

The New Economy: Rich And Poor With Fewer In the Middle

By: Roger Ingbretsen

The current recession will end, business will slowly come back, but our communities will live with the problems the recession has caused for a long time. Some economists believe we are entering an "hourglass economy," where both jobs and wages will be more focused at the top and bottom. This will lead to a decline of the middle class, which has been the economic engine of our economy. This will reshape families, lives and communities across the Nation.

Here is a list of "Ten Factors" shaping our new US economy.

1. We now live in a global economy with jobs moving to where products can be produced at the lowest cost. That fact will not change in the near future and in fact may never change in the global economy.
2. Our US economy was based on high consumer consumption. With little savings and discretionary money in the hands of the middle class, spending by consumers has slowed. This has driven down production of both goods and services resulting in fewer middle-income jobs.
3. The middle class is shrinking mainly because industrial labor-intensive jobs are on the decline. Also, automation has replaced many "shovel ready" jobs, which employed many people at a living wage. Even the white-collar managerial and professional jobs have been in decline as a result of automation and cuts in mid-level management.
4. Very few workers are completing a lifetime of employment in the same occupation with the same company and a good retirement check. Many workers must now continually shift jobs, companies, and even retrain for a new occupation. This is the new normal.
5. Many retailers are now shifting concentration of sales from the middle class consumers to those who have high incomes and can afford the luxury products and to those who have low incomes and can only afford the cheapest products and services.
6. A class divide is now driving our political process. Tax the haves and provide government assistance to the have-not's with the middle class being caught somewhere in the middle. With the slow disappearance of the "self-reliant middle class," which was the main driver of our capitalistic system, a more depended culture is beginning to emerge which is being supported by a socialistic leaning government.

7. With ten thousand baby boomers retiring daily, both money and intellectual capital is shifting away from mainly middle class working jobs to retirement communities. This is bad for many present day job centric cities and communities and good especially for the sun-belt retirement communities.

8. Many young people are now moving back home because they are not prepared for the new economy. Many do not have an understanding about what are the sunset jobs (those going away) and the sunrise jobs (those starting to grow into new opportunities). Additionally, most young people are still being educated for careers in our disappearing economy, rather than being prepared for a world of life-long learning required by the new economy.

9. In an attempt to be able to quickly react to changing economic conditions, companies are tightly controlling fixed costs by restricting the number of full-time employees and relying on “flexing with conditions” with temporary help or outsourcing jobs to other companies. The number of temporary workers has risen by 50% over the last four years to 2.7 million. Rita Gunther McGrath, author of the book *The End of Competitive Advantage* notes that in retail, 15 years ago 70 percent of employees were permanent and 30 percent were temporary. Today it’s just the reverse.

10. Overall wealth of the middle class has taken a big hit for the last six years with a decline in retirement accounts, loss or devaluation of homes and continuing high unemployment or underemployment. Additionally, over the past 40 years the median wage (\$50,054.00, US Census 2011 report) has only increased 12 percent adjusted for inflation. This is a lot less buying power than the middle class experienced in the 20 years after WWII.

What each community must do to minimize the hourglass effect is determine what kinds of jobs are available and not available, attract companies that can add living wage jobs to fill in the gaps and use all educational assets to quickly train individuals for the available jobs. Some communities will be at the top of the hourglass with knowledge-based good paying jobs while others will be at the bottom of the hourglass with low-skill, low-wage jobs. The key is to begin to better understand the new economy and put in place actions both as individuals and communities to react to our new reality.

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