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ABSTRACT

Four trends will alter the way the education and training system and other human resource agencies will do business. Themes that reflect them are captured in four words: flexibility, quality, diversity, and scope. The reaction to the current economic downturn remains one of flexibility. Flexibility has emerged as the way in which employers look at the work force. Temporary help is the most visible of flexibility practices; others are contracting out, employee leasing, home-based work, and self-employment. Other evidence of a just-in-time work force are hours, compensation practices, and benefits. U.S. companies still in business know about quality and are more and more concerned about the quality of their workers. The message is that quality is tied to survival in the marketplace, work force preparation, the education and training system, and government-business cooperation. The United States is faced with a set of demographic imperatives that spell an increasingly diverse work force: an aging work force, increasing feminization, and a growing minority share. The basic driver transforming the face of industry is the continued shift from goods to services. A new emphasis on downsizing changes temporary situations into permanent reductions in job prospects. These themes provide the challenge: to focus on the future but not to the exclusion of fixing today's problems and to design institutions to meet the challenge in a way that ensures the flexibility so important to growth. (YLB)

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Workforce Trends, Workplace Trends: How They Dictate a Changing Education and Training Strategy

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Northwest Regional Educational Laboratory
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Introduction

For those of you who were not at our earlier workshop, let me start out by making sure that you know that this morning's presentation comes from one who is not an educator, not a planner, not a direct deliverer of services to clientele. Rather I think I would classify myself, beyond the title of economic statistician, as one who observes the workings of the labor market from a strategic viewpoint, and who draws upon analyses of data that come primarily from our Federal-State cooperative programs in statistics. To a large extent, what I know, I know because of what Tom Lynch, Jim Adams, and Gary Bodeutsch have told us.

From that vantage point, this morning I will focus on the numbers but try to bring them alive -- to share with you what they say about what is going on in the workplace and among the workforce, and what our projections are saying about what demographic and economic challenges lie ahead. I leave to the experts the job of figuring out what all this means for the portfolio of programs you have here in the Northwest to assist people to find and keep good jobs, though some of the ideas explain themselves pretty well. Hopefully, the viewpoint I bring is one that will help you as you undertake the important work that the people of the

Northwest rely on you to do.

Need to Revisit Cliches.

It might be very useful to begin an exercise of this sort by revisiting (perhaps challenging might be a better word) the broad and somewhat overworked cliches that we hear about the world of work, and do so in the context of labor market information. In the Bureau of Labor Statistics and our cooperating State employment security agencies, we spend a lot of time challenging conventional wisdom -- tilting at the paradigms if you will. In the information and statistics business, our basic survival depends on our ability to see trends before they occur so that we will have, in place, the means to measure them as they occur so you decision-makers can make decisions in real time.

Any vision is molded in a context. We operate with insufficient knowledge of an imperfect world, so our contextual frameworks often change. Just think with me of how that context has changed in the working lifetime of many of us here in this room.

Context is captured in the slogans, the labels we put on the mood that prevails. Labels help us understand what drives much of society. Think about those rallying cries:

-- Poverty amidst plenty.

-- Ask not what you can do, ...

-- One third of a nation ...

then:

- The Great Society
- The greening of America
- Small is beautiful
- The NOW generation
- New Federalism

And today:

- International competitiveness
- The death of the small family farm
- The post-industrial revolution
- A kinder, gentler society
- A thousand points of light.

These labels reflect the emphasis of the time and, the thrust of national policy:

- Assistance to the economically disadvantaged
- Retooling the workforce
- Equal employment opportunity
- Economic adjustment
- Competitiveness

And these national policies have, in turn, evolved into cornerstone legislation in our field:

- ARA
- MDTA
- The Perkins Act
- CETA
- JTPA
- EDWA
- WARN
- ADA
- JTPA amendments

The slogans that will portray the new context have not yet been written in stone, but the trends are evident. I will focus on four trends this morning; four trends that will surely impact on the way that the education and training system and other Northwest human resource agencies will do business.

My nominations for themes that reflect these trends are captured in four words:

- Flexibility
- Quality
- Diversity
- Scope

Flexibility

You don't need a history lesson this morning. It is enough to say that we emerged from the wrenching 1981-82 recession with a new approach to organizing work, one that could be reflected in one word: flexibility. The reaction to the current economic downturn remains one of flexibility. Flexibility has emerged as the way in which employers look at the workforce.

Flexibility is best exemplified by the temporary help industry. Today, more than 1.5 million workers are employed in the temporary help industry. It is proportionally the fastest growing US industry in the 1980's. Growth has slowed recently, but that is seen to be a temporary slowing by many.

BLS studied this industry. We found that there are a number of very responsible firms out there that take care of their regular temporary employees as a matter of good business practice. They have adopted forward-looking, non-traditional, effective ways of training their temporary workforces in those skills that are in most demand that others might want to emulate. They spend a good amount of their time looking at employment trends and thinking about future skill requirements, for if they miss their mark, they will soon be out of business. They market themselves by marketing the success of their placements. They train their clients to the standard. But, to an extent, the industry is also marked by:

-- less benefits to the employee in terms of leave, medical insurance, opportunity for advancement and growth

-- much more turnover, indeed, planned turnover

-- fewer employee organizations that speak for the welfare of the workers

But temporary help is only the most visible of these flexibility practices. There are others:

Contracting out

Employee leasing

Home based work:
recent data released by BLS
identify 22 million home-

based workers, with 2 million of them paid by their employers to work at home. The number of home-based workers is up by about 10 percent over the past 6 years. Other studies indicate that there are more than 12 million computers doing work at home.

Special trades in Construction. Nearly all employment growth in this sector in recovery period. Small, fluid, less able to train.

Self employment. Most nebulous. Wide range. Over 10 million. Holding its own even during the recession.

Plug in workers. That's my shorthand description for the rapid adjustments auto companies and others are making to sales these days. Control of inventories has been excellent. Inventory-to-sales ratios are in equality, in contrast to previous recessions when inventories built and helped prolong the recessions. When the auto companies don't sell cars, they crank down the assembly lines and their suppliers (now fewer in number than before) do the same. When sales pick up, the lines get doing. Workers come and go with that tempo.

All these are signs of the growth of a just-in-time workforce, much like just-in-time inventory practices. Richard Belous of the National Planning Association sees employers transforming labor, which

has been a fixed cost, into a variable one.

We see other evidence when we look at hours, compensation and benefits:

-- Flexitime now accepted. 4 day and 3 day weeks growing.

-- Overtime at record levels. Even in the recession. No longer such a penalty. Benefits for new employees (especially health benefits) outweighs time-an-a-half. Workers want overtime. Overtime today is one way of building purchasing power when wages are stable. Hourly earnings of production workers have risen less than inflation. Our measures of total compensation show a closer fit with inflation, and even some acceleration recently, but it is the paycheck that defines well-being in the minds of workers.

New compensation practices have emerged:

-- Two tiered wage systems have set entry level workers against veterans.

-- Lump sum in lieu of wage increases.

-- Pay for performance.

-- Cafeteria benefit plans

(All of this says that we need to rethink what we are talking about when we talk about what the job will bring at the end of our education and training pipeline. If you measure

the success of your education and training programs only in terms of average earnings, you will be missing a growing and important part of total compensation.)

This flexibility means a New Compact between employers and employees that is changing the complexion of the workplace in ways that must change the way that educators in the Northwest must do business. You are no longer training students for a lifetime of employment with one company, for a single occupation to carry them through their working lives.

Quality

The second theme is quality. The fact is that U.S. companies that are still in business today know all about quality. They pay careful attention to their customers and develop procedures for doing things right the first time, every time. They pay attention to the writings of Deming, Joran, and Crosby. They build in systems for continuous improvement, cycle time reduction, elimination of non-value adding steps, reduction of failures to PPM (parts per million) levels, and supply chain management. When these companies compete in the international arena, as all manufacturing companies and a growing part of service sector companies do, they integrate the IOS 9000 series quality assurance standards. They may not

compete for the Baldrige Award, but they emulate the practices of those companies that do. In the name of quality, businesses are empowering teams of workers to solve problems, cutting layers of management to put more stress on the individual, developing matrix structures, and valuing knowledge. It is no wonder that US employers, which have transformed themselves in a way that ties their fortune more closely to the technical skills of their workforce, are more and more concerned about the quality of their workers.

Most observers think that there is a huge disconnect between these trends toward quality in processes and production, and what the educational system has been called upon to produce. I don't need to tell you that. More Presidential, Secretarial, and private commissions than you can shake a stick at over the past couple of years have concluded that we have a quality dis-connect.

In 1988, the Secretaries of Labor, Commerce, and Education collaborated on a report, Building a Quality Workforce, which found that the skills gap was widening, that entry level workers were deficient in basic and teamwork skills, and that educators were not sufficiently aware of the problems of business. The recommendations were of the Motherhood and Apply Pie type: strengthen education and make it accountable,

strengthen curriculum, and get business more involved with education.

The Secretary of Labor's Commission on Workforce Quality and Labor Market Efficiency focused on link between school and work in its report, Investing in People, and urged businesses to get more involved, among lots of other recommendations.

The more recent report of the Secretary's Commission on Achieving Necessary Skills (SCANS), What Work Requires of Schools (1991), identified 5 competencies and 3 foundations of skills and personal qualities that lie at the heart of job performance and urged the education and training system to get on with preparing workers in those competencies.

The Commission on the Skills of the American Workforce, sponsored by the National Center on Education and the Economy in its report, America's Choice, High Skills or Low Wages, recommended voluntary national performance standards in occupational learning skills for students planning to directly from high school to work.

The Committee for Economic Development, in its report, An America that Works, focused on a competitive workforce, took a life-cycle approach: Head Start for preschoolers, focus on noncollege bound youth,

flexible compensation, and other policies.

The American Society for Training and Development, in its report, America and the New Economy, saw a need for more highly skilled workers whose skills were broader, especially at the points of production, service delivery, and interface with the customer.

The message is getting out. Quality is tied to survival in the market place, to workforce preparation, to the education and training system, and to cooperation between government and businesses. That's the essence of the quality message.

Diversity

Let's shift away from our microscopic view of the world of work and take a more telescopic view. Here I am on solid ground, for we are faced with a set of demographic imperatives that spell an increasingly diverse workforce. You know the trends as well as I do. Let me just try to interpret the well-known facts in terms of their impact on your programs.

The workforce is aging. As we all know that is a consequence of the baby boom, baby bust, and echo cycle that we have observed since the end of World War II. The implications of this aging are profound:

-- The labor force today is more experienced

and stable. That reduces both transitional unemployment (and thus helps cut the unemployment rate) and the need to emphasize initial versus sustainment training and retooling. It is no secret that one of the reasons we have been able to keep the lid on unemployment in the U.S. despite slow job growth since last March is that we just don't have the pressures of large numbers of youth hitting working age.

-- The labor force is also more productive, and will continue to grow in that direction, thus benefiting the health of the overall economy.

-- There are fewer occupational shifts. From 1983 to 1987, the average number of years workers remained in their occupations increased to 6.6 years. This kind of flies in the face of conventional wisdom that each worker will make more job shifts. Yes, there will be job changing and transitions on an personal level and that may even accelerate as some would suggest, but the changing age profile of the workforce tells us that, in aggregate, the number of annual changes will be smaller. This is having an important impact on the education and training system.

-- The labor force is becoming less mobile. Older workers simply stay put more than younger

workers. They have roots and equity in local communities that prevents them from moving even when a traumatic event like a plant closing occurs. As a result, we find in our surveys, their adjustment to closings is less successful than that of younger persons.

-- We expect that there may be changes in retirement age. The most likely direction of change will be toward delayed retirements, given the labor shortage scenarios and the lesser adequacy of retirement income plans in the future. We are already starting to see that in the workforce behavior of adult men. For at least 3 decades, earlier retirement age was the trend -- caused by availability of social security and disability benefits -- then in the 1980's that accelerated -- caused by early retirement programs of downsizing companies. Now, for the last few years, that has turned around.

No trend has matched the profound influence of the increasing feminization of the workforce. Women today are in the workforce to stay. In a way, the discussion of the "mommy track" and the "Glass Ceiling" is a sign of how far things have come as well as how far we have to go to achieve equity in the workplace. Women are expecting no less than seats in the Corporate Boardrooms. Their average earnings, though still

short of that for men even when we take all known factors into account, are steadily marching up on their male counterparts. Women are slowly moving into job classifications that were once reserved for men.

But most important for our system, women with children want to and do work. They want and need day care, and increasingly want to work where this service is provided. Yet our studies show that only about 2 percent of U.S. employers provide day care.

Because more women in families work, the labor force is less mobile. Some 18 percent of wives in two-income household families make more than their husbands, and when hubby comes home with news that the company is transferring him to Peoria, the family unit response is more frequently: "No way".

Of profound influence, I think, is the fact that the female workforce of today is no longer transitional. Women simply do not abandon their careers as they did in previous times when children came along. Unlike their mothers, young mothers today stay in the workforce -- some on a part-time basis, or in other arrangements -- for most of their adult lives. Their career patterns are looking a lot more like those for men. What this means for the employment service is obvious. If women don't transition out,

they don't need help to transition back in.

The trends show us that the minority share of the workforce is growing. We see that month after month, nearly 1 in 4 of the net additions to the workforce is a Black or Hispanic person. For some time now, an especially high proportion of our employment growth has had a Spanish surname.

This sure prospect must surely pose concern when you balance it against the fact that our minorities, today, are less qualified by virtue of education and training for the jobs today, and almost fall off the scale when you match their current skills against the job needs of the future. We have a lot of catching up to do before we can even think of broadscale advances in the economic condition of our minority populations.

The specter of a declining labor supply will make the task easier, but only a focused address of attention on the part of the education and training community will ultimately redress this problem.

Scale

The basic driver that is transforming the face of American industry is the continued shift from goods to the services. I'm not saying that manufacturing is disappearing. It's clearly not. But our goods-producing jobs are

very different today from jobs just a few years ago. Businesses are scaling down, "downsizing", "right sizing", changing processes in ways that affect our education and training system.

-- Occupational groupings are collapsing on the shop floor. Instead of the trend of many years toward proliferation of job titles, levels and ratings, companies are consolidating jobs. When Corning Glass opened a new state-of-the-art plant out East is collapsed more than 30 occupations into 3. In the Nummi plant in California, dozens of job titles were reduced to 5 when GM and Honda joined in operating the plant. Consolidation is also evident in a trend toward a further generalization of the apprenticeship programs.

-- Another upshot of the industrial shift is that we are seeing the bulk of jobs created in small firms least able to provide generalized, systematic workforce training. Small may be beautiful, but smaller firms, and, by definition, many of the service sector businesses rely on prior preparation by the education and training system, take a bath for a while bringing their new workers up to speed, hire workers trained by larger firms, or simply pass a good bit of their training bill on to the public sector. The little guys can't afford to set up comprehensive

training programs like the General Motors of the world.

This downsizing craze has a profound effect on the workforce, in both obvious ways (the increase in joblessness among white collar professional and middle managerial ranks) and other not-so-obvious and measurable ways. One impact has been to change the perception of unemployed job losers as to the permanence of their situation. In the depth of the 1981-82 recession, more than 50 percent of the unemployed believed that their joblessness was temporary, that they would return to their old job when the slowdown was over. Now, only 10 percent of the unemployed believe that they will go back to their old situation. Yet many of our public policies, including unemployment compensation, are geared to a temporary dislocation scenario. The new emphasis on downsizing changes temporary situations into permanent reductions in job prospects.

If flexibility and changes in structure are breaking the bonds between employers and workers, these forces will also cause us to rethink our institutional arrangements. Our business community will certainly continue to provide the vast majority of work-related training that is done in this country, but the trends indicate that it will have to be done in closer collaboration with

the public sector. In many ways, that is a healthy trend, for the outcomes will be more promising.

Safety Net Still Needed

While this continued restructuring of the American industrial scene is going on, we will still have a need for a base of more traditional institutional responses. Even in the midst of the job boom of the past 6 years we have seen closures and mass layoffs with devastating impact on local communities and many workers. There are still more than 5 million workers out there who lost a job due to plant closings in the past 5 years. A large number of them (about 150,000) are counted among the long term jobless; about half (47 percent) of those who have found work took jobs that paid less than the job they lost. These workers represent a vast reservoir of unfilled need for public education and training services. Here's a group that public sector employment and training institutions can serve without much competition from other employment institutions.

Looking for a New Context.

So this is what the data tell us. Flexibility, quality, diversity, and scope give us our challenge: to focus on the future but not to the exclusion of fixing today's problems; to embrace the future, but to do so with a healthy skepticism knowing

that the projections are based on assumptions; to understand the trends that are underway today that will shape the future; and finally, to act on that understanding by designing our institutions to meet the challenge and to do so in a way that insures the flexibility that has proven so important to past growth.