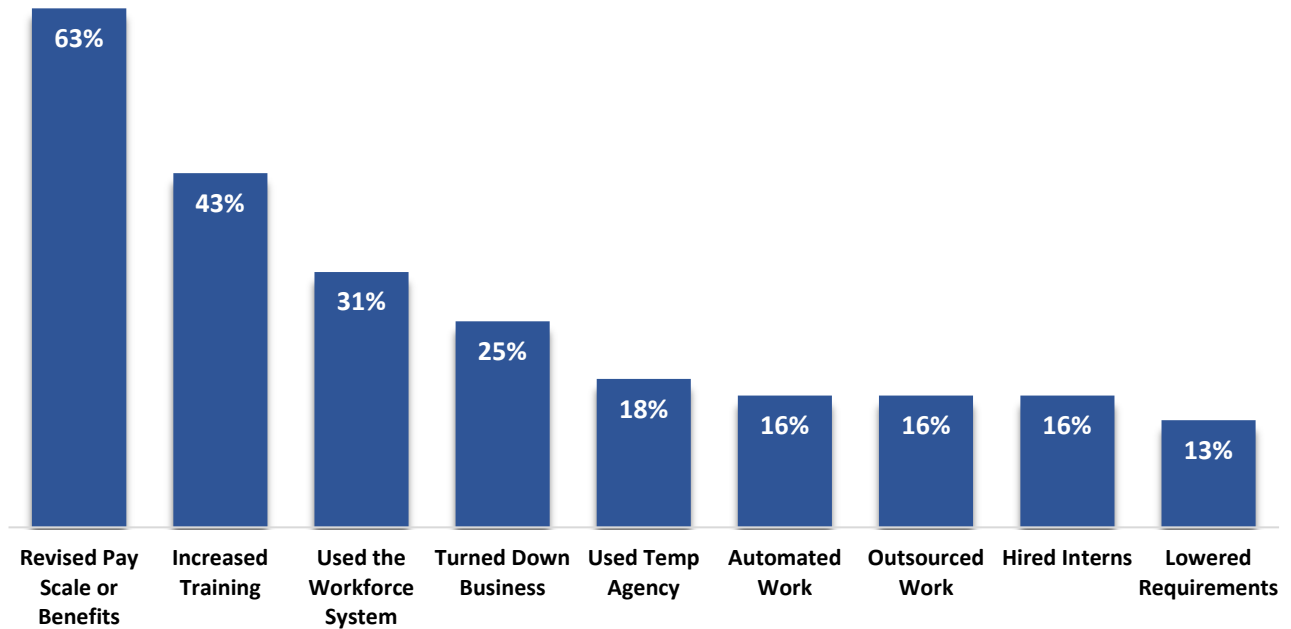
Employers from the various industry samples had similar top reasons for difficulty in hiring. For entry-level positions, too few applicants, basic employability skills, and low pay were the top three reasons for difficulty for all industries, with the exception of Healthcare, which had low pay before employability in their ranking.

For above-entry-level positions, all industries reported too few applicants as the top reason but differed somewhat in their other reasons. Employability, low pay, and a lack of education or credentials were the most common top reasons after that for these types of positions.

Employers responded to workforce challenges by revising pay and increasing training

As in the previous survey, most employers experiencing hiring difficulties responded by revising their pay scale or benefits (63%), a not statistically significant difference from the percentage in 2019 despite the increased level of difficulties. The second highest percentage reported increasing training (43%). Interestingly, ***the percentage of employers reporting an increase in training was down*** from 62 percent in the previous survey, perhaps due to the challenges of training during the pandemic or just a lack of new workers to train. About one-third (31%) of employers reported using the workforce system to respond to challenges, a similar level to the previous survey. One-quarter of employers reported having to turn down business due to hiring difficulties, an increase from the previous survey. This response is notable in that it shows how ***very tight labor markets can limit economic activity.*** Smaller percentages of employers responded to challenges by using a temp agency (18%), automating functions (16%), or outsourcing work (16%), all down from the previous survey. Sixteen percent responded by hiring interns, and thirteen percent reported lowering the requirements for open positions.

Responses To Hiring Difficulties

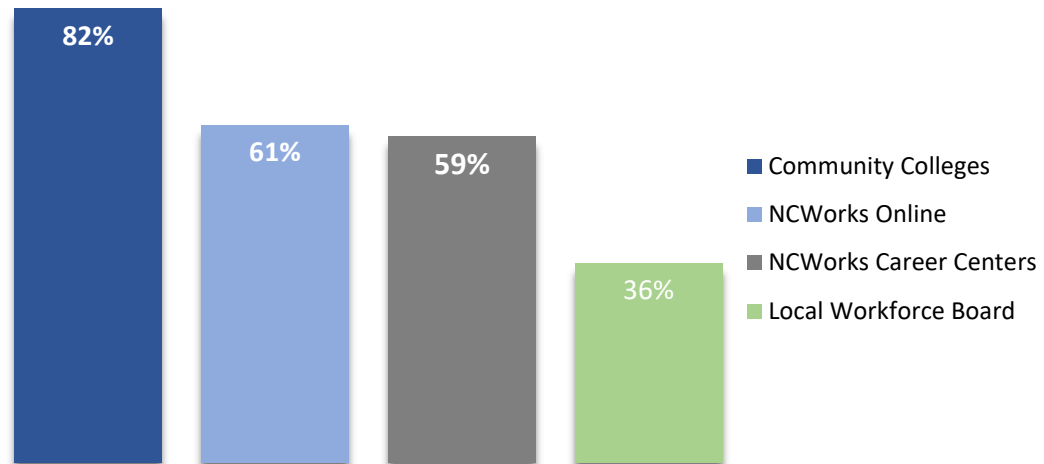


The industry samples differed somewhat from the All Industry sample, but they all had revising pay scale or benefits as the top response. Hospitality, Healthcare, and Manufacturing were more likely to report revising pay or benefits than the All Industry sample. Additionally, Manufacturing and Healthcare employers were more likely to use the workforce system—an option not utilized as often by Hospitality employers. Other industry-specific differences, as well as the complete set of responses, are available in the Employer Needs Survey dashboard at <https://analytics.nccommerce.com/employer-needs-survey/>.

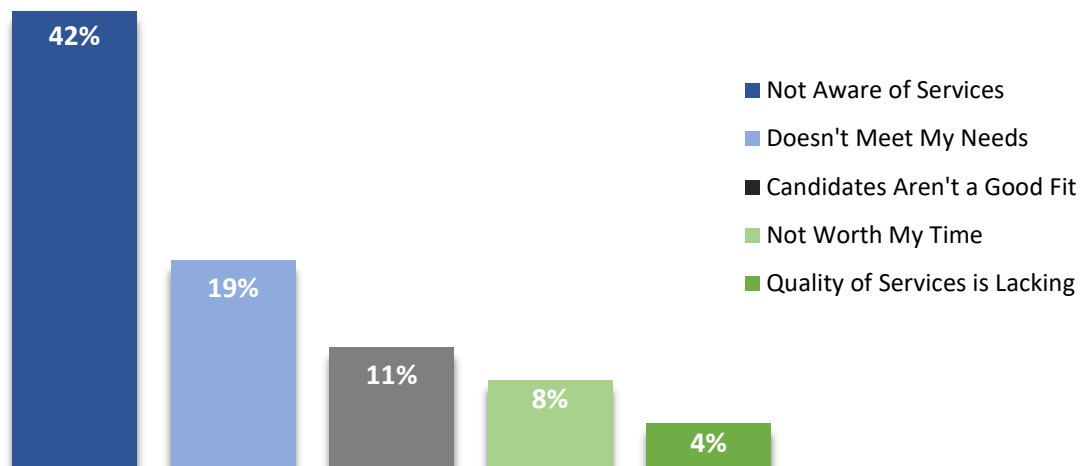
Community Colleges and NCWorks Online and Career Centers continue to be the most-used workforce development resources

Among those employers who reported using the workforce system to respond to hiring challenges, 82 percent reported using the Community Colleges, followed by NCWorks Online (61%) and NCWorks Career Centers (59%). Thirty-six percent reported using local Workforce Development Boards, up from 23 percent in the previous survey. The industry employers reported a similar mix of workforce development resources. ***For those who did not use the workforce development system, a lack of awareness was the most common reason*** given by employers.

Employer Use of Workforce System Resources



Reasons for Not Using Workforce System Resources



Employers are increasingly using online resources to recruit talent

Employers were asked about the types of resources they used to recruit candidates for job openings. As in previous surveys, almost all employers used word of mouth (91%), but also used resources such as online job boards (75%), social media (63%), and company websites (57%). **The use of online resources was higher than in the previous survey.** Forty-four percent of employers reported using the Community Colleges to help recruit, followed by four-year universities (34%) and the NCWorks Online system (26%). Smaller percentages used temp agencies (23%), NCWorks Career Centers (18%), newspapers (12%) and the Department of Health and Human Services (9%).

Employers in the industry samples followed roughly the same pattern, with some differences in the use of specific resources to recruit. Manufacturing and Construction employers, for example, have shown

increases in the use of online resources as compared with previous years. As with other questions, the complete set of responses is available at <https://analytics.ncommerce.com/employer-needs-survey/>.

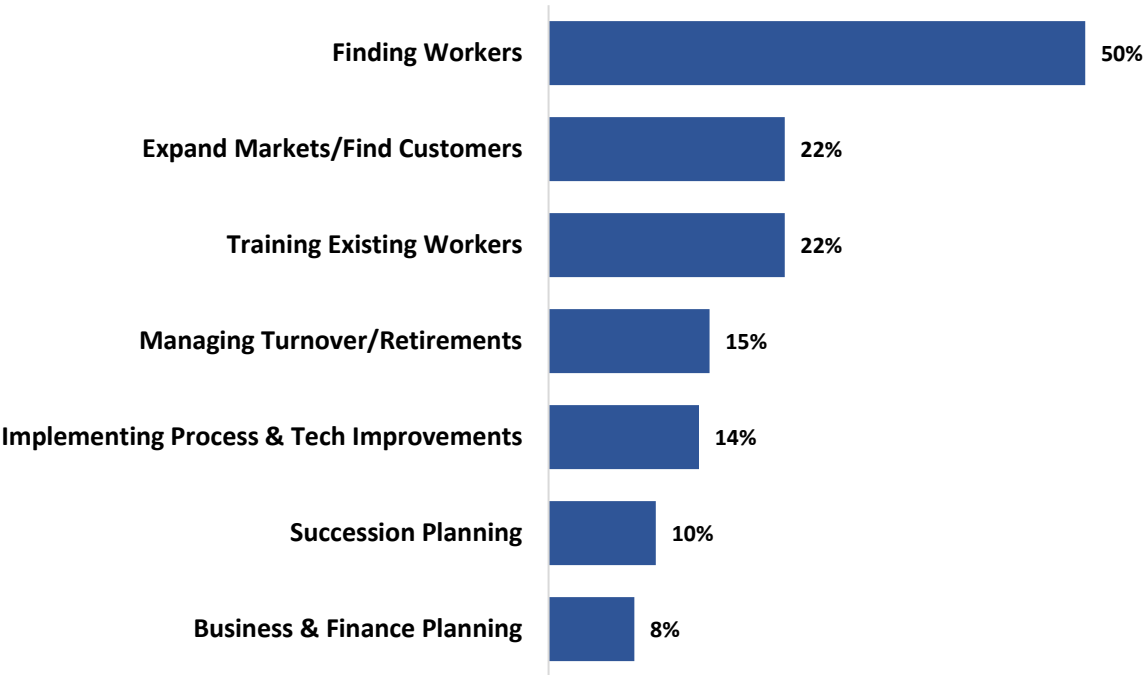
Most employers met the skill needs of their workforce through a mix of informal and formal training

Employers were asked about the resources used to meet the skill needs of their existing workforce, and most reported using informal (93%, down slightly from previous survey) as well as formal on-the-job training (73%). Self-study or online training was used by over half of employers (57%), with fewer employers choosing seminars or conferences (37%), training open to all (29%), or apprenticeships (16%). Compared to the previous survey, the use of self-study or online training, seminars or conferences, training open to all, and apprenticeships are all down. Whether or not these declines are due to the unique circumstances of the pandemic is unclear.

The greatest need from the workforce system is help finding workers

When asked how the workforce system can best help employers, the most common response by far was “finding workers,” followed by training existing workers and expanding markets and finding new customers. Interestingly, although not offered as a choice in previous surveys, **expanding markets was the 2nd most common choice for each industry group**, suggesting an unfilled need not traditionally addressed by the workforce system. Smaller percentages chose managing turnover or retirements (15%), implementing process and technological improvements (14%), succession planning (10%) and business and financial planning (8%).

Where the Workforce System Can Best Help



Employer-provided benefits vary by industry

As in the previous survey, employers were asked about the benefits currently offered to employees. Three-quarters offered paid leave, followed by health insurance (66%), retirement plans (53%), tuition assistance (24%) and childcare assistance (6%). Surprisingly, despite the sharp increase in hiring difficulty **since the previous survey, there were not significant differences in the percentages of those offering benefits**. This reveals that employers did not significantly increase benefits to attract talent across all industry sectors surveyed.

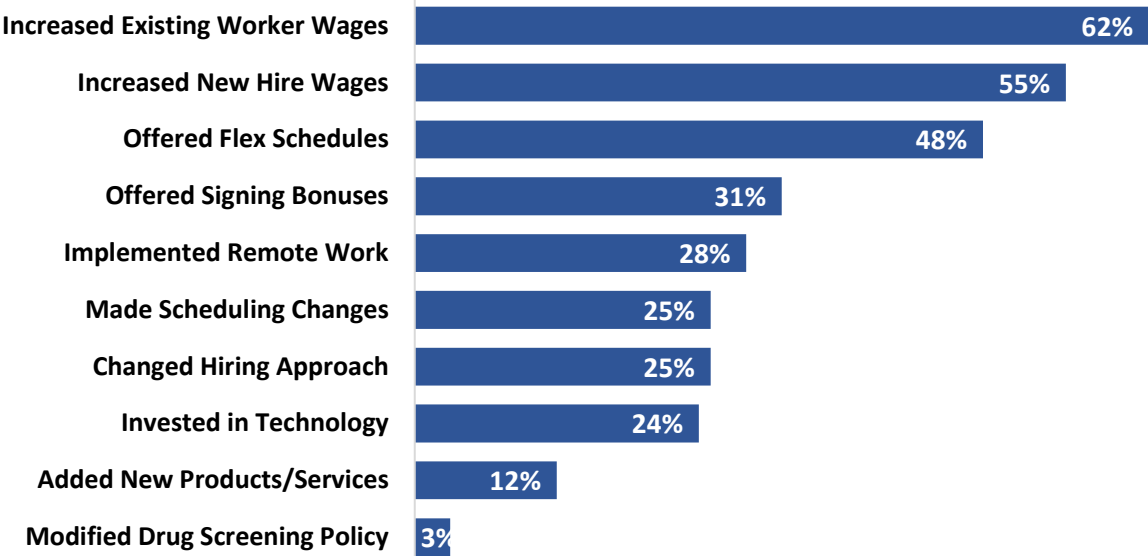
However, the benefits offered did vary by industry. Hospitality employers (who reported the greatest hiring difficulties) reported the lowest percentages of employers offering benefits, while STEM employers (who reported the least difficulty) were much more likely to offer benefits than other employers. For example, paid leave was offered by 56 percent of Hospitality employers versus 91 percent of STEM employers, health insurance was offered by 43 percent of Hospitality employers versus 84 percent for STEM employers, and retirement plans were offered by 28 percent of Hospitality businesses versus 76 percent of STEM businesses.

A small percentage of employers expanded benefits since the pandemic began. Roughly 12 percent of All Industry employers reported adding or expanding paid leave, nine percent reported health insurance, four percent reported childcare assistance, three percent reported retirement plans, and only two percent added tuition benefits.

Businesses increased wages and made schedules more flexible since the pandemic began

In addition to benefits, employers were asked about other changes they had made since the pandemic began, and the most frequently reported changes were increasing wages for existing workers and new hires, as well as offering flexible schedules.

Business Changes Made Since the Pandemic Began

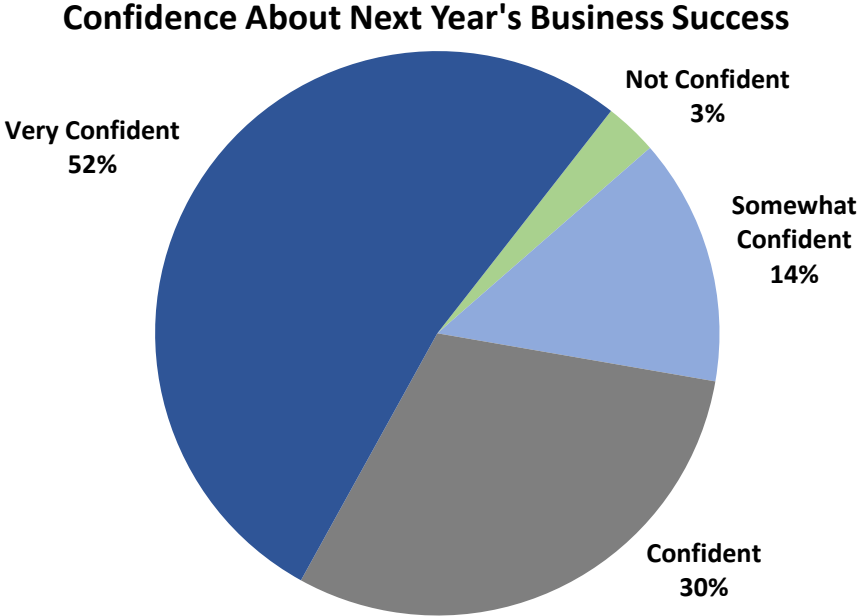


There was a fair degree of variation across the industry samples. For example, raising wages for new hires was reported by 74 percent of Hospitality employers, 70 percent of Construction employers, and 68 percent of Healthcare employers, all significantly higher than the All Industry rates. Raising wages for existing workers was reported by 78 percent of Construction employers, 77 percent of Hospitality employers, 73 percent of Healthcare employers and 72 percent of Manufacturers. Hospitality businesses (77%) were also much more likely to offer flexible schedules since the pandemic began.

Many of these changes varied due to the nature of the specific industries involved. For example, implementing remote work was reported by 45 percent of STEM employers but only four percent of Hospitality businesses, most likely due to the difficulty of carrying out many Hospitality jobs remotely.

Employers are optimistic about business conditions in the coming year

Businesses were asked about how confident they were about next year’s business success, and **82% replied “very confident” or “confident.”** Only three percent said they were “not confident” in the coming year’s success. **Over half of employers (56%) planned to increase employment in the coming year**, while 41 percent planned to stay the same and two percent planned to decrease employment. Interestingly, despite the tight labor market, more employers plan to add workers as compared to the past survey—only 36 percent of employers planned to grow after the last survey, with 62 percent expecting to stay the same.



Employers were also asked how concerned they were about employee retirements, and two-thirds said they were not concerned, one quarter were somewhat concerned, six percent were concerned, and three percent were very concerned. Given demographic trends that predict large numbers of baby boomers will continue to leave the labor market, we might expect more employers to be concerned about a potentially smaller labor pool. Retirements may be less of an issue for some industries which rely on younger workers, such as Construction and Hospitality. In addition, concerns about looming retirements may be already “baked in,” as many older workers have already retired in recent years.

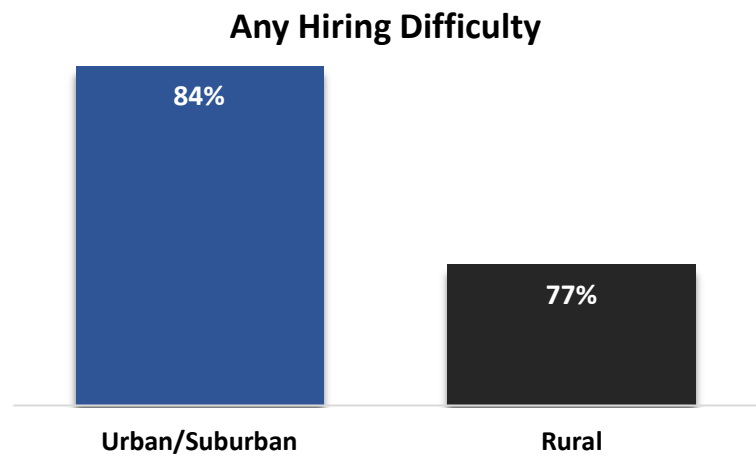
Urban/Suburban employers reported more hiring difficulty than rural employers

Employers in both urban/suburban and rural counties reported attempting to hire at similar levels to each other and to the statewide All Industry average (86%). Eighty-four percent of employers from counties categorized as urban/suburban reported at least some hiring difficulty, while 77 percent of rural employers said the same. These percentages were not significantly different from the All Industry average of 81 percent. However, when compared head-to-head,

urban/suburban employers did have

significantly more difficulty than rural employers. Employers in both urban/suburban and rural areas had similar sets of reasons for difficulties to each other and to the statewide All Industry employers.

When grouped by the state's eight Prosperity Zones, employers in the Sandhills region reported the highest percentages with hiring difficulties (90%), while the Northwestern region's employers reported the lowest percentages with difficulty (62%). Additional details are available at <https://analytics.ncommerce.com/employer-needs-survey/>.



CONCLUSIONS

The findings of the 2022 Employer Needs Survey reflect the experiences of the state's businesses during the Fall of 2021, a period of uncertainty nearly two years into an ongoing pandemic. When compared to previous years, this survey showed large increases in the percentage of employers experiencing hiring difficulties. While some of this increase in difficulty may be the result of temporary disruptions due to the pandemic, the state's labor market was already tight in previous years and is expected to remain tight in the future due to demographic and other structural changes. Therefore, managing these conditions may be an ongoing challenge for businesses as well as the larger workforce development system supporting them. For this reason, increasing awareness and utilization of existing resources is key. It is our hope that this survey and future research can help practitioners, policymakers, and employers themselves tackle these issues and achieve success in a challenging environment.