

Definitions of the skills supply and demand indicators

The OECD LEED programme has developed a statistical tool to help understand the balance between skills supply and demand within local labour markets. According to this methodology, local economies can fall into four different categories: low skills equilibrium, skills deficit, skills surplus and high skills equilibrium.

In order to approximate the *supply* for skills at sub-regional level, the study has used the percentage of the working age population having post-secondary education as an indicator. This was the only indicator available at sub-regional level and comparable across countries.

In order to approximate the *demand* for skills the following two variables have been combined into a composite index:

- Percentage of population having medium and high skilled occupations
- Income from employment

In combining them a weight equal to 0.25 has been allocated to the first variable and 0.75 to the second.

For building indices it is necessary to bring the variables in a common unit (scale) of measurement using a standardisation method. It was decided to use the inter-decile range method which is not influenced to a great extent by outliers. See the formula below:

$$(X_i - X_{\text{med}}) / (X_{9^{\text{th}}} - X_{1^{\text{st}}})$$

Where: X_i = value for county_i

X_{med} = national median

$X_{9^{\text{th}}}$ = 9th decile

$X_{1^{\text{st}}}$ = 1st decile

Data sources

Data for the skills analysis used for the presentation is taken from the 2012 5-year estimate American Community Survey (ACS) and from the income and wage estimates published by the Bureau of Economic analysis.

More information about the methodology of the ACS can be found at the following link:

<http://www.census.gov/acs/www/Downloads/handbooks/ACSGeneralHandbook.pdf>

Please note that the state level analysis published in Job Creation and Local Economic Development is based on the 2012 1-year estimate data, so results may vary slightly.