

WhitePaper

Workforce 2020

There are 2 qualities to the road ahead

1. The gates have lifted before almost every American who wishes to embark on the journey of work. Age, gender, and race barriers to employment are breaking down, not by regulation but by the enlightened self-interest of employers.
2. More individuals now undertake their own journeys through the labor force, rather than hitching rides on the traditional mass transportation provided by unions, large corporations, and government bureaucracies. This "free agency" will be liberating for most. For others, it will provoke anxiety and anger.

For all workers, the premium on education, flexibility, and foresight has never been greater than it will be in the years ahead.

Four forces conspire, for better or worse, to demand that we compete as individuals and contend with ever-changing knowledge and skill requirements.

1. NEW TECHNOLOGICAL CHANGE will accelerate still further in an exponential manner. This is the Age of Innovation for the American Workforce.
 - ∴ Automation will continue to displace low-skilled and unskilled workers in manufacturing firms and offices.
 - ∴ The development, marketing and services of more sophisticated products will create more jobs than the underlying technology will destroy. On the whole, the new jobs will also be safer, more stimulating, and better paid than the ones they replace.
 - ∴ The best jobs created in the Innovation Age will be filled by Americans and workers in other

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- advanced countries. If jobs go unfilled in the U.S., they will quickly migrate elsewhere in our truly global economy.
- ∴ Because the best new jobs will demand brains rather than brawn, and won't require physical presence in a location or time, irrelevant, structural barriers to the employment of women and older Americans will continue to fall away. Americans of all backgrounds will be increasingly able to determine their own working environments and hours.
2. THE REST OF THE WORLD MATTERS- Globalization. Communications and transportation costs have plummeted, resulting in "the death of distance". (i.e. biological formulas, computers, financial services, microchips, software, investment capital can all cross oceans in seconds and for minimal costs)
- ∴ Manufacturing will continue to dominate U.S. exports (foreign economies will continue to expand more rapidly than our own, generating massive demand for U.S. goods. (20% of U.S. workers are in jobs that depend on exports and this will continue to escalate)
 - ∴ Low-skilled/unskilled workers will compete for jobs and wages with counterparts across town, the U.S. and the globe. The U.S. will retain no comparative advantage in low-skilled manufacturing. Jobs in that sector will disappear or be available only at depressed wages. Second or third jobs and full-time employment for both spouses will become even more necessary for the low-skilled and unskilled.
 - ∴ The manufacturing jobs that do remain will be more highly skilled and better paid than any other time in US history. Employment growth will remain in services, with high salaries for skilled workers.

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- .: Most segments of the economy will be volatile as comparative advantages in particular market segments rise and then fall away. Small- and medium-sized firms will be well situated to react to this volatility, and their numbers will grow. Labor unions will cope badly and their membership and influence will shrink. Individual workers will change jobs frequently over time. For those who maintain and improve their skills, the changes should bring increasing rewards. But the changes may be traumatic for those who fall behind the skills curve and resist retraining.
- 3. AMERICA IS GETTING OLDER. The massive cohort between 1945 and 1965 will reach age 65 in 2010. By 2020 almost 20 percent of the U.S. population will be 65 or older. Their affect on the U.S. workforce will be:
 - .: Taxpayer-funded entitlements (Medicare and Social Security) will undergo profound changes (Pay-as-you-go tax rates will rise precipitously unless the expectations of retirees become more modest, the economy grows more than expected or the programs receive fundamental overhauls).
 - .: Many who reach 65 will be unable to retire, will not want to retire and will seek flexible work options. Average age life expectancies will extend past 80 years of age, and as such, 20 years of golf and cruises will not present enough of a challenge.
 - .: America's aging baby boomers will constitute a large and powerful segment of the consumer market. Strong local labor markets in cities and regions that attract many retirees will supply their demand for entertainment, travel, leisure-time pursuits,

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specialized health care, long-term care facilities, accounting, home-repair, and other professional services. Jobs will be created by this boom in the service sector in local economies and may replace many of the low-skilled or unskilled manufacturing jobs the U.S. stands to lose though not always at comparable wages.

4. ETHNIC DIVERSITY CONTINUES THOUGH AT A FAIRLY SLOW PACE

∴ Whites today (76% of total workforce), Whites in 2020 (68% of total workforce). African Americans today at 11% and in 2020 will remain at 11%. Asians in 1995 were 4% and in 2020 will be 6%. Hispanics in 1995 were 9% and will be 14% by 2020. This will mostly be due to growth in the South and West. In 2020, Whites will be the minority (less 50%) of all people 50 years old or younger though

the changes will not be dramatic on a national scale. The aging of the U.S. workforce will be far more dramatic than its ethnic shifts.

In Summary:

Americans with proficiency in math, science, and the English language will join a global elite whose services will be in intense demand for generous compensation. Burgeoning local markets for services in some parts of the U.S. will sustain some decent paying, low-skilled jobs. But other Americans with inadequate education and no technological expertise will face declining wages or unemployment, particularly in manufacturing... how many depends in large part on what we do to improve their training.

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Things to do to improve the prospects of the 21st century workforce:

1. Reject simple, protectionistic responses that use public policy to build walls around industries, technology and people. In the age of technology, protectionism looks like this: slowing the application of labor-saving technology limits the competitiveness of key industries and perpetuates jobs that are more dangerous and tedious than the ones that would replace them.
2. Do not accept the status quo.
3. Expand the pool of workers
4. Increase workforce participation
5. Promote upward mobility

Summarized from the briefing titled: Workforce 2020: Work and Workers in the 21st Century. The Hudson Institute 1998