

## The Perfect Storm Intensifies

In a previous column, I pointed out that the United States is the most competitive nation in the world and that we are the most productive with the highest innovative potential in the world. I also pointed out that we are a nation at risk: Other nations are gaining while the U.S. is slipping. Some of the characteristics that made us a strongly competitive and productive nation are in serious need of repair. **And what is going largely unnoticed is that the maintenance skills shortage—once huge sleeping giant of a perfect storm—has now awakened and is intensifying.** Are you ready?

Many conference speeches, articles, and columns over the past several years have outlined the nature of the maintenance skills shortages. The national media, governmental agencies, politicians, and educational systems have largely ignored what is happening, and it is getting worse every month in many business and industrial sectors. We must take action now and well into the future.

Let me explain the nature of “the perfect storm.” On October 30, 1991, an enormous extra tropical low created havoc along the entire Eastern Atlantic Seaboard at 0700 EST. Labeled “the perfect storm” by the National Weather Service, the storm sank the sword fishing boat Andrea Gail, whose story became the basis for the best-selling novel *The Perfect Storm* by Sebastian Junger (and a major motion picture). A little-known and bizarre ending came to this monster when the storm became subtropical thirty hours later, just before the inner core of the storm developed into a tropical storm and later an unnamed hurricane, which came to be known as the Halloween Storm.<sup>(1)</sup> In other words a storm... within a storm... within a storm... within a storm.

We have the same conditions in place and intensifying in our nation, and it is beginning to damage capital intensive businesses, our infrastructure (power, utilities, pipelines), and construction projects. Let me point out the elements of our national “perfect storm”:

- An ever-intensifying maintenance skills shortage in all industrial sectors
- A serious lack of vocational-technical and career education programs in schools
- Educators’ and parents’ over-emphasis on a “college degree” for their students and children
- High school dropout rates averaging 30 percent
- Schools struggling to find and keep well qualified teachers
- A major media and politicians’ misinterpreting productivity improvement as manufacturing job loss
- Businesses starting to move manufacturing back to the U.S. from China and Mexico

But why should these “stormy” shortcomings hurt us? We are the most competitive nation in the world! We have the largest economy in the world in terms of gross domestic product at over 13.2 trillion dollars that’s more than Japan, China, Germany, and the U.K. combined. How could we possibly mirror the fate of the Andrea Gail? Here’s some of what has begun appearing on the big radar screen:

### **State incentives for new jobs**

Many states and local governments spend hundreds of millions of dollars recruiting new businesses with incentives such as free land, training, highways, railways, utilities, and tax abatements. Google and Dell Computers recently landed in North Carolina. Kia Motors landed in Georgia. Not too long ago Toyota reeled in two plant sites in Texas and Mississippi and Hyundai was wooed by Alabama. And the list goes on, and on, and on. What impresses me is the size of the incentive packages that create jobs: Kia Motors received a \$258.25 million state incentive package from Georgia. That amounts to between \$89,000 and \$99,000 per job created. Volkswagen just announced a deal to build a 2,000 employee assembly plant in Tennessee. The state offered over \$500 million, its richest incentive package and perhaps the most government assistance and largest tax breaks ever for an American automobile plant that amounts to \$250,000 per job created.

When looking into the recent incentive-recruited manufacturers I also discovered that the financial incentives are only a small part of why companies choose to settle in any particular area. Most have cited that “**the availability of a skilled workforce and the availability of workforce training**” as the top factor. Think about that for a moment: Regardless of free large tracts of land, tax reductions, proximity to railroads and highways without the availability of a trained workforce what good is the plant location?

### **Workforce Training**

A June 2006 poll of corporate site location consultants by *Expansion Management Magazine* identified the states with best workforce training programs as follows:

1. Alabama \*
2. Georgia \*
3. Texas \*
4. North Carolina \*
5. South Carolina \*
6. Colorado
7. Tennessee \*
8. Kentucky \*
9. Arizona
10. Florida

Of these top ten, eight states (\*) have been in the news in recent years for offering large incentive packages for major businesses to locate in their states. For Georgia and Tennessee those incentives ranged between \$89,000 and \$250,000 per job created. Within those figures Georgia will spend nearly \$34.7 million on workforce training for 2,800 employees. That equates to \$12,393 per employee for training. And, Tennessee’s VW incentive package included nearly \$40 million for training 2,000 workers. And, that equates to \$20,000 per employee for training. Very impressive to say the least!

### **Public Education Report Card**

The Institute for a Competitive Workforce, a non-profit affiliate of the U.S. Chamber of Commerce, published their *Education Report Card* in February 2007. Their research addressed nine (9) educational categories. The two categories that I found most interesting were *1-Academic Achievement* (overall), and *6 – Post-Secondary and Workforce Readiness*. When we

look at the Report Cards of the states with the “*Best Workforce Training Programs*” as reported above there are some puzzling results:

1. Alabama: *Academic Achievement* = F; *Workforce... Readiness* = F
2. Georgia: *Academic Achievement* = D; *Workforce... Readiness* = D
3. Texas: *Academic Achievement* = C; *Workforce... Readiness* = B
4. North Carolina: *Academic Achievement* = C; *Workforce... Readiness* = A
5. South Carolina: *Academic Achievement* = D; *Workforce... Readiness* = D
6. Colorado: *Academic Achievement* = B; *Workforce... Readiness* = B
7. Tennessee: *Academic Achievement* = D; *Workforce... Readiness* = F
8. Kentucky: *Academic Achievement* = D; *Workforce... Readiness* = D
9. Arizona: *Academic Achievement* = D; *Workforce... Readiness* = F
10. Florida: *Academic Achievement* = D; *Workforce... Readiness* = D

How can it be that these states with a pretty marginal to abysmal *Education Report Card* grade for “*post secondary and workforce readiness*” (except for North Carolina!) are the most attractive to large relocating businesses? Are you ready for this conclusion?

The states that attract headline generating big employers compensate for a public education system that miss the mark with workforce training programs that often times teach skills that should have been learned in school (that used to be taught in school) – at no cost to the new employers! Our tax dollars at work, producing results only after our initial education-focused tax dollars missed the mark.

### **What’s wrong with this picture?**

Ok. Let’s recap. We have a shortage of skilled workers in the industrial maintenance field. Our schools no longer teach these skills necessary for advanced manufacturing. Companies are beginning to move operations back from China and Mexico because of quality problems, skilled worker shortages, increasing wages, energy costs, raw materials shortages, and transportation delays and costs. Our manufacturing sector is the most competitive in the world, but we are losing manufacturing jobs. But, every manufacturing nation has lost manufacturing jobs because of productivity gains over the recent years. States spend huge sums of money (tax dollars) luring new businesses offering new jobs while doing nothing to keep the current employers and their employees competitive and productive: No incentives, no tax breaks, no tax credits, and no workforce training. Education in the U.S. ranks in the lower half of 131 nations... Are you ready for more?

These “top ten states with the best workforce training programs” generated nearly 30-percent of our Nation’s Gross Domestic Product (GDP) in 2007! The total GDP from these “top ten states” totaled \$3.8 trillion in 2007 – that is more than Germany’s (\$2.9 trillion) and a bit less than Japan’s (\$4.9 trillion). Impressive!

### **Wake up America!**

A perfect storm has been brewing. Now it is intensifying! And, the skills shortages reported in the industrialized regions of the U.S. are real. The Houston (Texas) Business Roundtable projects a 20,000 worker shortage for next year’s maintenance turnarounds along the heavily industrialized Ship Channel. Economically this should not be a problem: Texas has the second

largest GDP in America, comparable the all of Canada, the 10<sup>th</sup> largest in the world. We also have some of the largest untapped petroleum reserves right here in the northeast, upper Midwest, and offshore. But, despite the financially booming era for our nation's oil and gas industry they are having a difficult time finding skilled machinists, mechanics, rig hands, and engineers. Qualified workers in this shrinking pool are going for the highest bid in the U.S. and Canada. What's next?

### **Workforce training works!**

There is no doubt that workforce training works! It attracts new employers, it generates high quality jobs, and supports our communities. For example, for every job created in the new automotive industry plants cited above there are a minimum of 4 well paying supplier jobs created in the community and the region. Not too shabby.

So, why don't our educators, our politicians, our legislators, and our governmental agencies realize how competitive and how productive our Nation and our communities could be if they began "workforce training" in our schools? Why don't they have "vocational, technical, and career education" curricula that address the needs of business and industry? Why do they assume that every child is left behind if they are not on a college bound track? Why do they miss the point that a one- and two-year post secondary tech school is also "college?" Why do they fail to recognize the fact that half of us learn by doing things as part of our education rather than by academic studies? Why spend tax dollars twice for the same results: Educating our population for life, for jobs, for a career?

Why spend money recruiting new businesses and little or no money making our current businesses competitive with "training for continuous improvement" incentives?

In 1983 the U.S. Department of Education published a letter pointing out that "we are a nation at risk" because of the shortcomings of our educational system. We also heard about the "forgotten half" of high school students who were not being offered the kind of vocational-technical career education learning experiences that they could benefit from the rather than academic studies. The Global Competitiveness Report cited last month in this column points to the weaknesses in our educational and governmental systems.

Let's take this message to our business leaders, our politicians, our legislators, and our educators. Let's get our education and training programs aligned with the needs of our Nation, our businesses, and our industries. It all begins with you, our readers, in your plants and in your communities.

(1) National Climatic Data Center, <http://www.ncdc.noaa.gov/oa/satellite/satelliteseye/cyclones/pfctstorm91/pfctstorm.html>

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