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The Future of Employment in the U.S. and World's Economy

The good news is that the U.S. economy is set to grow between two to three percent in 2015. This is partly the result of America's rising shale oil production that has helped to drive down world petroleum prices. Also, a strengthening dollar is attracting more overseas investments. Linked with rising worker productivity, the unemployment crisis has waned and the United States may reach so-called "full employment" of its skilled workforce during 2015.

Global economic prospects are far weaker. Increasing financial turmoil is rising due largely to a major economic slowdown in China. Its ripple effects are triggering declining exports from Germany, Russia, Australia, Brazil, Canada, and other nations. This may depress the economies of many nations in 2015.

U.S. EMPLOYMENT CHALLENGES REMAIN

The U.S. unemployment rate has fallen from 6.7 to 5.6 percent during the past year. However, the number of people in the U.S. labor market or the labor participation rate is at a 36-year low and is a major reason for the decline in the unemployment rate. Normally as the labor market improves, people re-enter it. Thus far this has not occurred. The spiking number of baby boomers who are retiring only explains part of the fall of the labor participation rate, as this rate has declined among all age groups under age 62.

The number of Americans whom the U.S. Bureau of Labor Statistics classifies as "Not in the Labor Force" has increased by almost one million workers in the past 12 months to 93.5 million. In 2008 before the start of the U.S. recession, 79.5 million people were not in the workforce. The number of non-workers has risen by 14 million in the past 7 years. Some claim that this increase is due to the bulge of baby-boomers reaching retirement age. However, the data show this is only partially correct. Almost 50 percent of the people who have dropped out of the workforce are not retirees. Most ominously, 16 percent of men aged 25 to 54 who are classified as "prime age workers" are not in the workforce. This proportion has tripled since the late 1960s.

THERE IS NO LABOR SLACK!

In March 2013 when the unemployment rate was 7.7 percent, the then Federal Reserve Chairman Ben Bernanke said that discouraged workers would return as unemployment rates fell. This has not happened! Instead as the rate dips closer to the benchmark for "full employment," the proportion of Americans not looking for work is at an all-time low. In December 2014, 252,000 people found jobs, but another 273,000 Americans stopped looking for work. That is why the unemployment rate fell from 5.8 to 5.6 percent. This is not an acceptable way to lower unemployment. If this trend continues, economic stagnation is a distinct possibility.

So what headline news can we expect in 2015? Rather than the gadget-filled utopia promised by tech enthusiasts, our world may begin to come to a slow grinding halt. The supply of adequately skilled workers in the United States and across the world may fail to keep up with the increasing demands of today's tech-driven economies.

The United States is being confronted with a legacy of over two decades of neglect by both business and our wider society in developing its workforce. Despite myriad reports, studies, and surveys calling attention to this human capital time-bomb, we have largely ignored both updating worker skills and providing students with the education and training needed for 21st-century careers.

Millions of workers who have left the workforce had jobs that were automated. Many of them lack the educational preparation and specific career/job skills currently sought by employers. They want good paying jobs but only qualify for low-skill jobs.

On the employer side, companies only want to hire people who are “job ready.” They are looking for an exact fit and scorn job-training programs because they fear that such qualified hires will be poached by a competitor.

Businesses see millions of unemployed people. They believe there is plenty of labor slack in the U.S. workforce. They not only reject training, but also have kept wages low. This has kept a growing cadre of skilled people waiting until wages again reach a competitive level in their job area.

Recent surveys continually show that executives report finding appropriately skilled workers is their biggest worry, and they only see that it is getting worse. Yet, while some state that they intend to increase their training expenditures, there is little evidence that they are actually doing it. Something has to give to prevent this U.S. talent situation from ending up in a train wreck!

In 2015 the business community must face the reality there is little slack in the U.S. labor market. Since the skills-job disconnect is global, business efforts to import an adequate number of skilled foreigners to fill vacant STEM and other high-skill jobs has become an increasingly futile endeavor.

More American companies need to participate in collaborative business-education programs at the regional level to provide people with the skills needed to fill vacant jobs.

As skills shortages grow throughout 2015, businesses will need to begin raising wages to attract and keep workers for the long term. The skill shortages now showing up across the U.S. economy will only increase until regional systems are overhauled to prepare students and adults with the skills needed for 21st-century jobs and careers.

The hostility to education prevalent in U.S. popular culture is self-defeating. America’s advanced technical development demands that all students attain higher reading, math, science, and communications proficiency. Too many parents still don’t get the message. National test results indicate that many schools have too many students who are not reaching proficient skill levels in these areas. There are no more low-skill/high-wage jobs. This is not a political statement. This is the reality of our 21st-century economy.

What are the consequences of the lack of rigor in American education? This month the results of an exam developed by the Council for Aid to Education found that 40 percent of college seniors

lack the critical thinking, analytical reasoning, and writing and communications skills required for success on the job. In a similar vein, the Association of American Colleges and Universities national survey reported that 58 percent of employers said that serious education improvements are needed in higher education to prepare students for entry-level positions.

Let's stop kidding ourselves that "the kids are doing just fine!" Already there are too many unemployed grads wondering, "What was the benefit of my college education?" Their parents are wondering that as well!

INVESTING IN HUMAN CAPITAL

Is it any surprise that companies are actually finding it hard to hire enough people with the required education and career skills? Alcoa needs many computer programmers. Boeing requires more aero-space technicians to build aircraft. North and South Dakota are in need of additional healthcare technicians, nurses, and doctors, as are many rural areas across the United States. Messer Construction in Cincinnati is looking for skilled labor, as are many other construction firms in other U.S. cities.

People will have to master multiple skills if they are to thrive in today's workforce and keep their skills and knowledge up-to-date as jobs and career demands change. If the United States is to prosper in 2015 and beyond as it faces the challenges posed by globalization, automation, and demographic change, we must invest more to develop our human capital.

American society is currently neglecting its most essential asset. If we fail to reform our education-to-employment systems to produce the skilled labor needed today as we approach full employment, when will this ever happen? Decision time has arrived!

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