

## **The Perfect Labor Storm**

**By Ira Wolfe**

Let the celebration begin. Hayley Mills, Sally Fields and Patty Duke turn 60 this year. (Tell me it can't be true.) So do Presidents Bush and Clinton, Donald Trump and Cher. Joining them will be the front edge of millions of aging Boomers who are anticipated to retire or change careers in unprecedented numbers. Partying will continue for years to come!

Five years ago this month, I wrote my first column for Business2Business. The topic was the Perfect Labor Storm, a warning about future worker shortages. While I received many comments like "interesting" and "thought-provoking", many executives and business owners chose to ignore the warning or else they hoped they'd be long gone before they had to deal with it. Well, the time has come.

As leader after leader has shared in Business2Business interviews over the years, finding skilled and semi-skilled workers is becoming more challenging than ever. The Perfect Labor Storm is no longer just a warning for the future but a real threat for the present.

What follows are a few facts and trends that will be feeding the Perfect Labor Storm as it sweeps across the American workplace. Are you prepared?

### **A Shrinking Workforce**

The number of U.S. workers between ages 55 and 64 will grow 51 percent to 25 million by 2012, meaning the fastest-growing portion of the work force is the one at most risk of retiring soon. More than 40 percent of the U.S. labor force will reach traditional retirement age by the end of the decade. At the same time, the number of workers between ages 35 and 44 is expected to shrink by 7 percent.

### **New Skills Required**

While many workers continue to use skills learned in an Industrial age, demands have changed and require skills for service and knowledge jobs. In 1955, 40.5 percent of the U.S. workforce was engaging in manufacturing, construction, and mining. By 2005, those industries employed only 15.8 percent of the workforce. Service-producing industry sent paychecks to 41.8 percent of workers.

Despite the need to change, two-thirds of employers said that public school students don't have the basic cognitive skill to succeed. One-third of the employers said the recent graduates had poor writing skills and 23 percent had poor math skills. One-third also said that young workers have problems with punctuality and attitude. (Source: Yankelovich Partners, 2005)

Employers who hire young people right out of school and college professors who teach freshmen and sophomores said the public high school graduates they encounter had just "fair" or "poor" skills in:

Grammar and spelling (73 percent of employers and 74 percent of college professors)

Ability to write clearly (73 percent of employers, 75 percent of professors)

Basic math (63 percent of employers, 65 percent of professors)  
(Source: Reality Check 2002)

### **Is Education The Answer?**

Many point to better education as the solution. But education has its own problems.

The K-12 teaching force is aging rapidly. The proportion of K - 12 teachers who are 50 years of age and older has risen from one in four (24 percent) in 1996 to 42 percent in 2005. One in five (22 percent) current public school teachers expects to be retired five years from now. Twelve percent expect to be in an education job other than K - 12 teaching. Forty percent of the current public school teaching force expects not to be teaching five years from now. (Source: Profile of Teachers in the U.S. 2005)

A decade ago, the United States had the highest overall graduation rates at the bachelor's level. Today there are fewer U.S. entrants in these programs than the Organization for Economic Co-operation and Development averages.

Every year India graduate 2 million proficient English speakers with strong technical and quantitative skills, China graduated 325,000 engineers in 2004, five times as many as the U.S. The number of researchers in China reached 811,000 in 2002, compared to Japan's 676,000, European Union's 1 million, and the United States' 1.3 million.

In 2002, almost 35% of high school graduates in the U.S. did not go on to attend a four-year institution or a two-year college program. That's 972,000 high school grads. Of those 972,000, 131,000 were unemployed and 197,000 (35 percent of the 35 percent not working) were not even in the labor force.

By 2020 we're going to have a shortfall of some 14 million skilled workers who will need some type of post-secondary education or training to qualify for the high skilled jobs our economy demands. In fact, 80% of the U.S.'s fastest-growing jobs over the next decade will require at least two years of college. Think of that - 80 percent.

Today's workforce is the most educated in the world. That is all about to change. U.S. high school students are getting their lunches eaten when it comes to math and science scores compared to the most advanced economies of Europe and Asia. On the recently released National Assessment of Educational Progress exams, 39 percent of white eighth graders were proficient in reading vs. just 15 percent of Hispanics and 12 percent of blacks. (Source: Nation at Risk)

As recently as 1980, the U.S. workforce was 82 percent white. By 2020, it will be just 63 percent white. Over this 40-year span the share of minorities will double to 37 percent and that of Hispanic workers will triple to 17 percent.

The problem is that both Hispanics and African Americans are far less likely to earn degrees than their white counterparts. If these gaps persist, the number of Americans age 26 to 64 who don't even have a high school degree could soar by 7 million to 31 million by 2020. Meanwhile, although the actual number of adults with at least a college degree would grow, their share of the workforce could fall to 25.5 percent. (Source: Nation at Risk)

And if minorities (and the middle class for all ethnic groups) are expected to pursue advanced educational degrees, financial aid will need to be increased in dramatic proportions. Business Week recently reported it takes a staggering 83% of a poor family's annual income to fund the annual costs at private four-year college - up from 60% a decade ago.

### **No Industry Left Behind**

Nearly every industry is predicting severe employee shortages, including manufacturing. Despite over 2 million layoffs, 500,000 vacancies exist for manufacturing jobs. Why? The available worker including the employed don't have the right skills. In addition, the number of jobs available will exceed the number of available workers even if all workers were skilled. Not only will competition heat up for workers within the same industry but career options for workers will expand and enticements to pursue unrelated careers will increase.

As recently as 2000, the Journal of the American Medical Association predicted the U.S. would have 165,000 more doctors than the nation would need. Due to Baby Boomer retirement and a growing aging population, by the year 2020, the U.S. will face a shortage of as many as 200,000 doctors.

The National Association of Chain Drug Stores reported about 5,950 full- and part-time openings in July 2005 in its 37,000 member stores. The American Hospital Association reported a 7.4 percent vacancy rate for pharmacists as of December, 2004, with 38 percent of its members saying it was harder to recruit pharmacists last year than in 2003. A consortium of pharmacy groups called the Pharmacy Manpower Project issued a report in 2002 predicting 157,000 unfilled pharmacy openings by 2020.

About half the country's 400,000 electric-utility workers will be eligible to retire by 2010. About 40 percent of the manufacturing work force is expected to retire by 2015.

Half of America's scientists and engineers are forty or older, and the average age is steadily rising. Nearly 40 percent of NASA employees are age fifty or older. NASA employees over sixty outnumber those under thirty by a ratio of about three to one. Only 4 percent of NASA workers are under thirty.

U.S Bureau of Labor Statistics estimates that the construction industry will need to add 100,000 jobs a year each year through 2102, while also filling an additional 90,000 openings annually for positions vacated by retiring baby boomers and those leaving the industry for other reasons.

Though there are more than 9 million males ages 17 to 21 in the U.S., only about one in three have the educational and other qualifications needed to become a member of the armed forces. And of those 3 million qualified males, about half already are in the military or in college.

### **More than Pocket Change**

Losing experienced workers is only part of the problem. Adding insult to injury, the cost to replace workers is enormous. At a time when the cost of doing business is rising and profits are squeezed, the average "cost-to-hire" and "time-to-fill" in 2005 was \$7,123 and 37 days, respectively. The number goes up exponentially when recruiting and hiring knowledge workers. (Source: 2005 SHRM Human Capital Benchmarking Study)

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