



The Hunt for Talent

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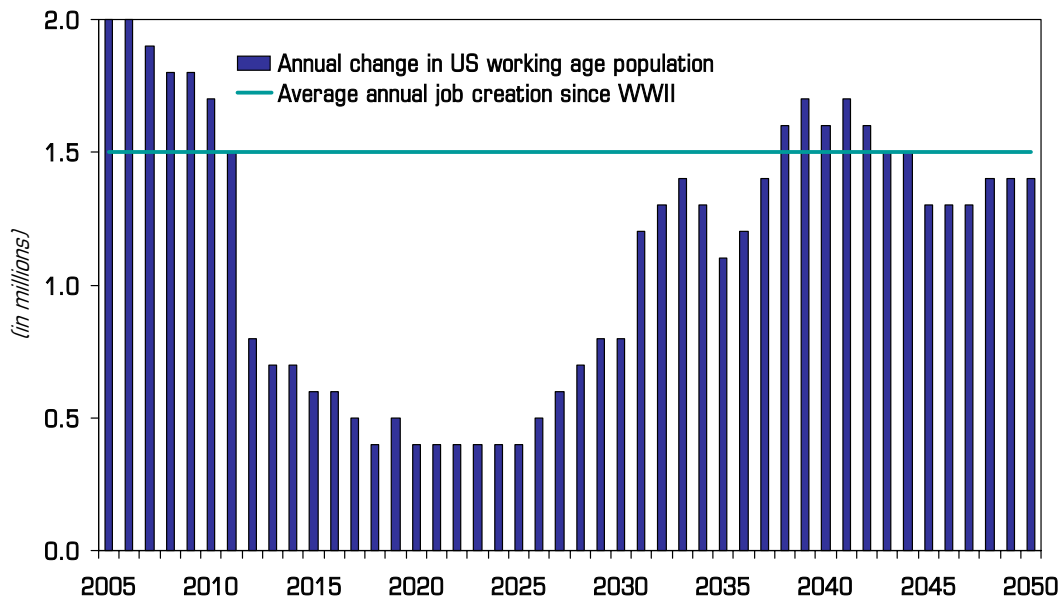
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It is no longer possible to attend a conference on economic development and not hear about the impending workforce crisis. Is this a real concern? Does it matter to you and your community? The answers are yes, yes, and yes. It is a real concern, and it will affect you and how you do your job. Here's why.

1. Demographics

The chart below shows, in graphic terms, what is now largely inevitable: there will soon be many more jobs than there are people to fill them. This is mostly a consequence of baby boom retirement. The largest demographic cohort in the nation's history is reaching the age in which their participation in the labor force will steadily fall off. When matched against projected job creation, the labor shortage becomes obvious. What we see is labor force participation rates dropping steadily: more people are leaving the labor market than are entering it. We can expect this to continue for roughly 30 years. This trend could have been reduced had the baby boomers produced more children. Since they didn't, the number of children the next generation produces cannot offset the pending shortage. In fact, national fertility rates are likely to stay low. This suggests that the problem of labor availability will extend beyond the projected 30 years of shortage.

THE IMPENDING LABOR SHORTAGE



Sources: U.S. Bureau of Labor Statistics, U.S. Census Bureau, TIP Strategies, Inc.

2. Regional mobility

National trends do not, of course, affect all regions equally. The fact that the country as a whole will see labor shortages does not mean that a particular city or region will necessarily suffer. This trend is already making itself noticed. Richard Florida wrote a short essay that did not receive the attention it



deserved. “The World is Spiky: Globalization has changed the economic playing field, but hasn’t leveled it,” (*The Atlantic Monthly*, October 2005) lays out a case against Thomas Friedman’s “the world is flat” hypothesis. Friedman argues that talent is flowing freely across national boundaries, creating a leveling (i.e., flattening) effect. In fact, however, there is no leveling. While talent does move more easily than ever from country to country, the reality is that talented and skilled individuals are increasingly migrating to a small handful of economically powerful regions. Indians are not just leaving India for the U.S. They are leaving for Boston, Austin, and Silicon Valley. The same phenomenon is being experienced globally. As a result, the out-migration from rural to urban areas is being exacerbated by the narrowing of choices. Discussions of “mega-regions” tries to capture this phenomenon. What we can say, with some certainty, is that growth linked to young and educated people is a consequence of national and international migration. If a community cannot capture some share of that mobility, it is unlikely to meet the needs of industry.

3. “Talent” versus “workforce”

Talking about talent rather than workforce is a recognition of how important education is and how necessary technical skills really are to a region. There are areas of the country in which the population is increasing but economic vitality is declining. We know this because wage rates and wage growth are low in places like Las Vegas and the Texas-Mexico border region. Rapid population gains are no guarantee that “talent” is available to employers. This exacerbates the problem identified with labor shortages per se. You not only need more young people, you need skilled and educated young people. By talking about “talent” we are also forced to realize that the greater the education level, the more likely that person is to be mobile. In other words, an educated person is far more likely to consider where they will work. Place matters. When there is also economic opportunity associated with that place, the decision is easy to make.

4. Counter trends

No major trend occurs without important counter-forces. In other words, business is already considering how it can off-set the impending workforce crisis. Here are four factors that have already come into play and that will assume greater significance.

- Advancing the retirement age
- Relaxing immigration restrictions
- Increasing productivity through technology
- Out-sourcing

5. International implications

What is happening in the U.S. is happening throughout much of the world. During a recent trip to Russia, I was surprised to find that the “talent question” was every bit as pressing as it is in the U.S. Rapid immigration and the difficulty of integrating a new workforce into the economy – consisting of people who do not speak the language, who are culturally isolated, and who often have only rudimentary education – are also *Russian* issues. The idea of a “spiky world” is even more of a concern in a country in which all the talent seems to be migrating to Moscow and St. Petersburg and where Putin is offering to pay women to have more children. The same phenomena are occurring in China and throughout Europe.



Making *talent* a part of every economic development strategy has become a necessity. It is on the minds of every business and is among the largest barriers faced by expanding companies. The points described above will play out in communities throughout the U.S. – and the world – for years to come. Strategies for dealing with talent retention and attraction will need to address these points in creative and aggressive ways. TIP is engaged in this challenge for the State of Vermont and in other projects ranging from Washington to Florida. Stayed tuned for “lessons learned” and fresh observations.