It's a duty to keep employees employable

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A concern has been gnawing at me for the past several years. My worry is that, for the first time, the world's capacity to produce goods and provide services might exceed demand. We're fundamentally out of balance, and will remain so going forward.

Sure, the world always has suffered recessions, defined periods of time where specific geographies suffered inadequate demand. Central banks ease fiscal policy to spur demand and move the economy back into balance, occasionally overdoing it and inflating a bubble.

However, years of ultra-easy money across the globe appear to be doing little to help the situation. In fact, it might be adding to the problem as producers use the easy money to invest in more automation and thus more capacity in order to gain a competitive edge.

If that theory is correct, it explains the significant and growing number of people who find themselves without a niche in today's global, technology-driven economy. They're essentially economically homeless.

Ironically, the same factors that led to their current situation — productivity improvements and globalization — also provide them with a standard of living that far exceeds that experienced by most people 40 years ago. That's little consolation. People don't compare themselves to their grandparents; they compare themselves to their contemporaries.

Thus they are angry and voting accordingly, as indicated by Brexit and Donald Trump's popularity. Neither addresses the root causes of their situation. Both probably will make matters worse overall, which will only serve to exacerbate the anger once that's evident.

Indeed, unless the majority of the population is willing to pay a significant premium for a coffee maker manufactured domestically and assembled on a 1970s labor-intensive assembly line, we've got a problem.

Resolving this dilemma exceeds the capacity of my brain. Perhaps there is a ray of hope knowing that we were able to successfully transition millions of workers from farms to factories during the industrial revolution. Can we repeat that by converting laborers to technology workers in the knowledge revolution? Obviously the training hurdle is much higher. Even scarier is the fact that the rate of technological change continues to increase.

While managers can't guarantee employment in today's economy, they can choose to ensure that their employees will remain employable. This starts with managers being straight up with employees by sharing their visibility of what's going on in their industry. What jobs are at highest risk? More importantly, what future skills will be in the highest demand?

Several years ago as the Great Recession was looming, I recall a conversation with a business owner who was very concerned. When asked if he had shared his concerns with his employees, he responded, "I don't pay them enough to worry." I remember thinking, "You don't pay them enough not to."

Investing in training employees (both in hard skills required for the future and in soft skills) is another strategy for keeping employees employable. Fortunately, this can pay real dividends when one considers improved retention, higher productivity and improved interpersonal skills with both teammates and customers. Well-delivered, pertinent training sends a clear message to employees that "you are worth investing in."

Obviously, each individual has a responsibility to keep his or her skills up to date. But we know a significant portion won't without some help. Here a successful analogy is provided by the default settings that have been introduced for automatic payroll deduction and target date retirement funds to nudge employees to responsibly save for retirement within their 401(k) and 403(b) plans. We can and should provide similar nudges to increase the odds that employees make it to that retirement.

Finally, the greatest assurance you can provide employees for a secure future is to run a great business. This doesn't guarantee that reductions won't be necessary, as the Great Recession demonstrated. But team players with pertinent skills from successful organizations always are in strong demand.

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by using independent contractors to purchase goods and services that formerly were provided in-house. Policy makers should insist that such information be segregated and made available for review and analysis at budget time. A historical perspective needs to be maintained.

• **Collective bargaining agreements:** Unions understandably pursue an egalitarian negotiation strategy. They want their members to receive similar pay, benefits and working conditions. One of the expensive benefits often found in collective bargaining agreements is longevity pay, and it's usually calculated as a percentage of existing pay. Such "loyalty" pay can have noticeable effects on the payroll. There are much less expensive ways, such as service recognition programs, to reward employees for long and faithful service. Management negotiators ought to be given bargaining guidelines by policy makers before the start of negotiating instead of receiving a completed contract and being faced with a fait accompli at the budget table.

• **Define contribution retirement plan:** Government agencies in Iowa usually are required to enroll employees in state-mandated defined benefit plans that require substantial contributions from employers. When the inevitable downturn in the economy hits and the pension investments tank, causing the plans to become underfunded, employers, i.e. taxpayers, are required to make up the difference. Government policy makers should lobby state representatives and encourage them to enact laws that would close these budget-busting pension plans and convert them to defined contribution plans. That's a process that the private sector moved to many decades ago and that limits an employer's financial liability to a pre-established amount. Both government and private employers can realize significant budget savings by crafting sensible retirement plans that involve meaningful financial participation by both the employee and employer.

In the case of the city council, instead of nitpicking and media posturing over minor changes to the salaries of a couple of dedicated and admirable senior leaders, it should dig into the budget worksheets and start looking for real compensation savings among the other 99 percent of the workforce.