The Baby Boom Bust: A Boon for the Information Business?

John F. McLaughlin
Executive Director

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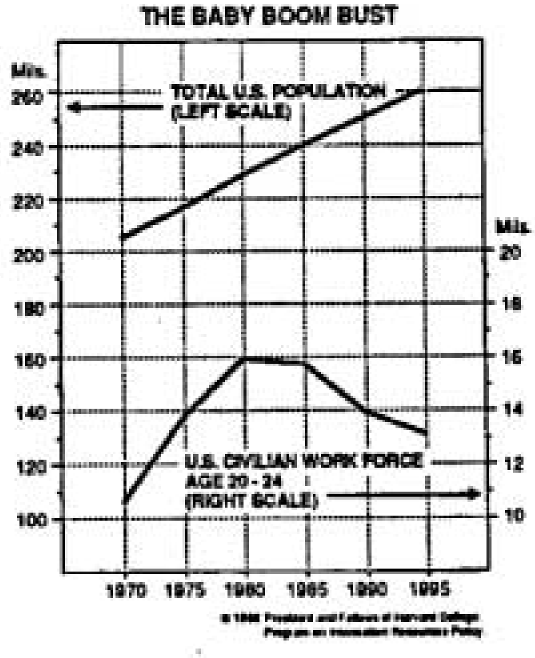
American businesses are beginning to feel the impact of the "baby boom bust" as the number of 20- to 24-year olds in the work force drops by 17% between 1985 and 1995. Businesses that have depended upon workers in this category will have to re-intensify efforts to automate their operations. Even businesses that do not rely on this segment of the work force may have problems as other employers begin to bid up the market in other labor sectors. And for businesses that sell information products and services, the baby boom bust may represent a decade of extraordinary opportunities to develop new markets. This issue of *Perspectives* focuses on the baby boom bust and its implications for American businesses.

Boom and Bust

The "baby boom" -- that explosive growth in U.S. population between 1948 and 1964 -- eventually gave way to a "baby boom bust" as birth rates plummeted in the 1960s and early 1970s. The adjoining figure shows the actual and projected growth of the total U.S. population between 1970 and 1995, compared to the actual and projected growth of the U.S. work force, ages 20 to 24, for the same period. The latter curve depicts the leading edge of the baby boom bust; the dramatic decline in this portion of the work force between 1985 and 1995 is a demographic phenomenon that presents major problems and major opportunities for a host of businesses.

THE BABY BOOM BUST



The U.S. has congratulated itself, probably rightly so, for its ability to absorb a rapidly expanding work force in the past two decades. This expansion was driven by both the increase in the number of males generated by the baby boom and the number of females electing to enter the labor force. (Between 1970 and 1985 the number of 20- to

24-year-old females in the work force increased from 58% to 72% of the total number of females in that age group.) Given the current decline of people in this segment, the U.S. economy faces a new challenge.

(While the figures used in this discussion are for the U.S., the same general trends hold true for most OECD nations. Some arrive at the same point sooner or later than the U.S. The object lessons should be similar, adjusted for national conditions.)

Problems?

Summer of 1987 in New England provided some early evidence of the problems involved. During the past few years most New England states have been operating at a level which some economists might describe as "negative unemployment." Massachusetts, for example, posted a 3.2% unemployment rate for 1987. The results of this phenomenon first became obvious in those industries that depend most heavily on the younger work cohort. "Fast food" franchises, discount merchandisers, resort area hotels and restaurants, and many other businesses started to lose customers because they could not recruit employees to provide service. The same "fast food" places that once took pride in serving customers within three minutes looked less attractive when their half-staffed establishments took 15 minutes to fill a simple order.

Wages soared. Burger King and McDonald's were offering $6.00 an hour, compared to $4.00 two years ago. (The process proceeds: I saw an ad in late November offering $7.00 for trained cashiers.) A major discount chain has advanced its plans by two years for automating check-out counters because it could not hire sufficient clerks this summer. At least 100 stores and restaurants in Harvard Square display "Help Wanted" signs continuously. Many seasonal hotels and restaurants had to close before Labor Day as their employees departed for college; municipal swimming pools shut down ahead of schedule because there were not enough life guards available.

A Broader and Deeper Problem

While low general unemployment rates have caused the baby boom bust problem to surface earlier in New England, census data show it rapidly will become nationwide. The sheer number of young workers is dropping dramatically, but the composition of the work force is changing, too. An increasing proportion is black, Hispanic, and foreign born -- the "educationally disadvantaged" products of inner city schools. Thus employers who have relied upon young, entry-level workers are confronted increasingly with problems of recruitment, training, and wage competition.

The problem applies to a wide spectrum of jobs. Retailers and fast food outlets may be the first victims, but in the widely touted "service society," everyone will feel the impact. Law firms may continue to fill their quotas for new associates from prestigious law schools, but qualified paralegals and secretaries will be increasingly scarce. Qualified nurses and teachers are difficult to find today, a situation which will become critical in future years. Competent auto mechanics, plumbers, and carpenters have been in short supply for years; a recent *Wall Street Journal* article described the efforts of firms in Connecticut to recruit trained machinists in Ohio and Michigan. And last, but not least, where will the U.S. military find the millions of bodies required to meet world-wide commitments?

If your enterprise has come to rely on a steady inflow of young workers, you have problems ahead. Even if you do not rely on this segment of the work force, you have problems as, other industries that need lots of people begin to bid for your employees.

Information Technologies to the Rescue

Businesses that rely upon young workers can seek solutions to the emerging crisis in many directions. New York and Boston businesses have been working with local public school systems to increase the number of young workers with the skills necessary for today's jobs. High technology companies have been recruiting ever-increasing numbers of engineers from overseas. Even Cape Cod hoteliers and restaurateurs are petitioning to import hundreds of young workers from Ireland to cope with next summer's tourist season. Public policymakers may act to improve the supply side of the labor equation. For many businesses, however, the most promising solution to the problem resides in re-intensifying their efforts to automate their current operations.

I am told that people in the old Bell System once calculated that given historical trends everyone in the world would be a telephone operator by the year 2000. Direct Digit Dialing was AT&T's response. In the absence of Automated Teller Machines (ATMs), we would probably be facing the same problem with bank tellers today. Who knows how many reservation clerks would be required to support today's air traveling public, if Sabre, Apollo, and other computerized reservation systems were not in place already?

Opportunities?

As the Direct Digit Dialing and ATM cases illustrate, information technologies can help to cope with looming labor problems. We could name dozens of other examples ranging from PC spreadsheets to POS systems in supermarkets. Even the military establishment learns: The battleship *USS New Jersey* today carries one-third of the crew that it did in 1945 while delivering far greater fire-power. Information technologies can help.

If I were in the business of selling information systems or information services, I would spend a lot of time looking at which industries and which companies have relied heavily on entry-level workers. Then I would try to market solutions to the problems they are bound to face in the next decade. Look around you as you shop and travel. Think about market opportunities the next time you complain about long waits, incompetent help, or surly service. Every one of your complaints is describing an opportunity for your company.

There will be market opportunities, galore, if you can think of them before your competition.

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