



# Community Economics

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## JOB TRAINING IN NONMETROPOLITAN AMERICA

by

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Rural communities dependent on natural resources and/or low-skilled, low-wage manufacturing or service jobs are faced with a basic dilemma in their economic development strategies: they either adopt what has been called the "low road" or the "high road." The low road involves competing against other firms in their industries by cutting production costs, primarily through keeping labor costs as low as possible. This strategy usually translates into low levels of productivity and minimal expenses for employee training. Conversely, the high road is based on a competitive strategy that emphasizes technological adoption, investment in worker training, and improvements in productivity. There is evidence that most rural employers continue down the low road. This study aims to examine the social and economic constraints that employers face in providing training among manufacturing and service firms in rural areas. More specifically, we are interested in exploring why employers do not provide more training that will increase the productivity of the workforce. To this end, we conducted a phone survey of 1,590 firms in nonmetropolitan areas throughout the United States. We were interested in examining what criteria firms use in deciding whether or not they will provide training, how they will provide it, who will provide it, who can participate, and when training should be provided. Knowing more about the decision-making process may assist policy-makers in designing federal and state workforce development programs that facilitate productivity increases and ultimately wages in rural areas.

Businesses were included in this survey only if they were operating in nonmetropolitan areas in the United States. The business sample was stratified by both industry (manufacturing and service industries) and the number of employees in the establishment. The overall response rate was 57.5%. Approximately three-fourths (78.7%) of the establishments were for-profit organizations. More than one-half (52.9%) operated at more than one site. Many of the establishments have been operating at their sites for a long time. About one-third (37.2%) began operating in their current site before 1970. Approximately 20% began operating

during each of the three following decades—1970s, 1980s, and 1990s. The average establishment had 156 employees (including permanent full- and part-time workers, as well as temporary or seasonal employees), with the range between 1 and 5700. The median was 60 employees. The average workforce was nonunion, with only about 10% of the establishments having current employees covered by a collective bargaining agreement. Approximately one-half of the average workforce was female and about 20% were of a minority ethnic or racial background. Approximately three-fourths of the establishments had jobs that did not require any particular skills, education, previous training, or experience when workers were hired. Among those establishments not requiring those skills, training or experience, about one-half of them said those employees did not perform any significant reading, writing, or arithmetic on the job. Most employers reported they were facing some difficulty hiring qualified applicants at the time of the survey. Only about one-fourth (23%) reported that hiring was easy, while 47% said that it was somewhat difficult and 30% indicated it was very difficult. We also asked employers about the degree of domestic and foreign competition their businesses were facing. We first asked how much domestic competition their firms faced in their main markets or service areas. The majority (52%) answered that they faced a great deal of competition, about one-third (34%) some, 11% a little, and 4% no competition. Foreign competition, however, was remarkably less important for most employers. The majority (59%) said their organization faced no foreign competition, 15% a little, 15% some, and only 11% of employers maintained that they faced a great deal of foreign competition.

Most establishments have devoted a considerable amount of organizational resources toward job training over the past two years. Among those establishments that have invested resources in job training, the average amount was \$50,000 for the two-year period (median=\$10,000). An average of 85 (median=15) workers have participated in formal training programs, which was just over one-half their workforce. Almost all (94%) of the establishments that provided training offered in-house (on-site) training programs. Approximately one-half (55%) provided in-house training programs by company staff. Fewer (30%) employers used community-based organizations to provide in-house programs. What types of training did employers provide? Employers were most likely to provide training on group or team building. Approximately 36% of those establishments offering training provided group/team building programs. About one-third (29%) offered training programs in interpersonal skills. Fifteen percent provided training in computer skills, such as word processing or data management; 7% in basic arithmetic or math; 6% provided training in basic economics; and 4% in improving reading skills. Among those employers providing training, we asked whether the amount of training for the last person hired had increased, decreased, or remained about the same over the past three years. Almost none of the employers reported that the amount of training had decreased. About one-half said that it had increased, while the other half said that it had stayed about the same. The most common reasons for increasing the amount of training were concern about the quality of work and adoption of new management practices. Lastly, employers were asked if they anticipated that the amount of training for the position was going to increase; 47% said that it would increase, 53% thought it would stay the same, and only one percent thought it would decrease.

We inquired employers about job-related characteristics of the last person hired for a position that did not require a college degree. Sixty-three percent of employers said it was strongly preferred, 27% indicated that it was somewhat preferred, and only 10% suggested it was not at all preferred. Then, we queried employers about how important it was that the person had previous experience in that specific line of work. Forty-two percent of employers indicated that it was strongly preferred and the same number said it was somewhat preferred. The rest indicated that it was not preferred at all. Finally, we asked to what extent having general previous training or certification was preferred. It seems that employers were less concerned with this last issue. About one-third (27%) of them said it was not preferred at all, 42% indicated it was somewhat preferred, and less than one-third (31%) said it was strongly preferred.

We also wanted to examine what type of tasks were involved in the position of the last person hired over the last year. Almost one-half (47%) of employers said the position involved speaking directly with customers in person or over the phone; 46% indicated that it involved reading or writing reports, memos or lengthy instructions; 51% mentioned it involved doing arithmetic, including making change; and 30% said it included using a personal computer. All these activities were required on a daily basis.

About half (44%) of the employers informed that they collaborated with other firms in the same industry to identify common skills required for workers that were in comparable jobs, while two-fifths (38%) said they did that with firms of the same community, and 26% did so with firms in their supply chain. We also asked employers whether they cooperated with other firms in developing training programs aimed at increasing or improving their workers' skills. We found that 40% developed programs with firms that are in the same industry, 35% did that with firms of the same community, and 29% did so with firms in their supply chain.

Another important goal of the study was to assess to what extent firms have used job training services offered by community-based organizations over the past two years. We found that 21% of the employers worked with these organizations when they needed to recruit workers, but a smaller proportion of employers (11%) collaborated with community-based organizations in pre-employment programs to potential workers. Lastly, two-fifths (42%) of employers were involved in training programs with local high schools, such as the school-to-work program, while only one-third of them offered apprenticeship programs.

The survey of nonmetropolitan firms in the U.S. indicates that job training and productivity are becoming increasingly important. Although most employers report that it is competition that is pushing them to become more productive, relatively few of the employers report that it is foreign competition that is producing the changes in the workplace. Yet, only about 50% of the average workforce is receiving any formal training and almost one-fourth of the positions in the average workforce do not require that the worker perform reading, writing, or arithmetic on the job. We did find, however, that firms are cooperating with each other to develop training programs. Employers are most likely to work with firms in their own industry or community to identify common skill needs or to develop new training programs. In analysis not reported here, we have found that employers participating in these networks tend to make a greater effort to train their workforce. We also found that many nonmetropolitan employers are working with community-based organizations to provide pre-employment training, job matching, and even job training programs. Our research will continue to look at these linkages between employers, training institutions, and community-based organizations.

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