

America's Workforce: All The Wrong Skill Sets

By Alex Altman

Time Magazine - August 6, 2009 - As we've trudged through the global recession, optimistic analysts have grasped for green shoots at the release of each new batch of bleak employment numbers. The long view, of which we have been consistently reminded, is that the U.S. labor market is bound to bounce back. But according to a recent report, unless we overhaul the way we train our talent, tomorrow's workforce will be hamstrung by the same problems plaguing today's.

That's the conclusion of a comprehensive labor study by the McKinsey Global Institute, which analyzed the shift in income dispersion between 1994 and 2005 and reached a troubling conclusion about the U.S. workforce. According to the numbers, more than 70% of American workers toil in jobs for which there is flagging demand, like the dwindling manufacturing sector, or in crowded markets for which they lack the required skills to nose ahead of the competition.

"Too few workers have the skills for attractive jobs and, as a result, too many workers are employed in industries and occupations where demand has been falling, incomes have stood still, or both," write the study's authors, Lenny Mendonca, Chairman of the Institute, and McKinsey & Co. Director Byron Auguste.

Drawing on the data, Mendonca and Auguste argue that just 22% of the U.S. workforce has the skills, which range from foreign-language proficiency to tech savviness, to thrive in today's globalized labor market. For the rarefied few talented enough to land plum positions in high-growth industries, the rewards have been plentiful.

"A shortage of American workers with the skills to fill the jobs fostered by new technologies and more complex organizations has meant that people with those skills have seen substantial income premiums," the authors write. The numbers bear out their conclusion. Between 1994 and 2005, the top 10% of earners enjoyed an average 3.6% growth in annual income, a rate three times that of the bottom 10%.

But if the ability to adapt to the changing business landscape has enabled the elite to get a leg up on the competition, a failure to do so can be a worker's death knell:

- Technological innovation has allowed companies to automate many services, thus rendering midlevel employees expendable.
- The report notes that this effect has had far less of an impact in the **Recreation, Hospitality and Tourism sector**, where even basic functions often require a human touch.

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- Low-income workers have also been undercut by de-unionization and the influx of immigrants, whose rudimentary language skills, among other factors, force them to crowd the bottom rungs of the workforce.

That's why the authors say that, as we begin to emerge from the shadow of the global financial crisis, the key to smoothing out these income disparities is to "redevelop America's human capital."

- Higher education should equip graduates with the capabilities needed to thrive in promising sectors, like international business or remote data storage, rather than shunting them into dying or stagnant ones like manufacturing.
- "Unless America's workers can develop new skills over the next 10 years, the nation risks another period in which growth resumes but income dispersion persists, with Americans in the bottom and middle-earning income clusters never really benefiting from the recovery," write Mendonca and Auguste.
- They suggest creating performance based compensation structures as one way to motivate employees to increase productivity.

"The redevelopment challenge is enormous," they warn. "But the country has met such challenges before." If we don't rise to the occasion again, the end of the recession may merely give way to a period of prolonged mediocrity, or worse!

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