

Falling Off the Talent Cliff: The Failing US Jobs Machine

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The September 6, 2013, Bureau of Labor Statistics (BLS) "Employment Situation Report" for August raised an ominous red flag. Unemployment fell to 7.3 percent, but only because a record number of US workers (516,000) gave up looking for work and left the labor force.¹ August was the fortieth consecutive month in which more unemployed workers left the US labor market than found jobs.²

Defying modern history, the percentage of the population either working or looking for work has been declining even during this so-called economic expansion. This percentage is termed the *labor-participation rate*. It essentially measures the share of workers who find it rewarding enough to look for or obtain a job. This labor-participation rate has dropped to its lowest point in 35 years—63.2 percent! It was in 1978 during the Carter administration that this same low figure was last recorded.³ (See **Exhibit 1**.)

Much of this decline has been driven by a growing skills-job mismatch. Nearly a million US workers say they have given up looking for work because they don't believe they can find a job, and many millions more say they want to work but aren't actually searching because government benefits are more than what they can earn in a low-paying job.

Yet it is growing ever clearer that all the money the Federal Reserve has poured into the bond market through Q.E. 1, 2, and 3 (i.e., quantitative easing) has failed to jolt the US labor market back to life. This monetary/

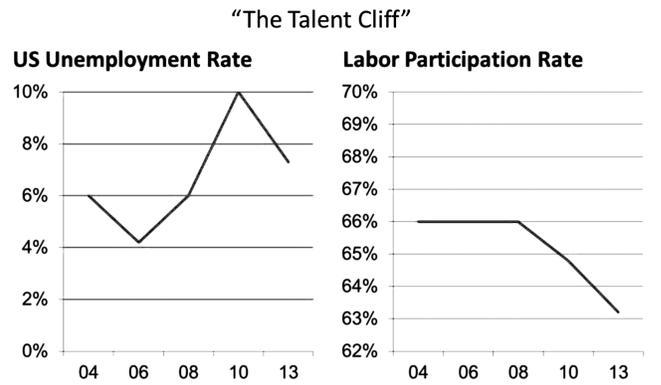


Exhibit 1. Unemployment Rate Compared with Job-Participation Rate

fiscal formula based on a cyclical economic analysis has ignored the underlying structural failure in the US education-to-employment system. We now need to face the possibility that the pool of over 30 million unemployed or underemployed in the United States will grow much larger over the remainder of this decade.

INCREASING NUMBER OF JOBS GO UNFILLED

In its September 2013 report, the BLS cut its previous estimate of the number of jobs created in June and July by 74,000. However, the Society for Human Resource Management's September job-vacancy survey reported an increasing number of vacant positions in both the service and manufacturing sectors. (See **Exhibit 2**.)⁴

The Association of General Contractors of America's September job survey reported that

Job-Vacancy Survey <i>(September 2013)</i>		
	<i>Service</i>	<i>Manufacturing</i>
Exempt Employees	24.7%	26.5%
Nonexempt Employees	32.1%	29.6%

Source: Society for Human Resource Management.

Exhibit 2. Results of 2013 Job-Vacancy Survey

a surprising 74 percent of contractors experienced recruiting difficulties.⁵ Even small businesses of fewer than 500 workers had similar hiring issues. A National Federation of Independent Businesses survey indicated that 20 percent of their members had vacant positions.⁶ The Conference Board’s “On-Line Demand Report” (September 14, 2013) had about 5,000 job postings.⁷ Many other independent employment surveys currently show that at least 33 percent of US employers report a rising number of vacant positions. What is happening?

FACTORS CONTRIBUTING TO JOB-SKILLS DISCONNECT

A jobs revolution has been gradually building over the past 20 years or more. It is at the root of the current job-skills disconnect. There are two major issues.

First, the United States and the world are locked into a structural labor-market race between advanced technology on one side and demographics and education on the other. The majority of today’s and tomorrow’s jobs will require both high literacy and advanced career skill levels. Workplaces may need fewer people, but they must be better educated and able to work with advanced

digital technology. This has become the new normal for employment whether it is in an office, production facility, hospital, law firm, or service business.

The demand for talent and the supply of workers with the desired skills are out of balance all over the world. The populations of Japan, South Korea, and many European nations are in decline. India and China are moving into more sophisticated high-tech manufacturing or IT services. They both are now encountering severe shortages of qualified engineers, scientists, and technicians with the requisite educational preparation due to their deficient public-education systems and the inadequate standards of institutions of higher learning.

Second, in the United States and across much of the world, a significant generational transition is under way. The massive population bulge of baby boomers has begun to retire and will largely exit the workforce by 2030. The National Bureau of Economic Research warns that the technical preparation of this generation was far superior to that of the generations that follow. US baby boomers are retiring at the rate of 10,000 per day. About 70 million will disappear from the workforce by 2020.⁸ Surprisingly, employers are finding it difficult to find enough

2010 & 2020 US Talent Showdown Unless New System Adopted

2010

62% of Jobs = High Pay/High Skill
97M Needed 43M Qualified
38% of Jobs = Lower Pay/Lower Skill

2020

74% of Jobs = High Pay/High Skill
123M Needed 43M Qualified
26% of Jobs = Lower Pay/Lower Skill
44M Needed 107M Available

Exhibit 3. *Shift in Skills Needed to Fill Job Positions in 2020*

young, literate, highly skilled workers to replace them. Employers are consistently reporting difficulty in recruiting engineers, highly skilled technology workers, health-care professionals, and management staff in biomedical and life sciences, as well as sales representatives, accounting, and finance staff. Most of these vacant jobs are in science, technology, engineering, and math-related (STEM) occupations. However, 66 percent of all job hires will be to replace older workers in a wide array of non-STEM occupations across all business sectors.⁹

These issues have produced a deepening job-skills disconnect. A rising tide of vacant jobs requiring a high level of skills (our current estimate is 7.1 million) now exists across the United States. The US labor market is stalling largely because we are failing to produce the skilled workers at the right place, and the right time, rather than because we are unable to create the jobs. This employment paradox exists because of an out-of-date education-to-employment talent-delivery system.¹⁰

ROLE OF EDUCATION AND TRAINING IN TALENT DELIVERY

The outlook for the future is equally problematic. In comparison with many other developed nations, the United States has high numbers of high school dropouts, mediocre international test-score results, and poor completion rates for postsecondary programs. While the US Commerce Department estimates that by 2020 STEM employment will grow by 17 percent, compared with 9.8 percent for other occupations,¹¹ the US education system is failing to provide adequate numbers of students with science, math, and critical thinking abilities needed for STEM employment. Furthermore, US business investment in training has been largely lacking, even as advanced technologies are transforming the skills required in the workplace. (See **Exhibit 3.**)

"The mismatch between skills in demand . . . and the skills available," stated John E. Silvia and Michael A. Brown, economists at Wells Fargo, "suggests that unless a

significant retooling of the US labor force takes place, there will be an elevated rate of unemployment for an extended period."¹²

New Public-Private Partnerships

For the past 10 to 15 years, local and regional cross-sector public-private partnerships have been forming between businesses and communities looking for solutions to this skills-job disconnect. To give such efforts a distinctive identity, I have coined the acronym RETAINs (Regional Talent Innovation Networks). They act as intermediaries rebuilding the pipeline that connects people to the job market. RETAINs are reinventing a 21st-century education-to-employment

RETAINs are reinventing regional service delivery systems for talent-creation efforts that support a tech-driven, knowledge-based, 21st-century economy.

system, thereby finding solutions to the skills and jobs mismatch. They have many names—High School Inc. in Santa Ana, California; the Vermilion Advantage in Danville, Illinois; the Community Education Coalition in Columbus, Indiana; the New North in northeastern Wisconsin; New Century Careers in Pittsburgh, Pennsylvania—and more than 1,000 other nonprofit RETAINs across the United States and nations throughout the world.

RETAINs are all about creating local systems that both reeducate those already in the workforce and better prepare a large proportion of students for current jobs and careers and for those that will be created in the future by the ongoing jobs revolution. If the United States is to avoid falling off a

talent cliff, the RETAIN concept needs to be brought to scale across the nation.¹³

The Secrets of Success

What are the reasons RETAINs are formed? They are formed to stop businesses from closing, the tax base from shrinking, and people from leaving because a community has nothing left to offer them. RETAINs frequently begin when the pain of not changing is greater than undertaking major systemic change through collaboration.

Community members unite to find solutions in a time of regional crisis. They want to "retain" their life, viability, and spirit to build a better, hopeful future for their community. To do this, they must retain their local talent, develop their capacity to innovate, and also attract new businesses into a region.

The RETAIN movement encompasses more than just economic development, school reform, or tax reform. RETAINs are regional, cross-sector, public-private partnership hubs. They do not duplicate services that already exist but fill in gaps and provide strategic linkages.

RETAINs are reinventing regional service delivery systems for talent-creation efforts that support a tech-driven, knowledge-based, 21st-century economy. RETAINs focus on community building and reviving US free enterprise. The key factor is "bottom-up collaboration," defined as mutual authority, mutual responsibility, and mutual accountability among all the partners.

RETAINs guide individual groups to form a new shared vision of a larger community arising from a variety of isolated silos. Although each group has its own agenda and

needs, each depends on the success of the whole community and also has an influence on the whole community.

RETAINs seek through civic engagement to coordinate across-the-board culture change in communities. Their proactive stance helps to find solutions. In working with RETAINs, I have found that their new vision is often opposed by entrenched organizations that defend the status quo. The key to success often depends on one or several key people in the region who can provide visionary leadership.

RETAINs thrive when there is an energetic leader who:

- Is well respected by stakeholders,
- Is well organized,
- Possesses excellent oral, written, and interpersonal communication skills,
- Makes persistence a virtue, and, most importantly,
- Develops a team of like-minded people to carry on and expand the original vision through civic activism.

THE FUTURE

Barring such critically needed action as forming the public-private partnerships described earlier, the current crisis of an underpowered US workforce will reach critical levels by 2020. We can expect a skilled-talent shortfall for new and replacement jobs of between 14 and 25 million workers. Many good-paying jobs will vanish permanently overseas. US pre-eminence in IT, aerospace, biosciences, new materials, new energy resources, and other new high-tech industries will come to an end.

As a result, the US labor market will become bifurcated with high-pay/high-skilled workers

on one end and low-pay/low-skilled workers on the other. Most midrange skilled jobs will vanish from the United States. Major social unrest will become a distinct possibility across much of the nation.¹⁴

Although RETAINs are not the complete answer to rebuilding the education-to-employment system, they point the way to implementing a practical approach for grassroots solutions at a time when the federal and most state governments are facing severe fiscal constraints. RETAINs are providing the visionary leadership to help coordinate regional civic action behind a strategy for talent growth that jointly benefits individuals, businesses, and US competitive economic advantage today and into the future. That in itself is an important breakthrough.

NOTES

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14. See note 10, pp. 153-154.

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