



## READY, SET, ...SHIFT!

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### OVERVIEW

Wow! 2013 marked the 10th year that my Overall Economic Employment Forecast was correct regarding what:

- the economy was going to be like that year—including 2003 and 2008, two years that many didn't see in advance how they would materialize.
- the hot jobs would be.
- the new major trends would be—including the actual year globalization became a job changer, China's slowing down, and the year computer hacking first became a major concern for economies and jobs.

So what's my forecast for this year? Is the U.S. going to break through the Economic Pain Zone where GDP is above zero but lower than 3.0? I think so. Yes,

- the good—not the great—times will begin again
- opportunities for business and professional jobs will increase
- the economic race is about to begin anew.

If you're in the U.S., get ready, get set, BUT before you rev up, please be aware that there have been some major structural changes that probably have impacted your race track.

If you take into account these changes, you'll be able to shift into high gear your company's and/or your career's performance results.

### STRUCTURAL SHIFT #1

The short supply chain has emerged. Previously companies would keep headquarters and R&D in their home country and outsource production to lower cost countries where they could benefit from their cheaper raw materials, labor costs, and land prices. Such a long supply chain model, however, can incur unwanted inventory if demand for the product changes or is variable and can face reputational risk if the ingredients, process, or results have unacceptable defects discovered after the product has been sold.

Short supply chain means making the product close to where it will be purchased—kind of “buy local” produce approach applied to world trade. It cuts down on unsold inventory because the product is sold quickly and changes are easily made locally.

Now that the U.S. is one of the cheapest countries to manufacture goods in the developed world (according to a recent Boston Consulting Group report), mainly because of its cheaper costs of labor (adjusted for productivity), natural gas, and electricity, the short supply chain model is being employed more...hmm, maybe that's one of the reasons why U.S. manufacturing is and has been a leading factor pulling this economy out of the recession?

This short supply chain model has impacted global trade growth. According to the World Bank during the period 1990–2007, global trade tended

to grow twice as quickly as global GDP whereas in this post-crisis period, it has grown at about the same speed as the global economy. Why? Because “the average amount of gross trade to value added trade has declined because of a shift away from products that involve many intermediate steps toward those that involve fewer steps,” like the short supply chain model.

#### **STRUCTURAL SHIFT #2**

The work force composition has changed. Youth (ages 15 through 24) are unemployed at historically high numbers and are still trailing prime-age workers (ages 25 through 54) fifty-two months after this Great Recession began, which is far longer than that employment gap between these two groups lasted in prior recessions. The unemployment rate of workers ages 55 and older is below that of the general population.

Wells Fargo Securities has a chart that shows that while overall the U.S. is just 1.3 million below pre-recession payroll levels, for full-time jobs the U.S. remains 5 million below the pre-recession level. The Duke/CFO Magazine study shows that hiring expected growth in the next 12 months will be 3.2% outsourced, 1.6% temporary, and only 1.4% full-time hires.

Oh, and the work force is about to get up and leave—according to a recent Korn Ferry report, 57% of Americans will be looking for a better position in 2014.

#### **STRUCTURAL SHIFT #3**

The source of energy has changed. The U.S. is not as big an importer of energy anymore—in fact, it now exports energy. U.S. energy consumed here is more often made here and its citizens and corporations are using less of it due to major technological improvements in the energy efficiency of automobiles, appliances, homes, businesses, and factories.

This changing supply pattern impact has been large enough to shift global trade growth. The World Bank’s Annual Global Economic Prospects Report points out that surging U.S. production led by advancements in shale extractive technologies has caused U.S. oil import demand to fall so much that it has put downward pressure on global markets,

PLUS the U.S. has now surpassed Russia as the largest non-OPEC producer of liquid hydrocarbons.

#### **STRUCTURAL SHIFT #4**

Communication has changed. It is now more online and has more color, sound, and graphs. It is a conversation between two parties.

This shift became quite evident when I saw that the OECD now gives its report via YouTube and online in a read-only version—no more paper document that you print out yourself ...and their graphs and visuals were stunning throughout their 300+ page document—goodbye, old black and white blah report!

My next wake-up call was that the World Bank put their report results into an Infographic...hmm, I wonder if it’s up on Pinterest. ☺

Of the thirty some reports I have read while researching my forecast, the vast majority had changed their style to this new more interactive, social media-friendly approach, even if their document was in good old-fashioned print. Yale Professor Emeritus Edward R. Tufte should be pleased with how the world is taking to heart his instructions on letting the data speak directly.

#### **STRUCTURAL SHIFT #5**

The U.S. consumption habit pattern has changed. Bank of America Merrill Lynch’s most recent survey of affluent Americans (those with over \$250,000 of investable assets) says that many are taking steps to gain greater control of their financial lives in this “new normal” of economic uncertainty, including reining in spending and lowering debt...and these are the affluent ones.

In Gallup’s annual “Mood of the Nation” poll, the share of Americans saying they are financially worse off compared with a year ago is high by historical standards; this sad result is echoed in another poll reported recently by POLITICO where over half of Americans say they are cutting back their spending on clothing and appliances.

Add to the above commentary the fact that the share of the adult population that is neither working nor looking for work hit a 35 year high in October 2013 and that household debt as a share of

personal income remains 15 percentage points above its 40-year average of 77%. These facts indicate that U.S. households are still highly leveraged.

Given the level of unemployed youth, as well as the aging Boomer population—who are in the shedding, not buying, stage of life—it just all adds up to me that the U.S. is facing a change in consumption that's not going away anytime soon. It reminds me of the generation after the Great Depression: even after they had the means, they lived well within those means, turning off lights, scrimping and saving—as if the Depression had never ended.

For many in the U.S., the shock of living through the Great Recession will in all likelihood leave similar scars.



### READY TO RUN?

Runners use split times and lap times as they go around the track to improve their training and to pace themselves throughout a race to ensure their best performance.

A number of similar check points occurred to me as I was thinking about my own companies' and career's positioning to perform well in our 2014 race. Here are some useful guidelines to consider, given all the shifts that have occurred in our U.S. business and professional track, as you rev up for your 2014 race.

★ **Have your performance, production, or other metrics you use changed because of one or more of these structural shifts?**

Mine did, and I'm glad that I caught the change before I used those metrics this year. Using obsolete measurements to gauge where you're at in the race is sure to impede your progress.

★ **You don't need to be a manufacturer to change your supply chain model—can your service delivery process be shortened, made more responsive to customer demand shifts?**

★ **How about hiring some of those unemployed/underemployed youth?**

Training programs are an excellent way to instill your corporate culture, provide a pipeline of talent, and establish multiple succession possibilities from a program that will give you current workers and future leaders.

★ **If you know some of those unemployed youth that are talented and well-educated, please consider sending them in for a talk with me, as we've been quite effective in helping those individuals gain professional positions through our junior Your Career Campaign™ services.**

★ **Do you know how much it's costing you NOT to be communicating with today's tools?**

I know too many companies that are still behind the times when it comes to using social media tools and new communication methods to connect with their clients, prospects, vendors, employees, potential hires, and stakeholders.

As for you professionals, that same Korn Ferry report that says 57% of you will be looking to change jobs this year also says that only a third of you have updated your resume. Huh?