

Aging Workforce

Coming Soon to a Location Near You: Major Labor Shortage

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You don't have to visit the data-rich Bureau of Labor Statistics (BLS) to get an idea of the fact that the nation is about to be hit by a major labor shortage. All it takes is a trip to the beach.

Last July, in Myrtle Beach, South Carolina, says Tom Hoffman, Vice President of Public Relations for coal producer Consol, planes flew over the beach, dragging banners advertising big money and great benefits from one of Consol's competitors, Massey Energy Corporation. Myrtle Beach is a popular vacation destination for West Virginia coal miners, and Massey, facing a critical shortage, was persuading a few to come its way. As America weans itself from its dependence on oil with the development of coal-fired power plants, the nation's coal producers are facing a pervasive labor shortage that has companies competing for a shrinking pool of workers.

"We're dealing with a demographic bubble," says Hoffman. "We're now mining more coal than at any other time in history. But our pool of experienced miners is exhausted. Until now, we didn't need to attract young people because we could replace miners with experienced people who had been laid off. Now, with 3000 to 4000 miners retiring this decade, coal mining will be a steady source of job opportunities for young people. We're responding to that anticipated need by ratcheting up our recruitment efforts. It's a challenge."

Coal miners? Until now, most of the attention went to the critical shortage of health care professionals. But within the next decade, the same situation that now plagues health care will play itself out across the board for employers in other industries. According to experts who have their fingers on the pulse of labor market statistics, the situation is about to become a lot worse.

In fact, workplace futurist Ira Wolfe, founder of Success Performance Solutions, calls the looming crisis a "Perfect Labor Storm."

"When it hits," Wolfe says, "America will experience the greatest labor shortage in her history. Unlike forces of nature, which come and go, the Perfect Labor Storm will profoundly affect U.S. businesses for years to come, and no region will go untouched. It's barely started and already industries like healthcare, manufacturing and technology are already feeling its effects."

Wolfe has dozens of statistics to back up his predictions, including the following eye-openers:

- In 1978 our workforce growth rate was 3.5 percent. By 2008, the Bureau of Labor Statistics projects the rate to be 1 percent

- By 2008 the number of young adult workers, from 25 to 40 year olds, will decline by 1.7 million. That's 1.7 million fewer workers to replace the nearly 77 million baby boomers who will be eligible for retirement
- We now add fewer workers age 25 and older to the labor force each year than we did through the 1980s.
- By 2010 we will have 167,754,000 skilled jobs to fill in the United States alone.

“A few skeptics question the accuracy of this forecast when six million workers currently are unemployed or working in low-skill, low-wage jobs,” says Wolfe. “All I can say is that they’re shortsighted.”

Pockets of crisis by region.

Joyce Gioia, a strategic business futurist who is president of The Herman Group, a management consulting firm based in Greensboro, NC, says that of the nation’s 331 metropolitan markets, 95—over a third—are already dealing with unemployment of under 4 percent, which is significantly lower than the national average. Twenty have unemployment rates under 3 percent, and one or two have rates under 2 percent.

Pockets of crisis by occupation.

In February 2004, the BLS published a list of the nation’s fastest-growing occupations, that is, those growing faster than the overall national average. As the BLS pointed out, the list extended beyond health- and computer-related occupations, those whose growth is common knowledge, into management-, education-, sales-, art-, architecture-, design-, and accounting-related occupations, and beyond that into a large number of jobs which don’t require a college degree, including electricians, plumbers, pipefitters, steamfitters, structural iron and steel workers, tile and marble setters, and heating, air-conditioning technicians, and refrigerator mechanics and installers.

Causes of the problem.

Baby boomers—those born between 1946 and 1965—are retiring. Already, according to the BLS, between now and 2010, the growth of the labor force will slow to 1.1 percent per year, and after the baby boomers retire, between 2010 and 2020, that growth will slow even more, to 0.4 percent per year. The count of workers will most certainly be less than the number of jobs, BLS concludes.

- **Turnover.** A recent survey by Monster.com asked 70,000 workers if they would leave their jobs if they had a chance. Eighty-nine percent of them said yes. "This is huge!," says Roger Herman, CEO of the Herman Group. "It means that almost 9 out of 10 workers are receptive to job offers or would respond to advertisements for positions that looked better than their current situations."

HR in denial?

Right now, with the nation still trying to extract itself from the mire of recession, the doomsaying may seem counterintuitive. “A lot of employers are in denial,” admits Gioia. But Gioia, like Wolfe, has the statistics to make her point.

“By 2000, there were 4,731,000 more jobs available than there were people able to work,” says Gioia. “The 2010 projection is that the U.S. employment market will have 10,033,000 more jobs available than there will be people to fill them.”

What does this mean to HR? “There’s a dearth of leadership,” says Gioia. Companies are losing senior level people, and find there’s no one waiting to take their places. “During the slowdown, companies weren’t willing to invest in training because they wanted to show better profit numbers. Training was *very* hard hit. And companies are reluctant to take their senior technicians and promote them to management because they lose their technical expertise.” And, she says, echoing Herman, as business begins to pick up, people who were laid off aren’t going back because they didn’t feel appreciated.”

One thing HR can do to get a concrete handle on the crisis, Gioia says, is calculate the cost of turnover. Gioia recommends use of the Bliss-Gately tool, developed by William Bliss and Robert Gately, an Excel spreadsheet software program that calculates costs based on numbers provided by the employers who use it. The software adds up expenses for everything from lost productivity to drug screening tests to the cost of mistakes new employees make on the job. Those costs, Gioia says, can be substantial. And, the more you pay a person, the more it will cost to replace them.

What to do.

- **Do some succession planning.** Get folks in the pipeline so you’ll have managers ready to take over when their predecessors leave. Assess your talent gaps, then identify and develop key talent.
- **Persuade baby boomers to stay on.** Experiment with flexible scheduling and phased-in retirement.
- **Focus on retention.** Make sure your supervisors know what it takes to keep good people. It’s a truism among HR managers that people don’t leave jobs, they leave supervisors. According to Herman, the five principal reasons people leave jobs are:
 - It doesn’t feel good around here. This feeling is a corporate culture issue based on the company’s reputation, working conditions, and clarity of mission.
 - They wouldn’t miss me if I were gone. Corporate leaders may value employees, but they don’t tell them so enough.
 - I don’t get the support I need to get my job done. Employees really do want to do a good job, and when they’re frustrated by red tape or incompetent supervisors, they look for other opportunities.
 - There’s no opportunity for advancement. Without opportunities to sharpen their skills, people leave for jobs with better opportunities for growth and development.
 - Compensation. If the foregoing four factors are addressed, Herman says, compensation has diminished importance.

In short, organizations that don’t show their employees that they value them, provide a pleasant, efficiently-functioning workplace, and give them opportunities to grow, will find themselves struggling for enough employees to do the work.