

Talent Shortage or Talent Failure?

by C. William Guy

Doom and gloom population predictions have pervaded the press for several decades. Following the Baby Boomer generation (approx. 76 million births from 1946 to 1964), in the 1970's the U.S. government enacted a host of laws and bureaucracy to encourage population control.

Population problems were regularly highlighted on the front pages of newspapers, on TV news shows, and in magazine cover stories. Even the Sierra Club urged U. S. citizens to "abandon population growth...to achieve a balance between population and resources...." Birth control pills were introduced in the 1960's and abortion was legalized due to the Roe vs. Wade court decision of 1973.

Consequently, the number of U.S. births sharply declined from 1970 to 1985. The Doomsday predictors were able to project an executive talent shortage that would start as early as 2001 when the oldest Baby Boomers might take early retirement at age 55, and certainly by 2011 when they reached the traditional retirement age of 65.

Writing on behalf of the U.S. Bureau of Labor Statistics, economist Arlene Dohm stated, "As aging baby-boomers begin retiring, the effects on the overall economy and on certain occupations and industries will be substantial...." So, are the Doom & Gloom predictions correct? Well in part, yes, and in part, no.

THE GOOD NEWS:

1. Sandwiched between supporting their elderly parents (who are living longer) and their children (many remaining at home until age 30 or older), the Baby Boomers are forced to work beyond traditional retirement age. Hence, this executive talent pool has not dried up, as previously predicted.
2. The 1970-1985 birthrate decline was reversed in the 1990's. An "Echo Boomer" generation—nearly 80 million offspring of the Baby Boomers—created the biggest population increase in U.S. history. The oldest of these Echo Boomers are now out of college and working their way up the corporate ladder.
3. Post 1985 U.S. immigration policies to replace the 1970-1985 declining population have resulted in a doubling of our population growth (primarily recent immigrants and secondarily the descendants of these immigrants). Some of these immigrants are qualified to be executives and even more of their descendants are potential executive material.

THE BAD NEWS:

1. The 1990's birthrate increase has reversed again. The U.S. Census Bureau indicates that the 74 million addition to world population in 2002 was less than the high of 87 million added to world population in 1989/1990. Due to factors such as deaths exceeding births, declining births in general, plus HIV AIDS, the world's annual growth rate was 1.2%, a decrease from the 1963/64 high of 2.2%.

2. Unlike the 2000 U.S. Census data, Social Security Administration data is updated annually. The SSA figures show the demographic growth-rate balance starting to change. By 2015, the 20 to 64 age group starts to grow at a slower rate than the 65+ age group. That trend could mean a decline in executive talent.
3. Post 911 security measures coupled with restrictions on immigration in the US have resulted in a greater than 30% decline in arrivals of skilled foreign workers/students.
4. Governments around the developing world are aggressively attempting to retain their skilled workers; thus, less executive talent may be available to the U.S. for immigrants and/or for outsourcing.
5. Even if baby boomers keep working past age 65, eventually their participation rates will start to decline.
6. Over the past few decades, the labor force has been able to grow rapidly due to the increase in the participation rate of women, but that phenomenon has already occurred, so the future executive talent will not benefit from such a catalyst. Participation by both men and women is now driven mainly by population increases.
7. In general, the Echo Boomers will need another 10 to 15 years to be accepted as "executive" talent. Hence, at least short term, we may see a shortage of available executives.
8. U.S. corporations have turned to "outsourcing" in other countries to fill the Baby Boomer gap. However, these organizations may start to have greater difficulty attracting skilled employees in these foreign countries. The same demographic changes that impact the U.S. labor market also affect most other countries. The United Nations predicts an increase in the average age (proportionally less younger workers) for most countries, with developed nations affected only a little more than developing nations.
9. The last, yet extremely important factor is a possible decline in work ethics and productivity here in the U.S. A few years back, the Prime Minister of Japan was quoted as saying, "[the inclination of U.S. workers] to produce goods and create value has loosened sharply over the years" and "the work ethic is lacking [among college graduates who are out to make easy money on Wall Street rather than work in manufacturing]."

The Greek word for work, *ponos*, also meant "pain." In the U.S. Congressional Quarterly, we read, "The Protestant ethic maintained that work was a sacrifice...it stressed the importance of postponed gratification. With the information age, however, came work which was perceived as good and rewarding in itself."

The U.S. Department of Commerce surveyed over 400 occupations in more than 200 industries. They learned that nearly half of the GNP and more than 50% of income resulted from jobs dealing primarily with production of information, as compared with jobs producing goods. Likewise, a lot of manufacturing jobs have become more technical and computer-centric, requiring a greater level of thinking on the job.

More recent studies indicate a trend on the part of younger employees to view work differently in this information age than their elders did in the industrial age. Although

these younger workers are still committed to the work ethic, they are less inclined to believe that hard work, per se, will pay off.

What does this mean to the executives of today? It means that they will fail to motivate their younger employees if these executives continue to use rewards based merely on “working hard” (primary management technique in the industrial age). Within this new information age, pay and promotion should be based on results and productivity, rather than based on long hours and work without a balance of enjoyment. Executives who embrace this new management style are attracting and retaining better employees. Ironically, they are gaining higher per capita productivity, i.e., more output with less employees. Therefore, a decline in population (at least the working population) will not cause them to fail.

The younger employees do not wish to get paid merely for working hard—just the reverse: they will work hard because they enjoy their environment and the challenges associated with their work.

Management talent and executive talent may decline in quantity, but productivity need not decline. Through a combination of technology, robotics, and more updated styles of employee motivation, today’s leaders can offset any so-called “talent shortage” via sufficient improvements in productivity. To them, there may be a talent shortage, but not a talent failure.

C William Guy is the Founder, Chairman, and Chief Executive Officer of Cornerstone International Group, one of the world’s largest retained executive search and HR consulting organizations, plus frequent keynote speaker and author of numerous articles and books on the subjects of leadership assessment, recruitment, and retention. Questions or comments about the above article should be sent to the following: billguy@cornerstoneintl.com or via www.cornerstone-group.com .