

Baby Boomers' mass exit from work force to impact economy

*Wendy Johnson
The Pine Journal*

Over the coming decade, the economy of Minnesota will be guided largely by a work force of Baby Boomers who are working later into life, increasingly in need of technological training, and competing in markets whose boundaries have gone far beyond where they've ever gone before.

In the first of several "U and Your Economy" workshops to be held around Minnesota in coming months, State Economist Tom Stinson told business and industry leaders at the Cloquet Forestry Center that the time has come to lay the groundwork for the direction that Minnesota's economy will take in coming decades. In doing so, he said there are certain "givens" that will come into play.

First, the current recession is going to get over.

"We always get out of recessions," Stinson said, "but we have to realize that some of the jobs that we've lost along the way certainly aren't going to come back. That's the way it is in economies that are changing."

Stinson referred to the fact that over the past 40 years, Minnesota's economy has experienced a dramatic shift from a resource-based economy to a manufacturing and service-based economy.

Secondly, Stinson said there are certain longer-term issues we have to be aware of, which include demographics, globalization and technological change.

"Globalization represents a continuous challenge," he said. "There are a lot of new markets out there, but there is also new competition worldwide for our goods,

and productivity is going to be the key. That's what we're going to have to stress."

Stinson stated he is "somewhat optimistic" that Minnesota will be able to hold its own in the world marketplace. He said we must concern ourselves with the cost factors that affect our share of manufacturing employment in that global economy, however.

"If it's not cost efficient to operate in a certain area, most agree you shouldn't try it," he admitted. "There are some things we just can't compete on, and one of them is low-wage, low-skilled jobs."

In China, low-skilled workers get an average of 40 cents an hour, in Mexico, \$2 an hour, in Malaysia, \$2.25 an hour, and in the U.S., a whopping \$17 an hour.

"And so, how do we compete?" he posed. "We compete on productivity. Workers have to produce more, higher value products, and if we do that, we can afford to pay the higher wages."

Stinson went on to point out that the demographics that shape Minnesota's work force are going to be changing rapidly.

"The labor force is getting older," he said. "The net result is going to be simple and compelling."

By 2010, Stinson said, the retirement of the Baby Boomers is going to bring back the tight labor markets Minnesota saw in the past.

"In the 1970s, we added 450,000 people to the labor market, more than 300,000 in the 1980s, 350,000 in the 1990s, and we're expected to add more than 400,000 between 2000-2010. After that, however, things start to slack off.

"Projections are that only 125,000 people will enter the labor market in the state from 2010 to 2020, and from 2020 to 2030, the number will be less than 100,000. That's going to create some problems."

Stinson explained that from 2000-2010, about half of the new workers coming into the work force will come from natural growth within Minnesota. Some 70,000 will consist of existing employees who are working longer, and some 150,000 of those in the work force will consist of people migrating here from other states.

"After 2010, there's going to be slower growth in the labor force, simply because the Baby Boomers are going to be retiring, said Stinson. "At that point, we are going to have more non-Minnesotans in the work force, meaning people who didn't grow up and were educated in Minnesota."

From 2010-2020, Stinson said there will be a projected 174,000 net entrants into Minnesota's work force, 130,000 of whom will come from migration, 52,000 from people working longer, and the natural growth within state's labor force will actually be in negative column.

"And so, we can see that all the growth will be from either people working longer or from people moving into Minnesota," Stinson said. "This trend becomes even more dramatic with time because more will be leaving the work force."

That means that training for the incumbent labor force will become increasingly important. Technological change – which Stinson pointed out is where productivity comes from – means fewer production workers and fewer production jobs, however. In addition, it creates increased need for training because as more and more technological change evolves, workers have to be trained better and better, just to keep up with what's going on.

"Positioning ourselves for success over the next 40 years is going to be a challenge, and manufacturing is going to be a particularly difficult area for us," Stinson summed up. "More than 80 percent of the people who

are going to be working in 2010 are already working today. With the huge changes in technology, there is a big need for those people to upgrade their skills if we're going to compete in productivity. We will have to figure out better ways of training the incumbent work force. That's not solely a public sector responsibility, but they will have to play a role in it."

Stinson stressed that we can't have productivity without highly skilled workers, and that is particularly important in Minnesota because we have a lot of disadvantages here.

"We are not particularly well located in terms of transportation," he said, "but another way to compete is through better equipment, more machinery, and a higher capital stock-to-worker ratio. We must keep in mind that our competitors will no doubt be upgrading their skills and equipment as well...."

He added that another way to compete is through the value of the dollar.

"When we were the prime market, there was a transportation cost to get the goods to the United States," he said.

Stinson said the future for Minnesota's economy is far from bleak, however.

"Manufacturing is going to survive, but it's going to be a little bit more selective," he said. "There are going to be continuing pressures. Certain industries are going to fare better than others, particularly industries where there's a high value to their shipping costs, or that are capital-intensive rather than labor-intensive, or who produce products where there is an implicit quality guarantee, or who produce locally consumed products, or those who produce timely inventory products where consumers can't afford to wait to have them shipped in from overseas."

Stinson concluded by challenging his audience to start thinking about the future now and making wise decisions that will position the state well for the future.

“Forty years from now, we have to hope that those who are looking at how Minnesota’s economy has performed will say, ‘Those people really positioned us well....’”

More information about upcoming “U and Your Economy” workshops is available at www.extension.umn.edu/UandEconomy.