

THE PERFECT STORM

Navigating the Bermuda Triangle of Job Futures.

By Dr. Ira S. Wolf

Aye, Aye mates. Hop aboard. Today, I will be your captain on a journey through the developing storm that is producing historically low unemployment and high turnover.

Our journey begins during the final week of October just nine years ago. Three seemingly innocuous weather systems collided off the Atlantic coast to produce one of the most powerful weather storms on record. This storm became popularized by Sebastian Junger in his book *The Perfect Storm* and by the movie hit of the same name in the summer of 2000.

Not unlike the meteorological events responsible for the nor' Easter of 1991, the current labor shortage is the result of a series of several significant but at-first-glance uneventful economic and demographic forces. During the late 1990's and leading us into the 21st century, these seemingly cyclical forces began to produce one of the most powerful and sustainable "labor storms" on record.

And not unlike the Andrea Gail, which was sucked under by colossal waves two days before the full force of the storm developed, many businesses today seem to be totally disabled by the shortages of employees, hoping for a break in the clouds and praying this storm too will pass.

This is hardly the case. One of the most common myths of this labor shortage is that managers believe they alone are isolated targets of some insidious plot to abscond with their incumbent and prospective employees. Our labor "tracking" however indicates this labor shortage will not blow over and its effects are far-reaching and long lasting.

This labor shortage has no industry or geographic boundaries. From electricians to dental hygienists to teachers to border patrol, virtually every industry at nearly every level seems to be affected by shortages of people - with and without skills.

I have identified eight demographic, economic or policy forces that have caused or shaped the current and future labor climate. Let's begin our journey.

Economic Growth

Since 1992, the United States began an unprecedented economic peacetime expansion. The majority of all U.S. businesses have experienced record growth and prosperity and although the economy recently has showed some signs of slowing, it is still growing.

Job Creation

The shortage should have come as no surprise to anyone. But it did.

During the past fifty years, our economy has been creating new jobs at a relentless pace. And during the 1990's when the crop of "for hire" signs popped up faster than weeds in your lawn, we trimmed our welfare rolls in half with work-first programs. We began to hire minorities at record levels. We doubled, then tripled, and then doubled again our immigration quotas in an attempt to fill all the new jobs.

We even reached into our high schools scrambling for workers. According to the Bureau of Labor Statistics, 5 to 6 million teens between 14 and 17 years old work in regular jobs at some time each year, and the retail industry employs 60 percent of teenagers under age 18.

But no demographic group has been more impacted by job growth than women who entered the work force. By 1999, 60 percent of women age 16 and over were either working or looking for work. And nearly three out of four women between the ages of 20 and 54 were in the labor force.

Falling Birth Rate

Concurrent to the economic growth and explosive job creation, a third trend was moving in - a falling birth rate. As baby boomers, nearly 77 million strong, entered the workforce, they placed their careers first and delayed starting families, then elected to have smaller families, or even chose not to have children at all. The succeeding generation, known as Generation X, ultimately became half the size (44 million) of their predecessors.

As these Baby Boomers, and their parents (the Matures), consumed more and more products and services, they were apparently so busy working and buying, they didn't have time to make babies and give birth to a generation to fill the jobs their demands were creating.

Increasing Life Expectancy

The old gray workforce ain't what it used to be. Our population pyramid in the 1900's was shaped like a pyramid. Each succeeding age group was smaller and smaller with the smallest percentage of Americans being those who lived beyond age 55.

It wasn't too long ago that Willard Scott on *The Today Show* had a list of one person who was celebrating a 100th birthday. Today Al Roker has a list of dozens. There are now 3000 centenarians, a number expected to climb to 17,000 within twenty years.

Zoom ahead to the year 2020 and our population pyramid begins to resemble a pillar. For the first time in our history we have an age group under 18 and over 60 that requires services to be provided by a shrinking percentage of working age adults.

Collapse of Career Ladders

A "man-made" force that added fuel to the labor storm was the collapse of career ladders. Thanks to reorganizations, re-engineering's, and downsizing, hundreds of thousands of employees were displaced from their jobs in the 1980's and 1990's. Vertical career paths within the same company virtually disappeared. The loyalty of the 40-year career employee was replaced with free agency and a flood of new independent business owners.

Non-traditional Working Arrangements

The collapse of career ladders propagated another system - non-traditional work arrangements. With technology coming of age, many companies began to offer flexible work arrangements, including work-at-home benefits, especially for the aging boomers who "finally" decided to settle down and start their families.

As more and more boomers were downsized and out-sourced, a sense of resiliency and a drive to control their own destiny began to drive an explosion of new businesses.

Gen-Xer's too opted for a less hectic work life as they entered the workforce. Many joined the ranks of the self-employed and aspired to be entrepreneurs as did the matures who were released from their careers and retired early.

Microbusinesses, those business with 1 to 4 employees, exploded during

the 1990's, creating 1,000,000 net new jobs during 1994-95 and 60.2 percent of all new jobs from 1994-1998. These former employees were now business owners and competing against their former employers for a shrinking pool of laborers.

Job Skills

New jobs in a new economy are changing the skill sets needed to do the work. The trend toward jobs requiring more and different skills is not expected to go away any time soon.

The half-life of new technology continues to decline as many businesses are still scrambling to catch up to even last century's levels. According to the U.S. Department of Commerce, six out of 10 jobs will require skills currently held by less than 20% of population.

While workers under 32 years old changed jobs 9.2 times (Bureau of Labor Statistics) and the 20 to 34 year old population dropped by 6 million, employers seemed to miss that looming on the horizon is a serious manager shortage.

Managerial positions are increasing at a 20% annual rate, while the number of qualified workers is shrinking. Workers are being promoted to supervisory and managerial roles in exchange for their loyalty. Unfortunately without the skill, experience, company knowledge, and maturity to manage turnover, diversity, no less the traditional day-to-day tasks, employee job satisfaction and morale is dismal in many businesses.

Diversity

And circling the edges of this labor storm is the fiercest system of all. When all is said and done and we learn to improve employee productivity, re-energize education and training, and expand flexible work arrangements, diversity will flip this ship like a pancake as it attempts to climb that last monumental "wave".

Despite well-intentioned efforts from federal legislation and employer initiatives for sensitivity in the workplace, many people still see people as black or white, male or female, gay or straight. We have gained little appreciation for cultural differences. And add to this mix the five different generations working side-by-side in today's work place and we are truly a melting pot of peoples. Without our eyes wide open and a colossal effort to engage our diverse population into a productive, collaborative and respectful workforce, managers will likely go down with the ship.

The Safe Passage

The tactical solutions of the past—more pay, new benefits, and bonuses—are no longer enough to keep the ship floating. Employers must step back and plan strategically how they will provide more services and build more products with a

shrinking labor pool. Managers must first stop trying to hire people that don't exist and expecting people that don't exist to apply.

Employees today have too many choices. In order to compete for today's employee, managers will have to do what it takes to become an

employer of choice and earn the loyalty of incumbent and future workers.

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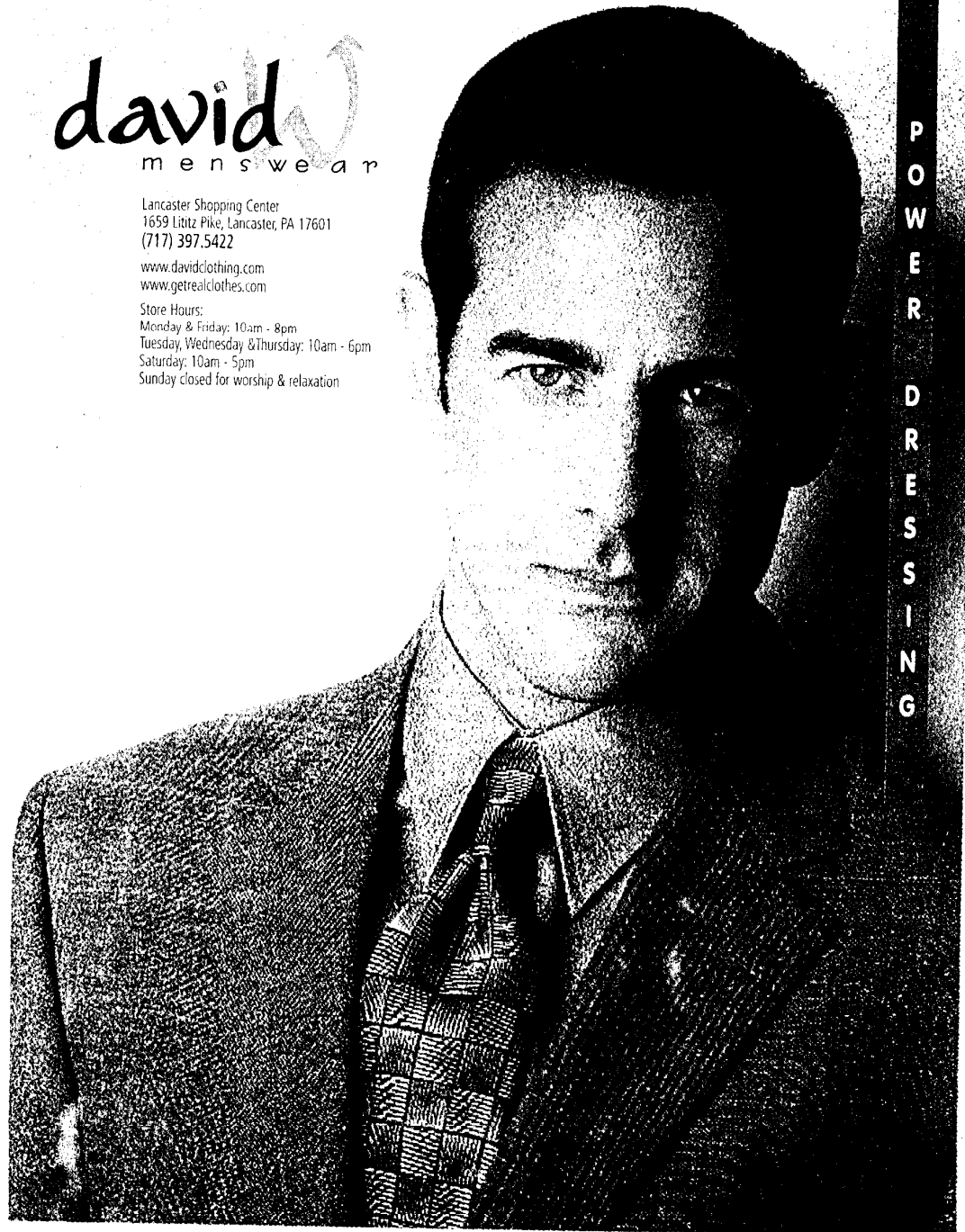


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