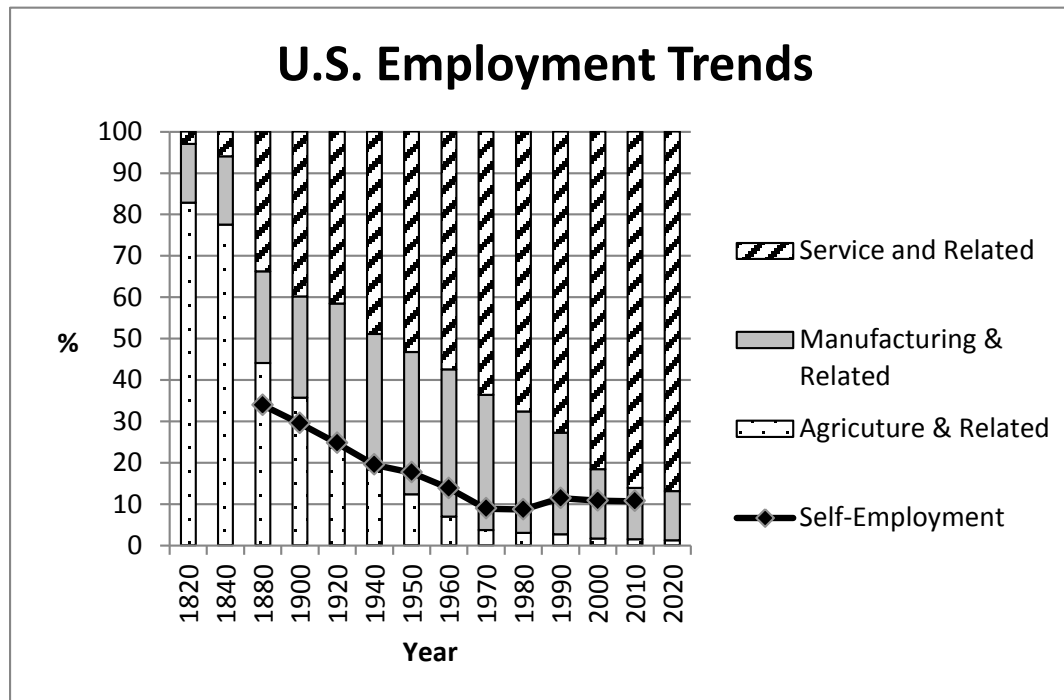


Workforce Trends

The following figure from *How to Build a Nontraditional Career Path* provides insights into U.S. sector and self-employment trends.



Source: *How to Build a Nontraditional Career Path: Embracing Economic Disruption*, Ron Elsdon (Praeger, 2014).

The bars show the percentage of the workforce employed in the agriculture and related sectors, the manufacturing and related sectors, and the service and related sectors from 1820 to 2010, as well as a projection for 2020. The service and related sector contains a wide range of service-providing activities such as retail, health-care, hospitality, education, and professional services. Growing efficiency in agricultural production led to employment in the agriculture sector falling from 83 percent of the labor force in 1820 to 1.6 percent in 2010. Employment in the manufacturing and related sector grew until the early 1960s as the Industrial Revolution continued to cascade down through the years. However, by 2010 manufacturing and related areas only accounted for about 12 percent of employment, which is about a third of the percentage in 1960.

In the period from the 1870s to 1900, about one-third of people in the U.S. workforce were self-employed, largely as farmers, as shown by the line in the figure. However, by 1970 only about 9 percent of people in the U.S. workforce were self-employed, with a reduction of the number of people self-employed in farming contributing to this drop. There appears to have been a slight increase since then, with self-employment accounting for about 11 percent of the U.S. workforce in 2010, though some of the variations in self-employment since the 1960s are artifacts of the survey process used to gather the information and how people in incorporated entities were

included. Interestingly, the United States had the second lowest self-employment rate of twenty-one developed countries in 2007, and a proportionately low participation in small business activity. The authors of one study, John Schmitt and Nathan Lane, speculate that lack of access to universal health care in the United States (bedeviled by a high-cost, marginally effective, largely private approach, as pointed out by Deborah LeVeen in *Business Behaving Well*) has been a significant deterrent to entrepreneurial activity. The Affordable Care Act of 2010 is an important first step in addressing this by providing ready access to healthcare insurance regardless of preexisting conditions (a basic right in other developed countries).

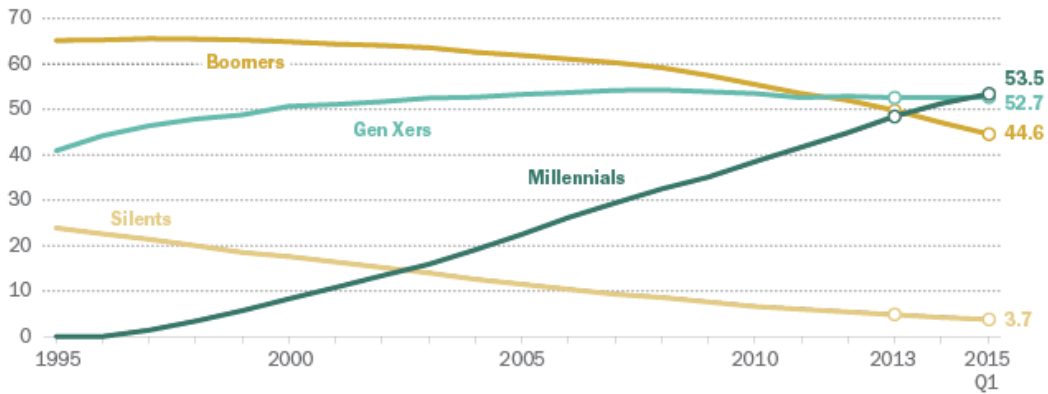
The rate of business creation, entrepreneurial activity, in the United States was relatively stable between 1996 and 2012, showing a slight increase in 2009 and 2010 before returning to pre-recession levels. However, one measure of entrepreneurial climate (based on access to funding, entrepreneurship culture, taxes and regulation, education and training, and coordinated support) in 2013, based on a combination of survey feedback from more than fifteen hundred entrepreneurs across nineteen countries and the European Union, and quantitative country data based on entrepreneurial conditions, shows the United States at the top on this index, which speaks to the opportunity for adopting a nontraditional career path. Another study shows that more than 43 percent of Americans believe there are good opportunities for entrepreneurship around them, and 56 percent believe that they have the capabilities to start a business.

Momentous changes in the nature of work over the past two hundred years accompanied our economic evolution from an agriculturally based economy, through a manufacturing oriented economy, to today's information and service based economy. Our concept of work defined as being an employee in an organization is rooted in that manufacturing economy, which was dominated by large organizations with access to capital needed to operate and succeed. However, in today's economy, and that of the foreseeable future, information and services dominate. This changes the nature of work so that capital and scale are not the primary economic drivers, just as land ceased to be the primary economic factor after the transition from an agricultural economy. In an information- and service -based economy, human ingenuity and the capability to deliver effective services dominate. So it is not surprising that, after declining for more than seventy years, self-employment leveled off by the early 1970s, and it is poised to increase. By June 2013 there were almost fifteen million people identified as self-employed in the United States. Another study shows that in 2013, 40 percent of people in the U.S. workforce aged twenty-one and older have worked in a nontraditional capacity (at least fifteen hours per week) at one time during their career. This is projected to increase to about 50 percent by 2020. Further measures show most job growth coming from self-employment between 2000 and 2011, a trend reinforced by continued growth in small business activity.

Significant generational shifts are occurring. Millennials have now surpassed Generation X, as the largest generational cohort in the U.S. workforce as shown in the following figure:

U.S. Labor Force by Generation, 1995-2015

In millions



Note: Annual averages plotted 1995-2014. For 2015 the first quarter average of 2015 is shown. Due to data limitations, Silent generation is overestimated from 2008-2015.

Source: Pew Research Center tabulations of monthly 1995-2015 Current Population Surveys, Integrated Public Use Microdata Series (IPUMS)

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Source: Pew Research Center, Millennials surpass Gen Xers as the largest generation in the labor force, May 11, 2015

As this generational shift takes place, we have seen a continued decline in the unemployment rate, accompanied by an increase in the job openings rate, as shown in the following figures:

Chart 1. Unemployment rate, seasonally adjusted, June 2013 – June 2015

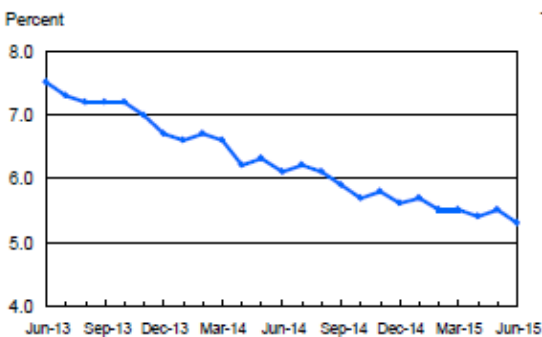
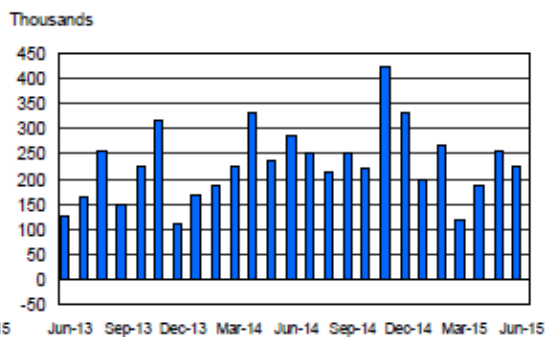


Chart 2. Nonfarm payroll employment over-the-month change, seasonally adjusted, June 2013 – June 2015



Source: BLS, News Release, The Employment Situation – June 2015

Chart 1. Job openings rate, seasonally adjusted, June 2012 - May 2015

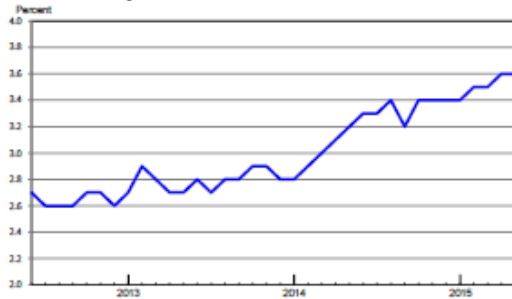
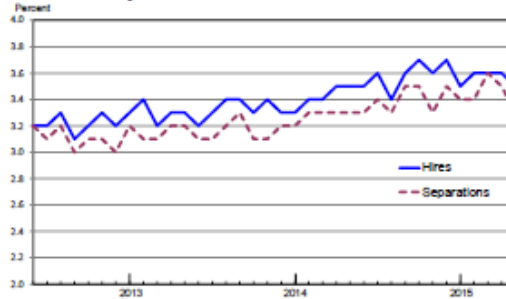
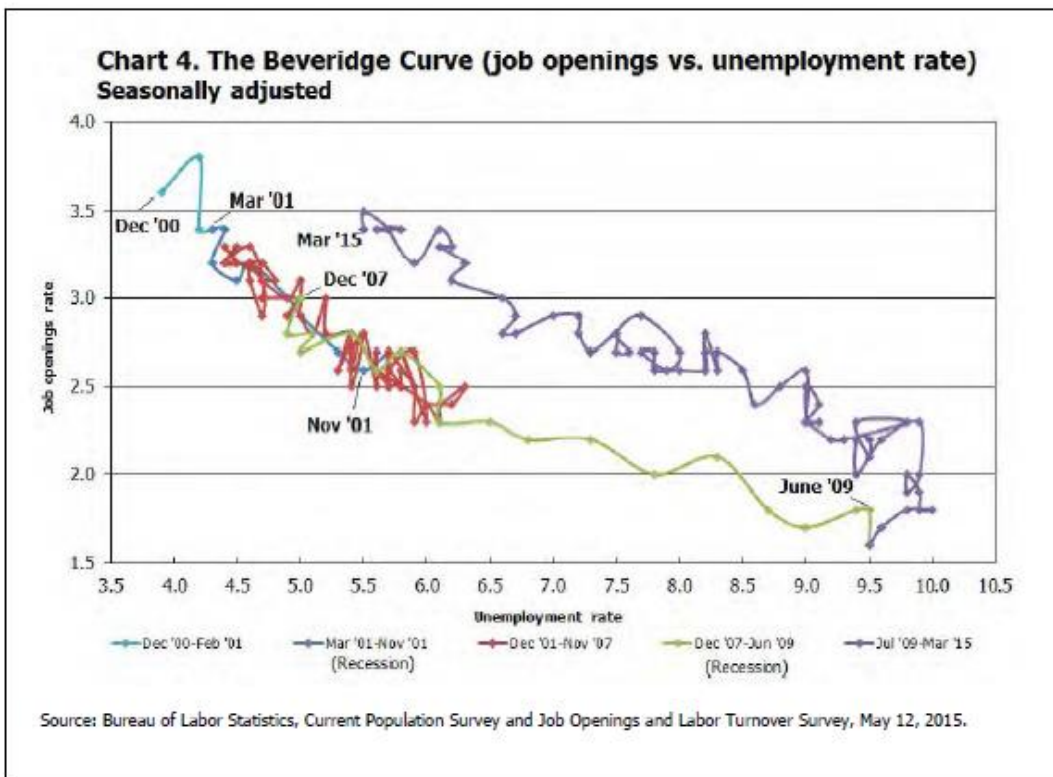


Chart 2. Hires and total separations rates, seasonally adjusted, June 2012 - May 2015



Source: BLS, News Release: Job Openings and Labor Turnover – May 2015

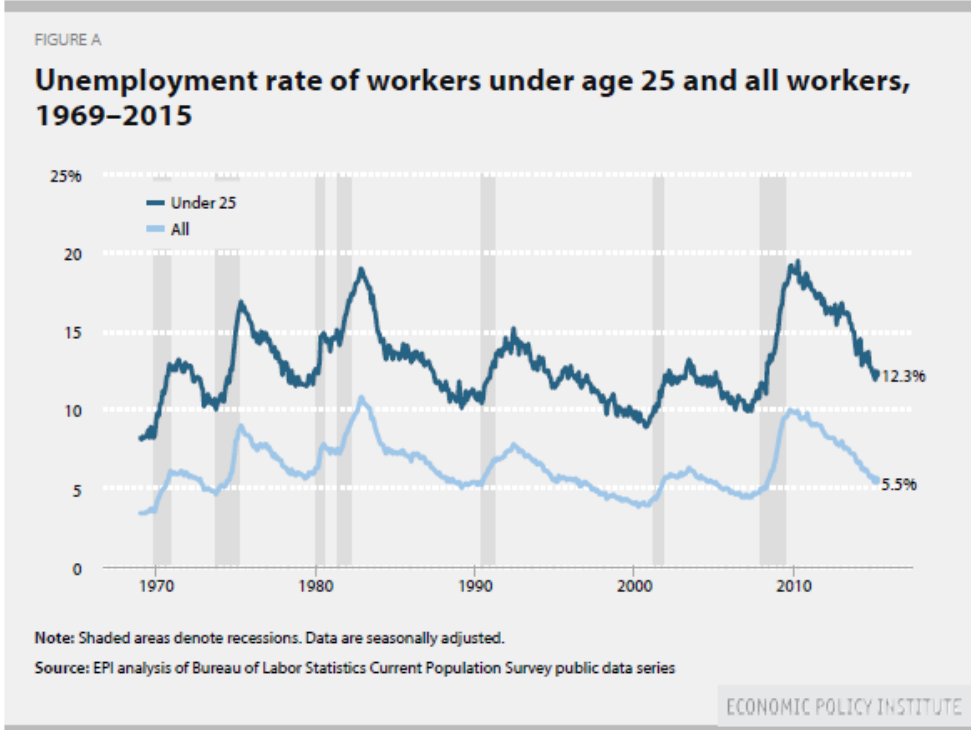
However, the Beveridge curve, which charts the relationship between job openings and unemployment, indicates the likelihood of a recent structural shift leading to disproportionately high unemployment rates. The unemployment rate corresponding to the March 2015 job openings rate would have been below 4.5% in the past rather than at an actual level of 5.5%, as shown in the following figure:



Source: Bureau of Labor Statistics, Current Population Survey and Job Openings and Labor Turnover Survey, May 12, 2015.

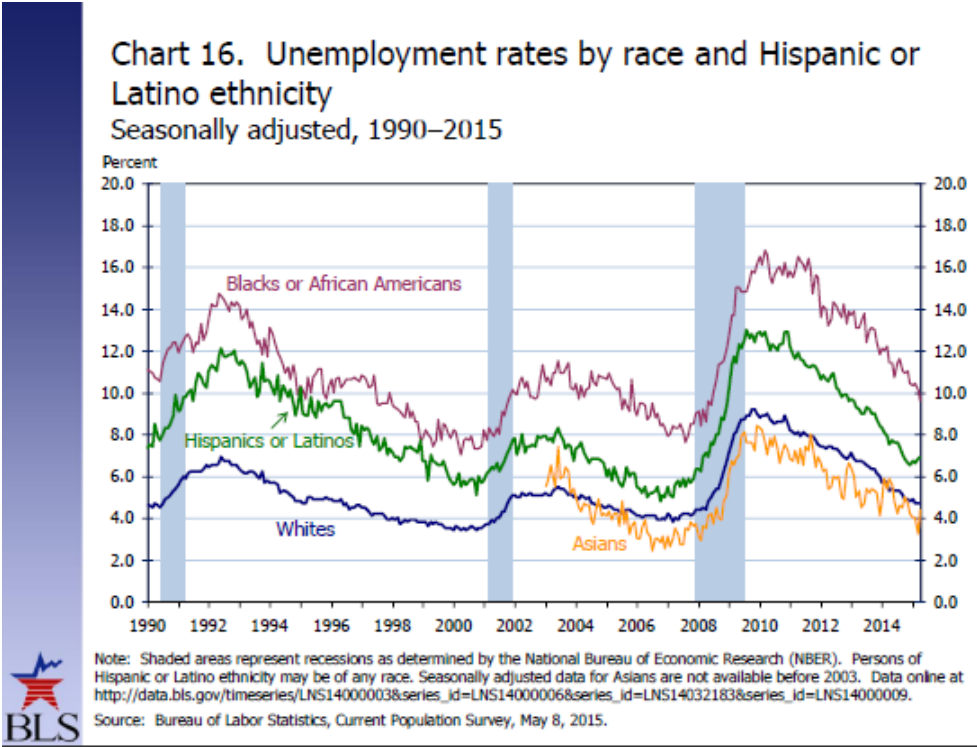
Source: BLS, Job Openings and Labor Turnover Survey Highlights March 2015, May 12, 2015

Those under age 25 face a particularly high unemployment rate, as shown in the following figure:



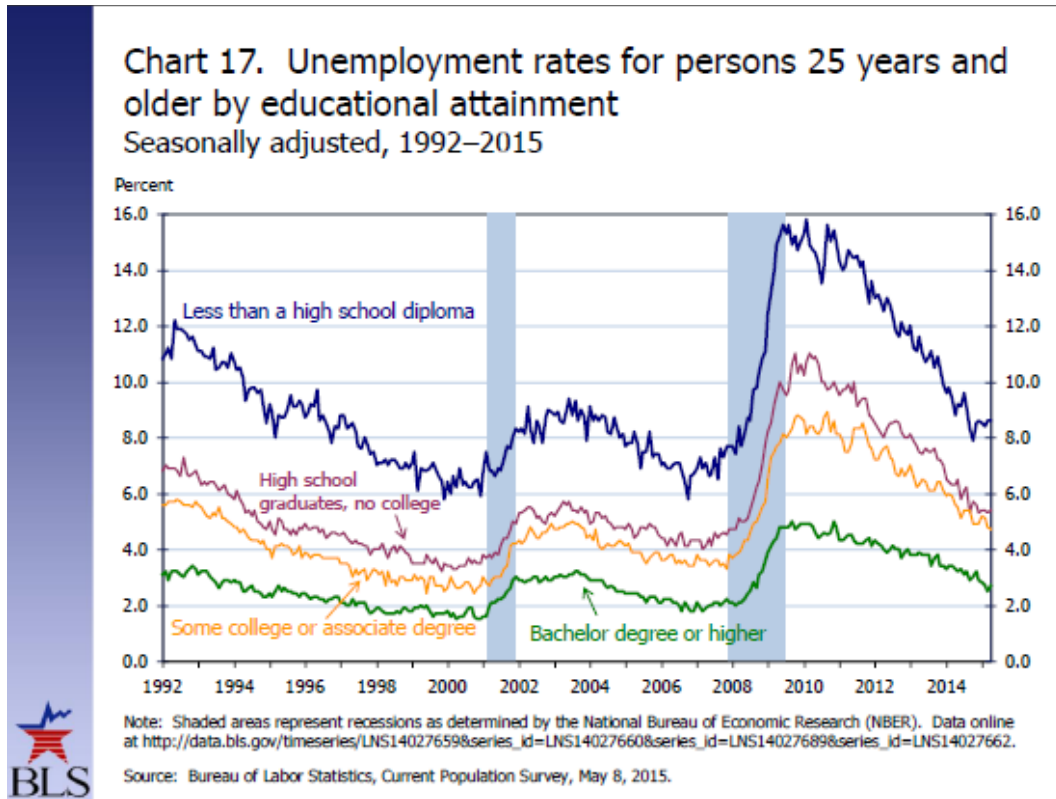
Source: EPI, Briefing Paper, The Class of 2015, Despite an Improving Economy, Young Grads Still Face an Uphill Climb, May 27, 2015

As do African Americans and Latinos, as shown in the following figure:



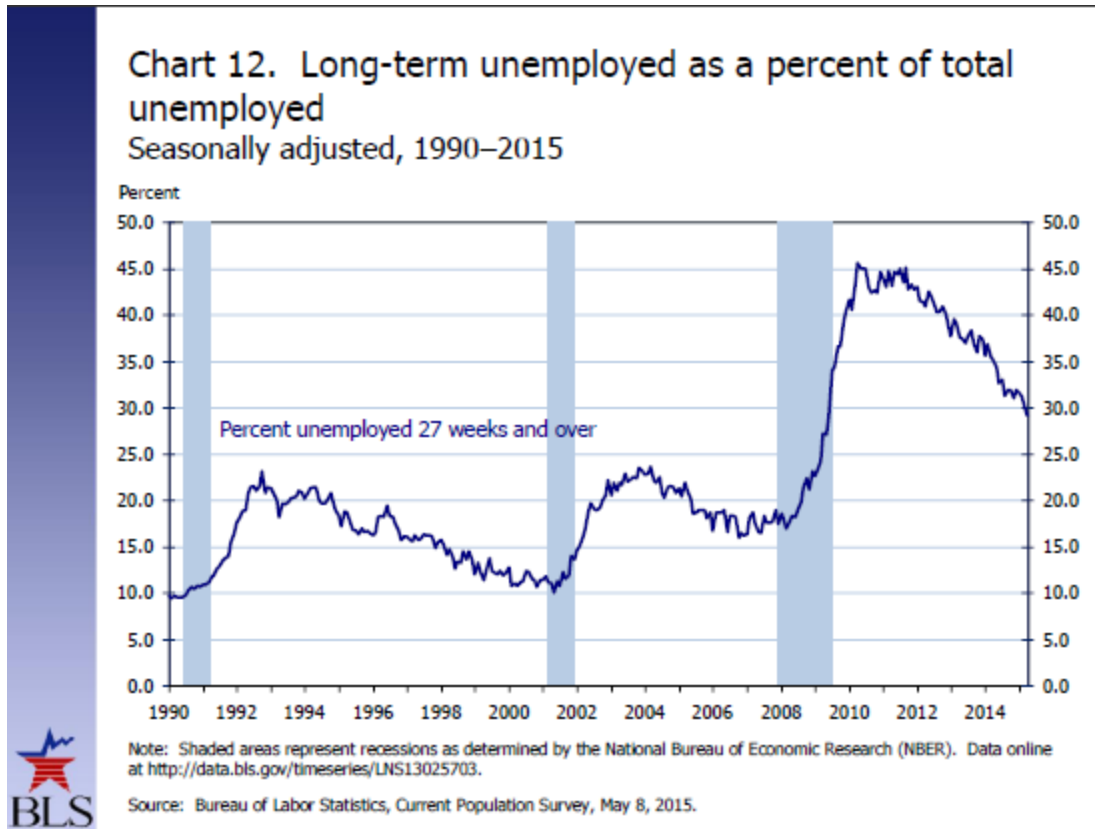
Source: BLS, Charting the Labor Market: Data from the Current Population Survey (CPS), May 8, 2015

And those with less than a high school diploma, as shown in the following figure:



Source: BLS, Charting the Labor Market: Data from the Current Population Survey (CPS), May 8, 2015

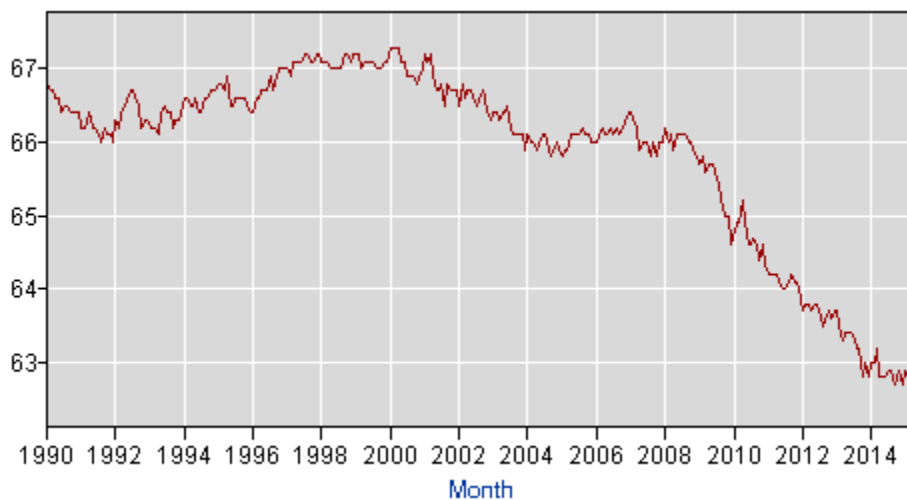
Furthermore the percentage of those unemployed 27 weeks or more is still disproportionately high, as shown in the following figure:



Source: BLS, Charting the Labor Market: Data from the Current Population Survey (CPS), May 8, 2015

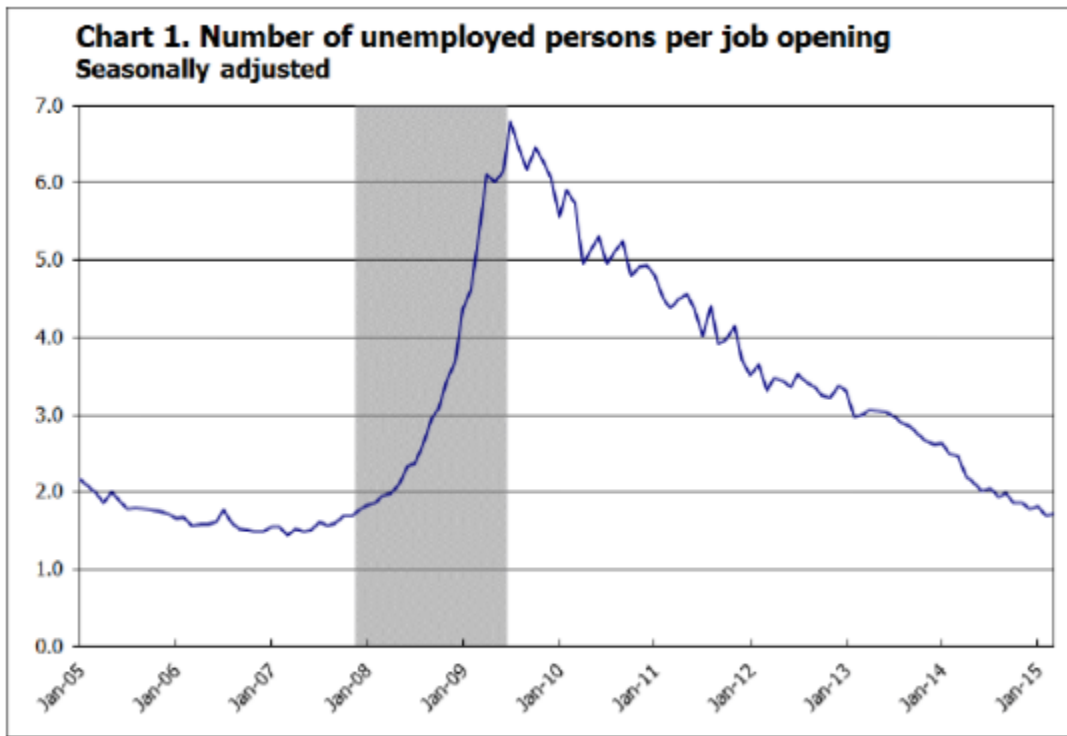
The labor force participation rate has dropped significantly, as shown in the following figure:

Civilian labor force participation rate (16 years and over), %, 1990 - June 2015, Seasonally Adjusted



Source: BLS, Current Population Survey, July 2, 2015

The number of those unemployed per job opening has now fallen to pre-recession levels, as shown in the following figure:

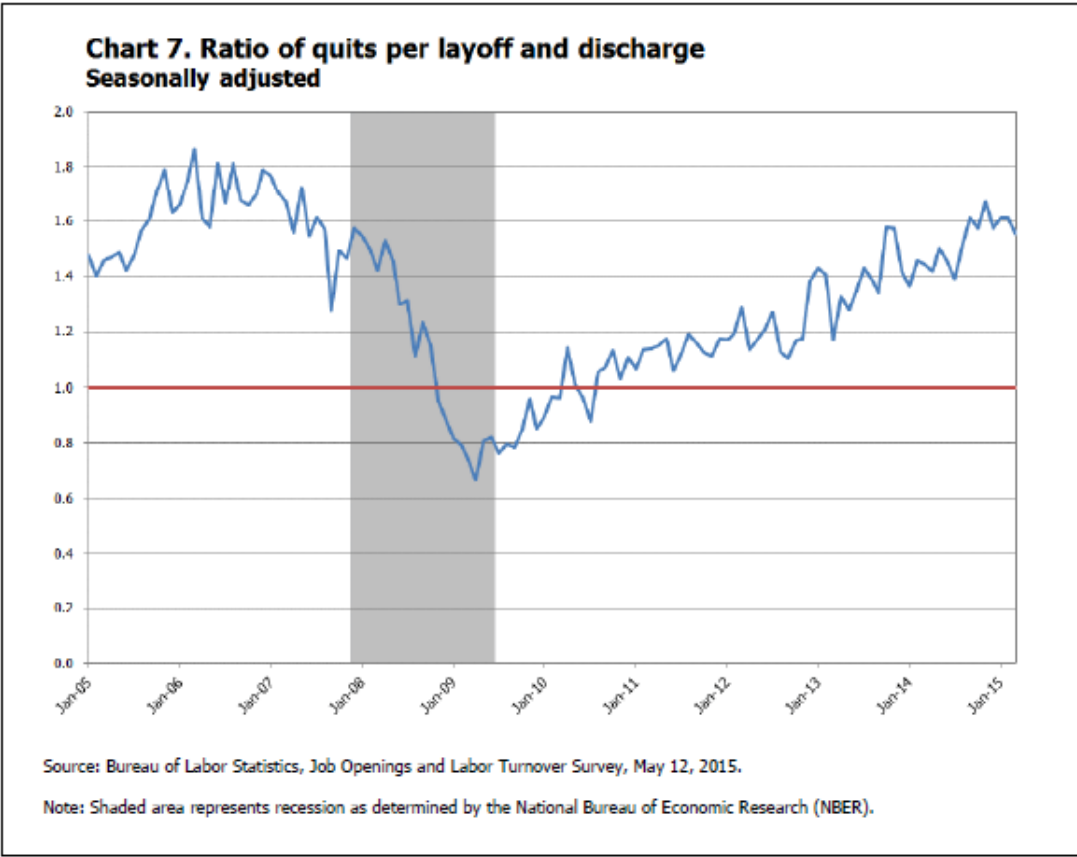


Source: Bureau of Labor Statistics, Current Population Survey and Job Openings and Labor Turnover Survey, May 12, 2015.

Note: Shaded area represents recession as determined by the National Bureau of Economic Research (NBER).

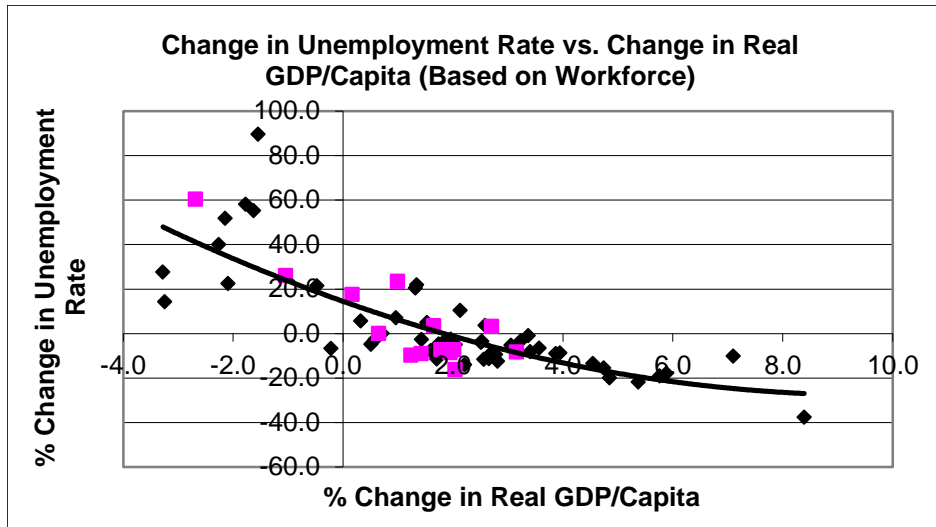
Source: BLS, Job Openings and Labor Turnover Survey Highlights March 2015, May 12, 2015

Which is also reflected in quits significantly exceeding layoffs and discharges, as people gain confidence in their ability to secure new positions or pursue self-employment, as shown in the following figure:



Source: BLS, Job Openings and Labor Turnover Survey Highlights March 2015, May 12, 2015

The relationship between changing unemployment rate and changes in GDP per capita, which we first observed in *Affiliation in the Workplace* for the period from 1947 to 2000 in the United States, has continued to hold. The following figure shows that more recent 2001 to 2014 data (the square, purple data points using real GDP expressed in 2009 dollars) follow the same trend as the original 1947 to 2000 data (the diamond, black data points with the associated trend line, also using real GDP expressed in 2009 dollars).



Source: Updated from *Affiliation in the Workplace: Value Creation in the New Organization*, Ron Elsdon (Praeger, 2003)

The figure shows that as GDP growth rate strengthens the change in unemployment rate shifts from an increase to a decrease. In 2015, GDP contracted in the first quarter. While GDP will likely grow over the full year, both the rate of GDP growth and the likelihood of continued strong job growth for the balance of the year and in the future, are uncertain. Such mixed signals, coupled with an awareness of the need and opportunity to take charge of our own destiny, speak to the growing appeal of nontraditional career paths.

Parts of this article are extracted from *How to Build a Nontraditional Career Path: Embracing Economic Disruption*, Ron Elsdon (Praeger, 2014), and from *Affiliation in the Workplace: Value Creation in the New Organization*, Ron Elsdon (Praeger, 2003).