child care and the new economy

Part I — Three pillars of the new economy

by Roger Neugebauer

Late in 2008, when it was becoming apparent that the economic downturn was not a simple blip but a serious recession, Warren Buffet confidently predicted that the American economy would bounce back and be as strong as ever. However, he observed, "the economy that emerges will not be the same economy that entered the downturn."

Since then, one could hardly pick up a newspaper or a magazine without seeing another article in which economic gurus describe with great confidence what this 'New Economy' will look like. For this trend report I have waded through tons of these forecasts to cull out a few areas where there is high agreement. In this issue of *Exchange* I will present what I see as the three pillars of the new economy; and in the next issue, I will lean on trusted trend watchers in the early childhood field to foretell how child care will be fare in the new economy.

Before launching into the pillars bit, I will offer two disclaimers:

- First, one must note that many of the folks talking with great certainty about the new economy are the same folks who failed miserably to predict the current economic meltdown.
- Second, as I burrow through dozens of commentaries, I can't help but wonder if these articles are sometimes more about the future that the commentators want to happen than what they think will happen. I tend to be a bit skeptical when they forecast a world "where people live happy, productive lives in balance with one another and Earth. It is democratic and middle class without extremes of wealth or poverty. . . . Everyone has productive work and is respected for his or her contribution to the well-being of the community."

Pillar #1: Small is beautiful

Over the past two decades we witnessed the emergence of huge international conglomerates in every phase of business from finance to coffee shops. Giant companies triumphed, small home-grown companies were driven out of business — the Walmart® economy prospered. However, Chris Anderson observed in *Wired* magazine, "The era of the huge conglomerate is over. The future of business will be more start-ups, fewer giants, and infinite opportunity."

Although no prognosticators are forecasting the demise of the multi-nationals, most do look to the new growth and excitement to occur among the 'Fortune 50,000' instead of the Fortune 500. A number of reasons are cited:

Trust in big business is running out. *Harvard Business Review* (July / August, 2009) reports that "62% of adults in 20 countries trusted corporations less in December 2008 than they had a year earlier." Organizational guru Warren Bennis explains that "until recently, the yardstick used to evaluate the performance of American corporate leaders was relatively simple: the extent to which they created wealth for investors. . . . We won't be able to rebuild trust in institutions until leaders learn how to communicate honestly — and create organizations where that is the norm." On the other hand, people are inclined to place trust in small, local businesses.

Big corporations have lost their innovative edge.
In *Businessweek*, Michael Mandel observes that ". . . outside of a few high-profile areas, the past decade has seen far too few commercial innovations that can transform lives and move the economy forward . . . rather than being an era of rapid innovation, this has been an era of innovation interrupted."

Small organizations can be creative and nimble, whereas big corporations have become cumbersome and slow moving.
"Bigger firms are harder to run on cash flow alone, so they need more debt," observes Chris Anderson. "Bigger firms have to place bigger bets, but have less and less control over distribution and competition in an increasingly diverse marketplace. These bets get riskier and the payoffs lower."

Small organizations can leverage 'cloud technology.'
In the old days, corporations dominated because they controlled, as Karl Marx once noted, "the means of production." But in today's high tech world, even the smallest of companies can tap into the most sophisticated business tools on the Internet (Hamm). You no longer need a fortune to have access to cutting-edge information and technology.

Small organizations can grow using social capital.
Tweeter. Facebook. YouTube. Flickr. MySpace. LinkedIn. Dig. Boing Boing. Google. Bing. To babyboomers such as myself, these are scary terms — almost as scary as riding skateboards or piercing one's tongue. And, as much as we would like to think of them as fads we can ignore, the fact is, they are the way of the future.

Internet expert, Tara Hunt, observes that the old economy was built on monetary capital: "When you had money, you could buy more advertising, which was influential . . . because you could reach a wider audience than word of mouth." Without money, you could not grow.

But the new economy is built on social capital — relationships, connections, reputation. By building connections with customers, deepening these relationships, and developing a reputation, you are building your social capital. Once you have social capital in the bank, monetary capital starts to flow. Certainly those with money can still buy their way in front of people on the Internet. But to build long-lasting connections and relationships, you need to think of giving, not promoting. When you give something away over the Internet — ideas, photos, news, advice — your reputation spreads and your social capital grows. Businesses that succeed in the future will be those who understand the power of social networking.

Pillar #2: The workforce — not your father's Oldsmobile

For decades the face of the American workforce has been changing — aging, diversifying, and breaking old patterns. All of these workforce trends will have a profound impact on shaping the new economy:

The disappearing career track.
In her *Wall Street Journal* column, Sue Shellenbarger recently observed, "The recession is driving home a bitter truth about the 21st Century job market: A tidy, linear path to a secure career is increasingly hard to find. . . . Careers wax and wane faster than they used to." Making the same point, a *Forbes* editor opined: "Today, a permanent job is a temporary job disguised with benefits."

Declaring independence.
Sara Horowitz noted: "Creativity and independence are fundamental elements in America's history and character — and independent workers now make up 30% of the workforce. There are an estimated 42.6 million of them in the U.S., and the number is steadily growing. They are freelancers, independent contractors, consultants, part-timers, contingent employees, and the self-employed. Their rapid increase has undeniably led to a reinvention of the country's labor market" (Horowitz).

Stay-at-home workers.
As we entered the 21st Century, 24 million Americans worked out of their homes, either part time or full time (Penn). And, while it is not yet clear how the recession is impacting this trend, it can be said that advances in communication technology are making conditions for working at home more favorable all the time. But working at home is not embraced across the board: A higher percentage of women work at home than do men; four out of five who work at home are white; they tend to be higher educated than the on-site work force; and most work in managerial and professional jobs (Penn).

The melting pot cools off.
According to the U.S. Census Bureau, "The United States is evolving from a predominantly white, European population to one that is increasingly diverse, in which people of color represent a growing share. The minority population numbered nearly 70 million in 1995, about one in four Americans. By the middle of the 21st century, however, the size of the 'minority' population should just about equal that of the non-Hispanic white population" (Pollard).

This trend is well known, but an interesting sub-trend is the persistent presence of non-English speakers. Mark Penn has pointed out, ". . . ironically in an era when the world's lingua franca is overwhelmingly English, there are a skyrocketing number of people in America who not only have limited proficiency in English, but who live in households where *no one* speaks English very well. The U.S. Census calls these households 'linguistically isolated,' and the number living in them has shot up in recent years by more than 50 percent, to nearly 12 million people. That's one in 25 U.S. households" (Penn).

Here come the Millennials.
Aaron Green reports: "They're outgoing, technologically skilled, and they love a challenge. They've got a reputation for being spoiled and demanding. They are the millennials . . . and they

are the future leaders of our institutions and businesses. Roughly defined as the population born between 1980 and 1995, with about 80 million members (a group larger than baby boomers), this generation of Americans will have an enormous impact on the future landscape of the workforce" (Green). Green goes on to note these characteristics of millennials:

- "As the first generation to grow up learning computers along with the alphabet, technology comes naturally to millennials . . . "
- " . . . millennials are superior team players."
- "[Millennials] want to be part of a community at work not only to socialize, but also to help each other out."
- "Having diverse social circles and networks is second nature to millennials."
- "In addition to desiring the freedom and flexibility of virtual offices, many millennials also want to forego inflexible long hours and spend time outside of work focusing on their personal lives."
- "[Millennials] place a priority on social responsibility . . . [and] want to work for an organization that is socially responsible and aware."

There go the baby boomers.
For the past six decades, my age cohort, the baby boomers, has had a profound impact on every aspect of American society — education, politics, music, fashion, work, advertising, you name it. Now as we start turning into geezers, we will have new impacts in terms of strains on medical and retirement systems as well as on the organizations we are retiring from.

Scott Reeves spells out what is happening: "About 76 million baby boomers, or those born between 1946 and 1964, are set to retire in large numbers by the end of the decade. Boomers make up about one-third of the U.S. workforce, and there aren't enough younger workers to replace them. Labor shortages in key industries will force a radical rethinking of recruitment, retention, flexible work schedules, and retirement."

Pillar #3: The value-conscious consumer

In 1899, economist, Thorstein Veblem introduced the term 'conspicuous consumption.' For over a century, this behavior, "the lavish spending on goods and services acquired mainly for the purpose of displaying income or wealth," has kept our economy going and growing. It was nigh on to patriotic to buy a bigger house, a faster car, a hotter wardrobe, than you in fact really needed.

With this latest downturn, economists are predicting that this will (should) change . . .

- "We need to make thrift a fundamental value, to make conspicuous consumption a thing of the past, and return to the days when things were useful and made to last" (Korten).
- "Our research among more affluent consumers has revealed mounting dissatisfaction with excessive consumption. Many desire a more wholesome and less wasteful life. They're recycling more, buying used goods, and imbuing their children with traditional values — behaviors that dovetail with the growing demand for simplicity and a solid, though currently slowing, interest in green consumerism" (Flatters).
- "You don't have to be a futurist to foresee that in the coming new economy just about everyone in the private sector, from consumers to financiers, will be looking to get the most they can for their dollars. You can sum the situation up in two words: 'value rules'" (Grier).
- "So putting the global economy onto a more sustainable path will require dealing with the imbalances between China and the United States. In the broadest terms, this will mean that Americans must consume less and that the Chinese must consume more" (Leonhardt).

The bottom line

I have laid out three defining characteristics, pillars, of the new economy. I am firmly convinced that the first two pillars describe changes that are going to happen — although not overnight. However, I am not so sure about pillar #3.

The predictions about the rise of more thoughtful, value-oriented, green-conscious consumers has widespread support and appears, on the surface, to derive from sound logic (and research). However, as you read these predictions, think back to the early 1970s when the 'oil crisis' hit. People were forced to devote huge chunks of their weeks to waiting in line to get gas; and they were putting their Christmas decorations in mothballs to save energy. At the time, everyone from President Carter on down, talked about how we would emerge with a new energy conscious way of life. However, it only took a few years of plentiful oil before people were lining up to buy SUVs and putting plans for wind and solar power on the back burner.

Despite the preponderance of evidence to the contrary, I think once relative prosperity returns, Americans will go back to their wasteful ways. It has been pointed out how the Great Depression of the 1930s turned an entire generation of Americans into tightwads who saved plastic bags and darned socks. But the Great Depression was more severe and lasted from

1929 until 1941. So a whole generation spent most of their childhoods under duress. By comparison, the current recession, with the exception of families who have lost their houses or the income of their breadwinners, is a mere blip in time, an inconvenience which will soon be forgotten with few values changed or habits altered. Veblen lives!

The impact on child care

In Part II of this trend report I will examine how child care will fare in the new economy. For this I will look for wisdom to industry trend watchers — people such as yourself. In other words I need your help in looking ahead. With great sincerity I invite you, I implore you, to share your views on the future of our profession. To provide your insights go to www.ChildCareExchange.com/neweconomy. Then sit back and enjoy your 15 minutes of fame.

References

Anderson, C. (June 2009). "The New Economy." *Wired*.

Bennis, W., & O'Toole, J. (June 2009). "What's Needed Next: A Culture of Candor." *Harvard Business Review*.

Flatters, P., & Willmott, M. (July/August, 2009). "Understanding the Post-Recession Consumer." *Harvard Business Review*.

Grier, P. (2009). "10 Ways the New Economy Will Look Different." *The Christian Science Monitor*, April 10, 2009.

Hamm, S. (2009). "Cloud Computing's Big Bang for Business." *Businessweek*, June 15, 2009.

Horowitz, S. (2009). "The New Labor Force Is Out On Its Own." *Forbes*, June 9, 2009.

Hunt, T. (2009). *The Whuffie Factor: Using the Power of Social Networks to Build Your Business*. New York: Crown Business.

Korten, D. (2009). "Why This Crisis May Be Our Best Chance to Build a New Economy." *Yes!*, Summer, 2009.

Leonhardt, D. (2009). "The China Puzzle." *New York Times Magazine*, May 17, 2009.

Mandel, M. (2009). "Innovation Interrupted." *Businessweek*, June 15, 2009.

Penn, M. (2007). *Microtrends: The Small Forces behind Tomorrow's Big Changes*. New York: Hachette Book Group.

Pollard, K. M. (1996). "Increasing Diversity of U.S. Population." *Statistical Bulletin*, July, 1996.

Reeves, S. (2005). Aging Workforce's Effect On U.S. Employers. Forbes.com, September 29, 2005.

Shellenbarger, S. (2009). "Raising Kids Who Can Thrive Amid Chaos in Their Careers." *Wall Street Journal*, June 10, 2009.

Veblen, T. (2008). *The Theory of the Leisure Class*. New York: Oxford Books.