

Perceptions of the Forces Changing Central Pennsylvania's Economy

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Introduction

Central Pennsylvania's rural character provides to its communities both strengths and weaknesses. The quality of life of rural communities is tied to their ability to provide viable employment for their residents (Garasky, 1999). It is through the economic base that communities thrive or falter. As farm employment declines and the importance of farm earnings are reduced over time, the prominence and dependence upon other types of employment increase in rural areas (Quigley, 2000). Central Pennsylvania is in a rapid transition from a rural agricultural economy to one that is dependent upon other industry clusters. The importance of manufacturing and service-based employment such as education and healthcare are reshaping the nature of the area's economy and employment opportunities (Fuller, Shields & Smith, 2002).

Understanding the ways in which the area's employment opportunities are changing and the forces that are at work bringing about the change can play a role in increasing understanding of the involved issues and in shaping strategies to assist in a proactive manner. The questions that can assist in creating a general understanding of the current situation focus upon perceptions of the region's major industry clusters' employers and employees. Exploring perceptions concerning the validity of the identified employment clusters, current gaps in employee skills sets, employee turnover and expectations for future skills requirements and specific industry issues of concern, can provide a rich background of the perceptions which impact the area's economic and workforce development efforts.

Methodology

The goal of the study was to understand the nature and nuances that are operating in the area's employment arena. Qualitative methodology guided the research design and data analysis. The focus group process was selected as the preferred research tool because the study was seeking to uncover the perceptions that area employers and employees have about specific area industry clusters (Healthcare, Education, Diversified Manufacturing and Lumber and Wood Product Production). The focus group process is a non-directive means by which participants provide information without being directed to answer specific questions (Krueger, 1994). A purposefully selected sample of participants was chosen to form the interview groups. These included: CEO's of area manufacturing firms, manufacturing Human Resource Directors, lumber and wood products Human Resource Directors, Healthcare Human Resource Directors and manufacturing young adult employees. Participants were selected based upon geographic location and specific industry cluster in which they were employed. Area economic and workforce development agencies invited individuals who met the criteria to participate.

The participants of the study's seven focus groups were individuals from an eleven county rural area in Central Pennsylvania. Input was collected from 54 people working in manufacturing, diversified and wood product production, or healthcare industries in the area. The groups' members were 59% male and 41% female. These individuals were all employed full-time in one of the industry clusters.

The group hour long interviews were conducted using an open-ended structured protocol. The interviews were recorded, transcribed into a written format, coded and the emerging themes were identified and summarized. The following findings identify the themes that emerged during the study.

FINDING 1

ALL OF THE INDUSTRY CLUSTERS REPORTED THAT EMPLOYMENT IN THEIR WORKSITES IS VERY STABLE WITH LOW TURNOVER EXCEPT IN THE LOW-PAYING, UNSKILLED ENTRY-LEVEL POSITIONS.

Across all of the industry clusters, employment appears to be stable with little movement out of the workforce above entry level. Entry level employees appear to be the segment of the working population that exhibits the lowest job retention. Often these are the positions in work sites that require the least amount of technical skills and frequently have low work commitment. All of the employers and human resource directors identified the most frequently lacking skill of this group of employees as "work ethic" (Teixeira & McGranahan, 1998). One area human resource director explained that "They will leave the job with no notification for what appears to be no specific reason and it is usually within the first 90 days." However, turnover above the entry level classifications appears to be low. Another human resource director commented: "We have extremely low turnover. Our annualized turnover is about five percent." "We're very stable. We do lose a couple retirees a year but other than that we don't lose people."

Since the entry level positions is where turnover occurs, this is where shortages of labor also were identified. Each industry has a few specific shortages of professional or management positions that were identified. Across all of the industries the shortage of middle level supervisors was identified as problematic. These positions most typically are filled through internal promotions. However, making the role switch from collegial worker to management is difficult. All of the clusters identified this as a problematic position to fill within their industry.

The majority of the industry clusters reported not having problems in hiring employees beyond entry level work. The skill base and educational level of employees varied across industries. The lumber and wood production industry reported hiring almost “100% high school graduates.” The majority of all new hires were through family or friends’ references. The healthcare industry reported having some fluxion among its hires based upon salary and compensation provided. The highest paying healthcare businesses attracted more qualified and mature workers who were reported to be more committed and long-term in their employment. The higher salaried manufacturers also reported hiring based upon family and friends recommendations and were not experiencing the lack of qualified employees. Key in all of these employment sites was the role that salary, working conditions and employment stability played in their ability to recruit and maintain a stable overall workforce.

Low turnover impacts local labor markets by creating a tight job market in which employment is maintained and dislocated workers find it difficult to find employment (Lane, 1999). When faced with the dilemma of underemployment or no employment, young skilled adults frequently seek jobs out of the area. Yet the pull of the local culture and family ties may stimulate some to consider returning to seek employment in the area. However, the participating CEO’s and Human Resource directors across all of the industry clusters reported that they rarely hired returning adults. In a few situations where this did occur “it was because of personal or family situations that brought them back.” The phenomena of the returning adult worker appeared to be limited in all of the industry clusters. “We just don’t see it. Probably because we have such low job turnover. We never worry about hiring. We have waiting lists,” a human resource director reported.

Turnover also appears to be a function of the nature of work schedules. A human resource

director responded that: “We never have day shift turnover. If it occurs, it’s a nightshifer. Often we really don’t lose him, he just moves to day shift.” All of the working young adults with less tenure were working night shift. A young working adult replied: “We all are second shifters. This shift is paying your dues to get onto first shift when someone retires, if and when someone does go.” The commitment that these employees exhibited was reflected in their desire to stay with the company until a day shift position became available. It demanded commitment to the company, because all were young, 25 to 35 year old adults with school age children. Young working adult explains:

Most of us have young kids, starting school or have been in school for a few years and when you work second shift, don’t see them all week, you know, maybe half an hour in the morning or something like that. However, I’m sticking it out on night shift. The salary is what makes it worth the time to get on day shift.

Companies with generous benefits and employee friendly environments attract a more motivated, higher quality workforce that helps to ensure loyalty and therefore, reliability (Pfeffer, 2003; Teiseira & McGranahan, 1998).

Turnover appears to be a function of position with the lowest paying entry level positions attracting a stream of employees who are unstable and frequently abandon their jobs rather than quit. Area companies report turning to temporary agencies to fill these positions rather than incur the expense of hiring, training and then losing the employee within the first 60 to 90 days. However, overall turnover above the entry level was extremely low and appeared to be a function of employee commitment, financial compensation and the lack of other

competitive employment opportunities in the area.

The turbulence of today's business world has created an apprehension among area employees that is reflected in their uncertainty about future employment in Central Pennsylvania. The globalization of business, the expansion of the labor pool to an international source, increasing competition and financial pressures to show a profit all have direct impact upon labor (The Changing Nature of Work, 1999; Bridges, 1994). The participating working adults talked openly about their concern that industry will remain in the area. A young adult employee commented:

We are keeping the faith for now, but it gets harder to do all the time. Why can't people, especially politicians, see that jobs are going elsewhere other than Pennsylvania? The big companies are all going out of state or overseas. Nothing new is coming in. This is our lives, our families and our futures that are at stake here.

Even with low job turnover, area employees are considering the shifts that industry is making to remain competitive in an increasing challenging economic climate (McMenamin, Krantz & Krolik, 2003).

IMPLICATIONS: Due to low job turnover, the local labor market is limited in its employment opportunities except at entry level which offers limited salary compensation and work challenge.

FINDING 2

EMPLOYEES LACK BASIC COMMUNICATION, PROBLEM SOLVING, AND TEAM WORKING SKILLS TO PERFORM EFFECTIVELY IN THE WORKSITE. COMPUTER SKILLS ARE ESSENTIAL FOR FUTURE WORKPLACE SUCCESS.

Employers across all of the work clusters reported that the many of the employees that they are currently hiring lack effective personal skills to operate in today's workplace. An area CEO commented: "We are looking for more than technical skills. It is the employees' ability to work with others and solve problems that makes them effective employees." Overall the majority of employees at all levels were reported to be lacking interpersonal/teamwork skills to operate effectively in the work environment (Teixerira & McGranahan, 1998). However, the entry level employee appeared to be the most lacking in soft skills and the least willing to learn adaptive behaviors.

As the world economy shifts to a more technological driven workplace, employees at all levels will be challenged to move beyond step-by-step task performance to solve problems, create ways to improve practice and engage coworkers effectively (Overtoom, 2000). Employability skills are essential abilities that are integrated, developmental and transferable. Difficult to teach in a classroom setting, they are the core skills of employees who have the knowledge, the skills and the attitudes to function in the 21st Century workplace (Brown, 2002).

Technology is moving into the area in most of the industry clusters. Computer skills are becoming a requirement of most work sites where all employees have to interact with a computer to perform work functions from

logging data for inventory to operating a robotic piece of equipment. As area firms become more technology driven, employees will be required to have higher levels of computer sophistication.

IMPLICATIONS: Employees entering the local labor market need to increase their personal as well as their technical skills. Companies are willing to provide technical learning opportunities but perceive that employees should have gained the personal skills to work effectively in their prior educational or working experience.

FINDING 3

RURAL CENTRAL PENNSYLVANIA EMPLOYERS ARE CHALLENGED TO BE COMPETITIVE WITHIN A GLOBAL MARKET THAT IS TRANSFORMING THE ECONOMIC BASE OF THIS RURAL LANDSCAPE FROM ONE OF AGRICULTURE AND MANUFACTURING TO A SERVICE-BASED ECONOMY.

The interdependence of Central Pennsylvania's rural economy with Pennsylvania's urban and the national economy appeared to be creating pressures upon the participating rural businesses to remain competitive. The participating employers and employees talked about how their employment sites were being impacted by the ability of urban and national businesses to offer higher wages that attracted the most qualified recent graduates and workers. The healthcare sector reported that they were frequently unable to hire recent area graduates due to their business' inability to offer competitive wages and to provide the technology that these individuals had learned to use in their post high school training. A

healthcare industry human resource director commented:

It comes down to, if you don't want to lose all of those skills that you have spent several years and lots of money to learn, you have to go to a metropolitan area or a teaching hospital. How many of those are there in this area? If you stay here until we catch up all of the technology has advanced so you are behind again.

The manufacturing industry was still transitioning to using new technology. However, in the higher salaried more high-tech manufacturing sites, employees were concerned about management's perspective of production for profit rather than for employee stability (Kerka, 2000). The lumber and wood product industry appeared to be the most threatened by international production that is consuming its raw product to manufacture finished goods at a price with which state manufacturers are struggling to compete. An industry human resource director explained that "We sell almost all of our raw product overseas. We just can't compete when it comes to making the completed product. They are willing to buy every board that we can harvest and ship." The industry faces some changes in technological advancements, but reported that some processes will never be able to be done by more advanced machines. A human resource director commented that "We will always need some employees that know how to operate the machines that we now have." The driving force for this industry is the international demand for its raw product which demands the employment of individuals in labor intensive work that many younger workers do not view as profitable or desirable.

These industries are linked through their need to employ area workers, do business in the same regulatory and taxation environment and provide employees with benefits such as

healthcare. All of the clusters identified the state and federal government's regulatory and taxation process as creating barriers to their ability to operate profitably. The currently most significant barrier is healthcare costs. The healthcare industry is equally constrained by the state's healthcare insurance costs. This issue spills over into other industries and creates profitability barriers for industry which in turn is passed onto the local worker. The ripple effect is evident in wages and ultimately in the taxation base of communities and state.

IMPLICATIONS: The interconnection of Central Pennsylvania's industry clusters makes it critical to look across industries to identify issues and solutions rather than addressing one specific industry's presenting need.

FINDING 4

INNOVATION AND COLLABORATION ARE EMERGING CHARACTERISTICS OF THE INDUSTRIES IN THE AREA.

As area industries seek to find ways to address jointly identified issues, newly formed collaborations and innovative operating strategies are emerging. Industries in the healthcare and manufacturing clusters described collaborations that were assisting several area businesses to be more cost effective by sharing expertise or operating functions across partnering businesses, thus eliminating duplication for individual firms. These firms were interested in broadening these types of collaborations.

Other area businesses had put in place innovative practices to address presenting needs. An example of one is a firm that developed a unique work shift to accommodate working parents that had school age children. Those employed in this shift all were part-time workers who worked a

shortened day that wrapped around the school schedule. This manufacturing shift has proved to be more productive than the standard shift working full-time hours. Employee friendly work schedules can benefit both the company and the worker and provide innovative models for other firms to consider.

Innovation and collaboration were viewed by participants as a way to increase profitability by giving employees new opportunities to use their expertise and expand their skill base. It benefited the firm and the employee while cutting costs.

IMPLICATIONS: Local innovations and collaborations should be showcased as examples of "best practice" so that other area firms can adapt them to their business practice.

Discussion and Implementations

Intense global economic competition, rapid changes in technology and an increasing need for a highly trained, committed workforce are exerting pressure upon rural firms in the eleven county area of Central Pennsylvania. However, the area's businesses appear to be adapting and functioning in a proactive manner to meet the challenges facing each of their industry sectors. The interdependency of the industries would suggest that an integrated and systematic approach to understand and address emerging issues would benefit all of the areas businesses as well as be the most productive. The interrelatedness of presenting needs would appear to indicate that working collectively would generate more collaboration across industries and stimulate innovative approaches to resolve issues.

The rural nature of the area focuses attention on the availability of a skilled workforce, the level

of business adoption of new technology and the use of innovative work practices (Ichniowski, Kochan, Levine, Olson & Strauss, 2000). Typically location factors that affect rural areas is finding skilled workers. The participating businesses appeared to have addressed this issue except for entry level employees. The challenge facing their technology adoption is the retooling of an established workforce that may have a significant number of older workers who are not technology adopters. The wages that firms provide will play a key role in determining the firms that will have high adoption and a smoother transition. Generally, turnover is reduced and technology adoption is increased among employees receiving relative high wages (Teixeira & McGranahan, 1998). The size of rural firms which most typically tend to be small can create barriers to technology adoption due to the cost of the equipment and skill-upgrading of their employees (Gale, 1998). Area firms appear to be exhibiting some difficulty in making technology transitions, due to, “Our ability to have the financial means to purchase the newest technology. We just don’t have that level of profit margin. It creates real pressures for us.” A healthcare human resource director explained. Building upon the collaborations and partnering that already is taking place can provide a vehicle to bring small firms together to assist them in providing training to multiple employers reducing the cost and resistance to adoptions which will benefit the entire area.

Technology is the driver that is changing rural jobs and in turn the rural workers employment opportunities. The effects of technology are producing changes in skill demands and polarization between low and high-skill jobs (Kerka, 2000). Area employers are seeking employees that can “solve problems, work in teams and think about what is happening and take action,” stated a CEO. Today’s workforce is being challenged to exhibit competencies that require more than technical skills. Workers are being expected to exhibit initiative, take

responsibility to solve problems and to engage effectively with coworkers (SCANS, 1991). The majority of area employees appear to be capable of meeting most of these expectations which is reflected in low employee turnover. However, the entry level worker who appears to be the lowest paid and requires the least skill level, most typically is not exhibiting the skill level that area firms are requiring. The disconnect between new hires skill level and employer expectations may be a factor in the high turnover of these employees within worksites. Since this is a presenting problem for the majority of area employers across industry clusters, finding a solution to address it would benefit all area employers. Area employers are assuming the role to transition the available workforce to meet the demands of their worksites through in-house training programs. All of the industry sectors identified ways that their specific businesses were providing training to upgrade the skills of their employees to meet the demands of their changing worksites.

The public policy issue that surfaced that is playing a critical role in the participating firms was focused upon the cost of healthcare which is being driven by the cost of liability insurance throughout Pennsylvania’s healthcare industry. The healthcare industry is threatened by the increasing cost of insurance which employees at all levels of industry need to personally pay to supplement their employers coverage. The spiraling cost of healthcare directly impacts businesses that pay the cost of employee benefits. All of the participating industry clusters saw this situation as the key public policy issue that created a major barrier to their future business profitability. A CEO commented:

If our legislature does not do something about the malpractice crisis, you won’t have to worry about attracting people back to Pennsylvania cause we won’t be around to provide jobs for them.

Area employers viewed public policy issues as factors over which they had little recourse to change and are out of their control yet have great impact upon their profitability.

Conclusions

The study identified some of the major nuances that are operating in an eleven county area in Central Pennsylvania's employment arena which can increase the understanding of issues of importance to area employers and employees. One of the major implications of the study is that area worksites are very stable with limited or no job turnover except unskilled entry-level positions that, most typically, pay low wages. When job turnover is low in moderate to high paying positions, employment opportunities are limited for skilled and or more experienced employees. Local employers across all industry clusters are seeking employees with problem-solving, team working and interpersonal communication skills that are capable of solving presenting issues that impede work completion. Local employers are addressing the lack of appropriate workplace skills through their own training programs. However, as area industries transition to using new technology and production strategies, the issue of training currently employed workers may become a greater concern. The interconnection of the industry cluster creates the opportunity to address specific presenting issues in a larger context that can benefit all of the area's industries. Innovation and collaboration is in its infancy stage and with nurturance can become a model that assists not only area businesses but the entire region to achieve a higher level of productivity and development.

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