

VIRGINIA'S ECONOMY: Dig deep to find what drives or limits growth

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I received a call from a reporter recently who wanted a second opinion on the following statement made by an economic-development official: "The main reason our region is not growing is because our low unemployment rate has reduced the available work force."

We tend to want simple answers, but economies are anything but simple. It is easier to see symptoms than diagnose causes. From that perspective, regions need to do basic root-cause analysis based on benchmarking to take a look at underlying drivers of growth.

Economists typically describe a region's work force in terms of the types of industries that employ the workers. The current classification system identifies more than 1,100 industries that are as detailed as industrial-valve manufacturing, direct-mail advertising, and Internet service providers and Web search portals, to name a few.

However, industry descriptions do not always provide a sense of the occupations and skills that are needed. That information can be obtained by considering the 800 or so distinct occupation classifications that the U.S. Bureau of Labor Statistics has identified.

With this information, we learn that the average Internet service provider and Web search portal firms, for example, may employ more than 80 occupations, depending on the size of the firm.

About 8.1 percent of their employees will be computer support specialists, followed by customer-service representatives (8 percent), computer software application engineers (6.9 percent), computer programmers (5.5 percent) and system analysts (4.1 percent).

To make matters more complex, the economy is always evolving with industries growing and contracting -- creating havoc for a work force that is trying to obtain the skills needed for occupations that will be in demand now and in the future. Some occupations are added and others deleted prior to each decennial census.

A BLS survey identifies some of the potential new and emerging occupations. The 2001 survey lists chief software architects, producer-Internet providers and Web analysts as occupations that might be added before the next census to the types of occupations used by Internet service providers and Web search portals.

Can a low unemployment rate alone reduce the available work force to a threshold level that keeps the economy from growing?

It could if we consider a closed economy where people cannot move. But regions need to also know if the quality of life and quality of work they offer is such that it attracts workers from other regions.

These indicators are contrasted to the region's current mix of industries and occupations and considered in light of forecasted growth. These permutations are complex, and the root cause of no or slow economic growth can be buried beneath the surfacing trends.

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