

Changing Economy

Seismic shifts in work force composition and economic conditions call for increased emphasis on work force education and development.

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THE U.S. ECONOMY has changed dramatically over the last few decades and will continue to do so in the coming years. One significant factor is the make-up of the U.S. work force. It has evolved considerably, as has the demand for goods and services. Lower birth rate compared to the “baby boomer” explosion of the 1950-60s, coupled with greater longevity due to better healthcare and living conditions, are somewhat responsible.

Shifts in the composition of the work force, however, have only partially contributed to the changes. The U.S. economy has generated a tremendous amount of wealth within its borders over the last 50 years. This wealth, in part, has helped fuel the outsourcing of many jobs overseas; consequently, it has forced companies to look overseas to produce goods and remain competitive.

Because our economy is driven by consumer demand for the highest-quality product at the lowest possible cost, remaining competitive in a global economy means that firms must outsource to locations providing those virtues in order for our economy to continue to grow and prosper. This practice is also creating wealth and demand outside our borders and will continue to fuel outsourcing. Barring federal intervention such as tariffs and trade restrictions, the principles set forth by Adam Smith at the turn of the century will continue to prevail. Global shifts in manufacturing processes will persist. These global shifts will also affect regional variations within North America itself.

Changing U.S. Work Force

The changes occurring in the U.S. work force will continue. According to the February 2004 *Monthly Labor Review* from the Bureau of Labor Statistics, one of the most significant influences on both labor force and participation rates in the last 50 years has been the aging of the baby-boomer cohort (i.e., a specific age group of the population). Changes will also continue in the types of jobs and, consequently, the types of skills required. Labor force shortages are already apparent due to changes in

age distribution. Comparing Bureau of Labor Statistics from the year 2000 to its projections for the year 2050 shows that we clearly have an aging population. In a pattern created by lower birth rates and greater longevity, the classic pyramid cohort distribution is slowly being replaced by the inverted top distribution.

The consequences of this shift are twofold. First, major adjustments in immigration policy may have to be considered not only to offset domestic shortages of labor supply, but also to stem the tide of jobs shifting overseas. Without this adjustment, such functions as accounting, marketing, advertising, and customer service will continue to go offshore. The efficiency and reliability of the Internet has made



it possible for more advanced skills such as engineering, software development, and other advanced trades to be outsourced, as well.

A second consequence of the aging population is an increase in such occupations as healthcare, post-secondary education, and other service industries. In fact, the U.S. Department of Labor's population projections for 2002–2012 state that employment growth will be concentrated in the service-providing sector, with education, health services, and business services projected to grow at twice the rate of the overall economy.

Outsourcing

The use of offshore employees as part of the production process for U.S.

firms has grown significantly over the last decade, although the practice is nothing new. According to a 2002 report by Jayati Ghosh & CP Chandrasekhar, in 1990 the share of world export percentage held by the United States was 33.5 percent, with China at 12.2 percent. In merely 10 years this picture has reversed itself. China is now well over 37 percent, with the United States at only 14 percent. As a result, the number of jobs in the manufacturing sector has undergone a considerable decrease — almost five million since 1978, according to some interpretations of Bureau of Labor Statistics data.

Further investigation into the statistics reveals a sobering picture. While manufacturing once represented 10.6

percent of total employment in 2002, during one period in 1980 it accounted for almost 20 percent. It is expected that manufacturing will decline further to around 6.0 percent by 2010. Although the picture has changed dramatically over the last decade, this trend is not unusual. U.S. firms have long moved manufacturing to regions where production costs are lower, and in its place have filled more highly skilled, value-added jobs. Consistent improvements in productivity have also contributed to shrinking employment in manufacturing.

From the perspective of community and state, these trends required difficult and selective commitments to recruit or retain those industries that may be at risk for outsourcing. Unfortunately for some southern states, many sectors within the textile and furniture industry have left for good. Neither could this be avoided. Protectionist measures taken in attempt to keep these industries would have simply stifled the market for these goods and postponed the inevitable. Could this have been foreseen 10 years ago? Absolutely — and these industries are not the last to go. As long as our borders are open for free-trade, industries with lower-skill needs will move to offshore locations. That's an unwelcome fact for development organizations try-

SPECIFIC INDUSTRY MANUFACTURING GROUPS

THAT WILL SET THE PACE FOR OUTPUT GROWTH ARE:

Computer and electronic products manufacturing	11.8 percent
Plastics and rubber products manufacturing	4.1 percent
Machinery manufacturing	.0 percent
Fabricated metal products manufacturing	3.4 percent

INDUSTRIES THAT WILL CAUSE THE GREATEST DRAGS ON EMPLOYMENT ARE:

Apparel manufacturing	- 11.0 percent
Textile mills	- 6.1 percent
Leather and allied products manufacturing	- 4.0 percent



EMPLOYMENT BY MAJOR OCCUPATIONAL GROUP, 2002 AND PROJECTED 2012

2000 STANDARD OCCUPATION CLASSIFICATION CODE AND TITLE	EMPLOYMENT NUMBER		PERCENT DISTRIBUTION		CHANGE NUMBER PERCENT	
	2002	2012	2002	2012	2002-2012	% Change
00-0000 Total, all occupations	144,014	165,319	100.0	100.0	21,305	14.8
11-1300 Management, business, and financial occupations	15,501	17,883	10.8	10.8	2,382	15.4
15-2900 Professionals and related occupations	27,687	34,147	19.2	20.67	6,459	23.3
31-3900 Service occupations	26,569	31,905	18.4	19.3	5,336	20.1
41-0000 Sales and related occupations	15,260	17,231	10.6	10.4	1,971	12.0
43-0000 Office and administrative support occupations	23,851	25,464	16.6	15.4	1,613	6.8
45-0000 Farming, fishing, and forestry occupations	1,072	1,107	0.7	0.7	35	3.3
47-0000 Construction and extraction occupations	7,292	8,388	5.1	5.1	1,096	15.0
49-0000 Installation, maintenance, and repair occupations	5,696	6,472	4.0	3.9	776	13.6
51-0000 Production occupations	11,258	11,612	7.8	7.0	354	3.1
53-0000 Transportation and material moving occupations	9,828	11,111	6.8	6.7	1,282	13.0

Detail may not equal 100 percent due to rounding

ing to save jobs or recruit new industry, but it's nevertheless true. What should be apparent from examining these trends is that changes must be made in the selection of targets for industrial recruitment, and in the actions taken to create a more competitive environment at the local and regional level.

Growth Industries

North America is still the world's largest market, and will continue to be so in the near future. With the possible exception of the European Union taken as a whole, North America's appetite for goods and services is unmatched. While the adverse impact of overseas outsourcing is undeniable, that's only part of the story. Comparatively speaking, investment is stable in the United States, according to the 2003 *World Investment Report* from the United Nations Conference on Trade and Development. So, the good news is that foreign direct investment into the United States remains strong.

Total employment is projected to increase 21.3 million jobs from 2002–2012, with professional and related occupations and service occupations accounting for a strong percentage of the total job growth projected for this period. The accompanying tables illustrate sectors projected for growth.

The trends presented here should be clear. Those industries with the greatest value-added content will remain in the States, while those with thin margins and lower value-added content will continue their exodus offshore. This implies that those industries intending to increase productivity through continued capital investment in machinery and equipment and automation will be targets for both recruitment and retention.

Regional Shifts

Attempting to predict which regions will prosper and where future growth will take place in the United States is like throwing darts blindfolded. For instance, 25 years ago who would have thought that Alabama would be home to three automotive companies, or that Raleigh-Durham would be one of the leading biotech/pharmaceutical research centers in the world? On a

more recent note, Texas — long thought to be out of the race for a new major automotive manufacturing company — surprised the nation last year when Toyota announced their intention to locate there. Similarly, as recently as this year the state of Washington announced the successful retention of Boeing for manufacturing the 7E7 aircraft in Everett.

Though seemingly disparate, all these locations share a common thread. Each in its own way recognized the need to focus on education and work force development. The country's growth regions will not be fueled strictly by traditional location factors accepted as the status quo; instead,

work force preparedness to meet the challenges of quality and productivity will emerge as a major impetus for growth. This one factor appears likely to become the next decade's most compelling and important factor determining location decisions.

Another factor, less predictable, is the role that organized labor will play in the equation. Stringent work rules, built-in inefficiencies, and adversarial relationships between management and labor are major culprits in the "lack of U.S. competitiveness" phenomenon. The wage and benefit concerns underlying this entire discussion pale in significance compared to the inflexibility created by this dynamic.

What Do the Fortune 500 Companies Know About Georgia?

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From this standpoint, right-to-work states possess a major advantage, as shown in a report by William T. Wilson, PhD, entitled *The Effect of Right-to-Work Laws on Economic Development*. The global economy demands that companies be flexible and nimble, able to change readily according to market dictates. Those that can't will wither and die. The complexities involved cause the issue to either be ignored altogether or addressed through confrontation — neither of which is working. A solution must be found that will foster the ability to compete.

A final discriminating factor among the states is fiscal stability. Probably the most telling example of this is the situation in California. The state is hampered by both a growing population of unskilled and uneducated workers due to immigration, as well as by a staggering budget deficit and a bur-

densome regulatory climate. The greatest need there is for work force development and education; however, the economic reality prohibits this — at least for the short-term. The good news for California is that the new administration appears committed to making the state a more competitive location for business. Those states will continue to prosper that effectively monitor and administer budgets providing programs that address infrastructure/social programs as well as work force development programs.

Regions expected to grow are the southern states, Mid-Atlantic states, and the Southwest. Market access due to port infrastructure and shipping will favor the Northwest and Atlantic Coast states. In contrast, the Great Lake states and regions of the Northeast are expected to continue to decline, though this is primarily due to a demographic shift in population.

The top ten states expected to increase in terms of both percentage of employment and aggregate employment are shown in the accompanying tables.

Preparedness

If anything is certain in the coming years, it's constant change. The success of state and community recruitment and retention programs will be a direct function of their willingness to accept the inevitable changes that will occur. Developing programs and actions to address these changes will differentiate the successful communities from the failures. Certainly the primary impetus should be addressing work force development and providing education that is relevant and appropriate for business. This does not imply offering only vocational training and technical school curriculums; it also includes primary- and secondary-school levels and continues on into university and postgraduate programs. Continuing education programs for displaced workers ought not be limited to unskilled workers; it should also include highly skilled workers whose skills have been sold to the lowest bidders in India, China, and other off-shore locations. Entrepreneurial development programs are an emerging trend in economic development work force policies. Finally, the benefits of creating a business climate that fosters and encourages investment in high-level technology to improve efficiency and productivity cannot be overlooked. **AREA**

TOP 10 EMPLOYMENT STATES – (AGGREGATE EMPLOYMENT)

STATE	2000 EMP.	2010 EMP.	EMP. # CHANGE
CALIFORNIA	14,488,200	17,709,400	3,221,200
TEXAS	10,393,750	12,217,900	1,824,150
FLORIDA	7,845,800	9,452,300	1,606,500
NEW YORK	9,319,050	10,180,000	860,950
NORTH CAROLINA	4,212,200	5,027,600	815,400
GEORGIA	4,152,300	4,964,550	812,250
ILLINOIS	6,573,400	7,359,600	786,200
COLORADO	2,382,000	3,125,300	743,300
VIRGINIA	3,498,500	4,206,600	708,100
OHIO	5,997,900	6,659,900	662,000

TOP 10 EMPLOYMENT STATES – (% CHANGE)

STATE	2000 EMP.	2010 EMP.	EMP. # CHANGE	% EMP. CHANGE
NEVADA	1,092,000	1,477,850	385,850	35.3%
COLORADO	2,382,000	3,125,300	743,300	31.2%
IDAHO	503,850	640,250	136,400	27.1%
UTAH	1,064,700	1,352,100	287,400	27.0%
CALIFORNIA	14,488,200	17,709,400	3,221,200	22.2%
NEW MEXICO	812,100	987,550	175,450	21.6%
FLORIDA	7,845,800	9,452,300	1,606,500	20.5%
VIRGINIA	3,498,500	4,206,600	708,100	20.2%
GEORGIA	4,152,300	4,964,550	812,250	19.6%
NORTH CAROLINA	4,212,200	5,027,600	815,400	19.4%
NEW HAMPSHIRE	647,300	761,050	113,750	17.6%