Control what you can in 2014

Last year I opted to evolve my January column from forecasting what lay ahead for the upcoming year's economy to identifying the major trends impacting the economy. I reasoned that there were simply too many major uncertainties (e.g., the year end "fiscal cliff" and the debt crisis in Europe) blowing in the wind to attempt a responsible forecast.

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My hesitation to boldly step out on a limb is shared by the majority of business leaders as they plan for their organizations' futures. It's reflected in the steady but slow pace of capital investments and hiring.

A continued, conservative approach appears to be justified as we enter 2014. While some progress, or at least stabilization, appears to be occurring on sovereign debt both in the U.S. and in Europe, lingering and new unknowns still abound.

Here at home, we avoided the 2012 year-end cliff with minor tax hikes, swallowed the budget sequestration pill in March and punted the October debt-ceiling crisis into 2014. It all made for endless debate and op-ed pieces in newspapers. The economy continued to slowly chug along at a New Normal clip of around two percent.

Overall, U.S. total public debt as a percent of GDP fell during the second quarter of 2013 from 101 percent to 100 percent, a rare drop since charging from just over 60 percent in 2007. But Congress has provided no clues on how it will deal with quickly approaching liabilities of Social Security and Medicare as the country continues to age.

Europe appears to be in the early stages of recovery. Greece's debt to GDP fell from 170 percent to 157 percent — I'm assuming primarily at the expense of its bond holders. Again, a long-term resolution to challenges facing Europe appears elusive.

Globally, emerging markets continue to play an ever-more increasing role in the global economy. The economies of Brazil and India both enter 2014 decidedly weaker than 2013. Perhaps the biggest risk, however, remains real estate in China, where government investment has inflated a bubble.

New or lingering unknowns at the national level include:

- The impact of the Fed tapering its bond-buying program (quantitative easing); to-date quantitative easing has artificially suppressed interest rates and buoyed asset prices, including stocks.
- Implementation of the Affordable Care Act, the initial rollout of which hasn't caused a wellspring of confidence.

Fortunately, there are some positive national trends as well:

- Household, municipal and state debt is improving, although many cities and states hold huge future liabilities with pensions.
- The country is moving toward energy independence within the next 10 years, which will result in lower and less variable energy prices.
- Rapid innovation, especially within information technology, is continuing to make productivity tools available to even the smallest companies at reasonable prices so they can compete and grow.

In Iowa, we're blessed with a reasonably sound state balance sheet and lawmakers who are generally able to work together for the common good. Increasing investment and accountability in the state's education system is especially encouraging, although I worry we're over-producing four-year degrees at the expense of trade skills.

I'm also wary of the ag equipment market, as I perceive too many purchases over the course of the recent boom have been triggered by tax laws rather than true need. If so, any correction caused by a downturn in ag income will be magnified.

So, what to make of all of this? Continue to manage conservatively as you've been doing since the Great Recession. Businesses in general are in much better shape today than they were emerging from, and in many cases entering, the recession.

- Hire carefully, both in terms of when and who.
- Assume investments will be repaid in an environment of higher inflation and/or higher taxes as these represent two of the three options for reducing government debt (the third being default).
- Develop a workplace where employees embrace satisfying customers and productivity gains.

In short, control what you can control.

You really need to take time off

DIANE STAFFORD
The Kansas City Star

The human resource department wants you to take time off. Really.

You may have trouble believing that, but a recent poll by the Society for Human Resource Management found strong support for vacations from personnel managers. They strongly believe that you will be a better worker if you occasionally unplug from the job, especially if you have paid time off coming to you.

The benefits to you: stress relief, improved morale, greater job satisfaction and engagement.

The benefits to the employer: higher productivity and better job performance.

As we near the end of the calendar year, it's common to hear workers complain that they have been too busy to take their allotted vacation. In do-more-with-less workplaces, it is indeed hard to take time off when the work needs to be done.

The human resource society figures that an average of at least three earned vacation days will be unused this year per employee — but not necessarily because workers were too busy to take a break.

Rather, survey results indicate that employees are saving vacation by choice in the organizations that allow them to roll over unused time to the next calendar year. About two-thirds of employers allow rollovers of at least some days, the society finds.

Employers with "use it or lose it" plans tend to find that employees don't leave vacation on the table. They use it.

Regardless of vacation policy, people who study employees' mental and physical welfare say taking time off is vital. It's a rare bird who can sustain focus, energy and enthusiasm without a break.

And that's one reason for concern about the growing part-time workforce — an employee class that largely doesn't get paid vacations and can't afford to take unpaid time off. No breaks make for unhappy, unhealthy workers and ill-served employers.

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