Brookings Institution LMI Forum
Real Time Labor Market Information

What is it?

Real time LMI is labor market intelligence derived from the analysis of job postings and resumes placed into public and private labor exchanges. It is real time because it can be based on data pulled from the Internet on a daily basis. It is labor market intelligence because it can provide indications of supply and demand trends, emerging occupations, current and emerging skill requirements, and market-based demand for education and certifications.

Why now?

Several factors have combined to allow for the creation of real time LMI now:

- Density of job announcements on the Internet (and therefore findable and digital) has now reached 70% or more of all vacancies in the economy (and nearly 95% for jobs outside of retail, food service, building maintenance and construction).
- Tools exist to accurately code jobs or resumes with the SOC and O*NET codes.
- Tools exist to extract information from the job announcements or resumes and to create a set of structured data for analysis
- Tools exist for indexing all the job announcements that appear on the Internet and they can be operated at reasonable cost.
- Several commercial firms have collected significant history files of job announcements (extending back 3-5 years) and are willing to sell or license them for analysis.
- Note: no similar sources exist for resumes.

What are some potential uses?

- Career or academic counseling – showing current and immediate historical demand for a particular occupation in a particular market
- Skill gap analysis – using the skill-knowledge-education-experience requirements extracted from the job announcements to determine how well qualified an individual will be for jobs in a particular occupation.
- Determining market demand for industry-based certifications
- Determining market demand for various levels of education in general and within specific occupations and within specific occupation/geography combinations.
- Curriculum development – for emerging occupations or for adjustments to existing courses based on an analysis of the requirements found in the job announcements.

- Vacancy projections – very short term projections of job vacancies (6-12 months in the future).

What is the role for the federal government?

That depends on the answer to a prior question – should there be a "public" version of real time analysis that can be provided to public institutions and to the general public at little or no charge to them. If the answer is yes, then the federal role is clearer.

The federal government can and should invest funds to create (or purchase) and maintain the underlying data, develop standard sets of analyses and reports, create and maintain a research environment, and provide resources to State LMI units to build capacity to adapt the nationally produced reports to local needs. The federal government has a strong public policy interest in the smooth and efficient functioning of labor markets. Real time LMI is a key lubricant to help remove friction from labor market transactions.

What would it cost?

The cost of acquiring and maintaining the data, providing basic analysis and standard reports, maintaining the research environment, and licensing the necessary analysis software will be about $6 million per year. The cost of building and maintaining the necessary local analysis capacity in the States will be $15-20 million per year.

How could this be paid for?

Budgets are tight and likely to get tighter. However, real time LMI combined with other tools like the Career Management Account and Learning Exchange could be used to save significant public expenditures (more than sufficient to cover the full costs of the real time LMI and those other tools). Specifically:

Rapid Reemployment and Retraining

At present, most individuals who apply for unemployment benefits are required to register for work within 7-10 days of their application. No State requires or facilitates that registration at the point of initial UI application. Using existing technology, resumes could be built as part of the initial UI application (whether that application occurred online or over the phone) and immediately matched to available job openings from the real time LMI stream. Real time demand analysis and the gap analysis tools in the career management account can be used to triage initial UI applicants into three groups: 1) adequate current and projected demand in their occupation; 2) adequate current and projected demand in related occupations (based on transferrable skill analysis) with need for some retraining while on the job; 3) structurally unemployed and in need of retraining. All claimants

in categories one and two would continue to receive new job leads each time they applied for another UI check and their follow-up on the prior leads would be monitored. Claimants in the third category would be referred immediately to the local One Stop center for assistance in selecting the appropriate training program from the Learning Exchange.

Integrating labor market intelligence into the UI claim process at the very beginning will accomplish several things:

- It will change the psychology of the transaction to one focused on reemployment and no solely on providing income support.
- It will push the easily re-employed into jobs sooner.
- It will start the structurally unemployed on the path of retraining sooner in part because of early identification and in part because the real time LMI will assist them in seeing the limited prospects in their current occupation.

The rapid re-employment effort has both a carrot and stick impact. The carrot is the flow of new job leads and the wealth of other information contained in the career management account. The stick is the threat of losing the UI check if their work search or retraining efforts are not pursued seriously enough. Based on two studies (a Washington-Oregon study of the impact of referring UI claimants to jobs and a Maryland student on the impact of various types of work search requirements), between one and two weeks of UI benefit payments could be saved. On a nationwide basis, each week of benefit payments costs $3 billion.

Federal Student Loans

With the recent shift of all federal support for student loans to direct lending by the federal government, the government has a strong interest in reducing default rates. (Currently, each 1% of defaults represents $1.875 billion.) The recently announced gainful employment rules to be applied to for-profit education providers is an approach to one slice of the default puzzle. Another approach would be to provide each loan applicant with a career management account at the point of loan origination.

The account would help provide solid career guidance with the real time LMI showing current and projected demand in potential occupations. The real time LMI job flow would mean that an individual would have a constant stream of new job openings in their field available instantly.

For additional information:

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