

June 2003

BUSINESS FEATURE



THE EVAPORATING LABOR POOL by MARK HENRICKS

Today's market may be flooded with workers, but some experts predict severe drought by as early as next year. Don't say we didn't warn you.

Norman Maas figures that by 2010 he'll have to replace about 75 percent of BASF Corporation's 13,000 workers in North America. What he can't figure is where he's going to get them. Especially when it comes to finding large numbers of highly skilled chemical engineers and managers capable of overseeing a diverse, multilingual workforce.

As senior vice president of human resources for the \$8.2 billion chemical company, Maas is not expecting an easy decade.

"The size of the pool gets smaller and smaller, and the demand for those skills gets bigger and bigger," Maas laments. "So you have more companies competing for a smaller and smaller group of talented people."

No, Maas didn't just step out of a 1990s' time capsule. He may seem pessimistic — or even out of touch — in what's widely perceived as a job market where employers have all the cards. But many labor forecasters agree. In a few years, we'll be smack in the middle of a labor shortage that makes 1999 look insignificant.

"When you talk about a labor shortage, people look at you like you have two heads," says Roger Herman, a workplace trend-tracker and CEO of The Herman Group, whose firm expects a significant scarcity of workers by the end of the year. And Ron Elsdon, director of retention service for the human resources consulting firm DBM, says that the shortage will only get more severe as the years pass. "We're in a short-term perturbation," Elsdon explains. "But it's part of a long-term trend toward growing scarcity."

DOING THE NUMBERS

One piece of evidence commonly cited by shortage forecasters is a report from the Bureau of Labor Statistics, the U.S. government agency charged with tracking labor markets, which shows there will be 10 million more jobs than employees by 2010. Another way to look at it is that the economy by then will support 167 million jobs, but the population will be

able to fill only 157 million of them. The last time there was such an imbalance was in 2000, when there were 4.7 million more jobs than people, says Herman, who details his case in a book, *Impending Crisis: Too Many Jobs, Too Few People* (Oakhill, 2003). That was, not coincidentally, near the peak of the last employee shortage.

"In two or three years, we will be in a talent war worse than a few years ago," says Kevin Wheeler, president of Global Learning Resources, an HR consulting group. For example, the number of students entering hard sciences is at a 16-year low, which bodes ill for basic research and high-tech fields. In all areas, he says, it will take more people to accomplish the same work done by the driven baby boomers and GenXers of today.

It's not hard to find experts who think these people are off base. One place that's full of them, interestingly enough, is the Bureau of Labor Statistics. Norman C. Saunders, a BLS research manager, says shortage forecasters are trying to compare BLS data from two different studies that can't be compared in that way. Furthermore, despite how the numbers appear at face value, all BLS projections assume that over the long term, labor supply and demand will balance. "We don't see a shortage," Saunders says flatly.

It's that assumption that Herman takes issue with. It's not a one-year comparison, but the trend over time that shows where the labor market is headed. Herman argues that this recession is just a temporary interruption in a long-term labor shortfall that started between 1994 and 1995, when the supply of jobs and workers began to tip out of balance.

That comparatively mild employee shortage — there were 135 million jobs and 132 million people to fill them — ushered in the anything-goes job market of the late 1990s, when in-demand employees requested and received everything from free cappuccino machines by the water cooler to BMWs delivered as signing bonuses.

Today, although the unemployment rate is higher than it was before the economy faltered, it is lower than it was coming out of the last recession — 5.8 percent in March 2003 compared with 7 percent in March 1993. As the economy recovers, forecasters predict a hiring surge that will shock many employers. "People have been lulled into complacency," Herman says. "They don't see that the economy is really strong underneath all this. Many execs are about to get a wake-up call."

LET'S GET TECHNICAL

These experts predict that by the time that strength is obvious, we'll be well into a worker shortage. In fact, it could continue until 2010, when the accelerating retirements of baby boomers will — get ready — make it worse, and perhaps even extend it for several decades.

When the hiring surge hits, the tech worker — lab technicians, healthcare workers, engineers of all sorts — will be in shortest supply. As technology has conquered the kingdom of work, many more companies need highly skilled technical workers than they did at the end of the last downturn. In healthcare, for instance, the shortage is already so acute that many

hospitals say that staffing is their most urgent issue.

Managers are also expected to be scarce. Even the current unemployment rate for managerial positions is much lower than the overall unemployment rate, Maas notes. Especially in demand will be bilingual managers with international experience, those who can take on assignments outside the United States, he says.

The fallout from all this could be far-reaching. As companies step up recruiting to fill their empty slots, job-hopping is widely predicted to swell. Partly because of a general erosion in worker loyalty, but also because of active resentment of employers who laid off staff and overworked the rest while unemployment was relatively high. "There are a lot of people out there who, because of various things that happened in the last two or three years, are going to jump when the upturn hits," predicts Brian Willmarth, an executive who was pressed into early retirement last year and spent six months looking for work.

BREAK THE BRONCO

Let's say you buy all this. What do you do? Start by evaluating your current workforce and replacing low performers now, while you can, Herman suggests. Next, project future needs, focusing on skilled employees. "Look forward," he says, "and think about who you need, where you need them, and why." Then, expand and update recruiting.

BASF plans to attack its shortage of chemical engineers by raiding other firms for mid-career employees. "The whole recruiting strategy has to be revisited," says Maas. "How many kids that you recruit today at 21 are going to spend their whole careers with the company?"

Another strategy is to persuade workers to extend their careers. Some companies expect to expand the available labor pool by hiring and retaining workers in mid-career and even near or past traditional retirement age.

Finally, get ready to negotiate. Employees will have the advantage, and they will play to win, experts warn. Higher wages are in the offing, but bigger paychecks alone won't get you through this crunch, says Deb Koen, vice president of the career management consulting firm Career Development Services. You'll have to overhaul benefits, too.

According to worker surveys and expert research, job candidates will be scouting employers that offer career development programs, such as cross-training, and that provide options like telecommuting and flexible schedules. And with the huge increases in college tuition during this recession, employers may need to help with student loans to attract new graduates (see *Forgiving Their Debts*, this page). To put it simply, Koen says, "You want to be the kind of organization that candidates would love to get into."

Whatever you do, don't remain complacent, and don't expect employees to be begging for jobs for much longer. Before you know it, the tables will be turned. "We were saved in the 1990s by a pullback in the economy," says

Herman. "This is going to keep going right through the decade. It's going to be like trying to ride a mustang."

Mark Henricks, a business writer based in Austin, is author of *Not Just a Living: The Complete Guide to Creating a Business that Gives You a Life*, from Perseus Publishing.

Robin Bartholick is a photographer/artist living in the Northwest. He has done commercial work on a national level for 18 years.

Photograph by Robin Bartholick