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The Peoplelink Online Newsletter

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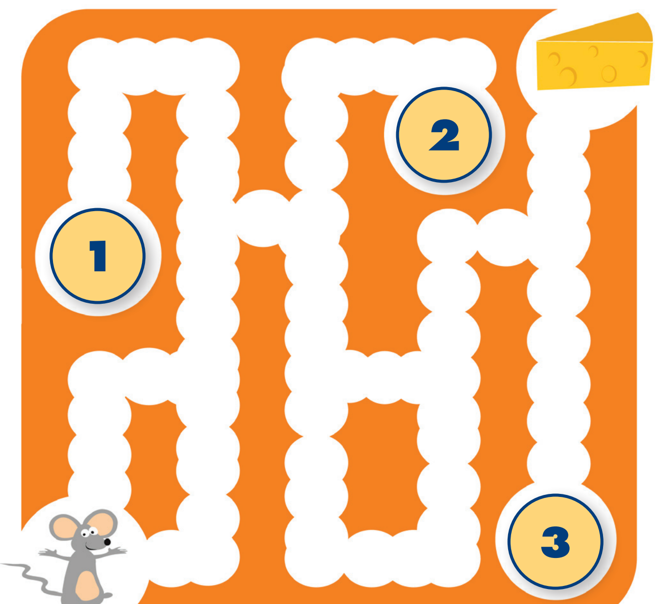
3 TRAPS THAT BLOCK CORPORATE TRANSFORMATION

***by Vineet Nayar**, HBR*

The need for transformation has never before been more keenly felt in the corporate world. Digital-first companies, such as Amazon, Facebook, Google, and Twitter, are amassing market share and capitalization, but only a few brick-and-mortar corporations (think Apple, Nissan, and HCL Technologies) have been able to change fast enough to catch up with their rivals. Why do companies that lose their relevance find it so tough to recover?



For decades, the success of a business depended on three key pillars: Innovative Ideas + Cheaper/Faster/Better Execution + Powerful Leadership. Ideas were critical, but execution was the source of competitive advantage even during the internet era for companies such as Toyota, GE, and Dell. They made mediocre ideas look great because of their execution, and a tightfisted, centralized, command-and-control culture dominated such organizations.

But, with the digital era's dawn, traditional sources of competitive advantage are fading — for three reasons.

One, digital technologies have shortened and simplified execution cycles, and compressed advantages built on physical reach. Two, with the emergence of specialized organizations that can handle manufacturing and logistics, customer support and after-sales services, and IT, entry barriers in many industries have fallen. And three, the new technologies have made possible more consumer analytics, greater visibility, and scale, forcing a move away from standardization and towards personalized offerings and unique experiences.

As a result, the winning formula has become: Innovative Ideas + Delivering Unique Experiences + Enabling Leadership. Uber's rise, for instance, has been propelled by the novel concept of using mobile devices to hail cabs, and a cool customer experience that features seamless credit card payments and driver ratings. Its managers are committed

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Jay Mattern, President and COO

Let's Hear It for B Players

In the much-heralded war for talent, it's hardly surprising that companies have invested a lot of time, money, and energy in hiring and retaining star performers. Most CEOs find that recruiting stars is simply more fun; for one thing, the young A players they interview often remind them of themselves at the same age. For another, their brilliance and drive are infectious; you want to spend time with them. Besides, in these troubled times, when businesses are failing left and right, people who seem to have what it takes to turn a company's performance around are almost irresistible.

But our understandable fascination with star performers can lure us into the dangerous trap of underestimating the vital importance of the supporting actors. A players, it is true, can make enormous contributions to corporate performance. Yet a company's long-term performance—even survival—depends far more on the unsung commitment and contributions of their B players. These capable, steady performers are the best supporting actors of the business world.

Consider Ivan Farmer, a manager who worked on oil rigs for a large conglomerate. Privately, Ivan was disappointed in his B players for not being "rocket asses," as they are called in the oil business. (Rocket asses shoot up to the top of the corporate hierarchy because they are ready to move anytime, anywhere.) Ivan later openly admitted that he lost respect for his B players because they were less ambitious and, therefore, less like himself and other senior managers. He didn't value their stability; solid B performers stuck with a rig for several years largely because they enjoyed the camaraderie and security of a dependable team.

Unfortunately, many of Ivan's favorite rocket asses flew off to other companies for more money. Many B players also left the company because Ivan so flagrantly disregarded them. The result was that the number of experienced workers on the oil rig fell to dangerously low levels, and the CEO soon began to notice that performance had slipped. In Ivan's struggle to get off the supervisory radar, he realized he had better start valuing and rewarding his solid B engineers.

Companies are routinely blinded to the important role B players serve in saving organizations from themselves. They counterbalance the ambitions of the company's high-performing visionaries whose esteemed strengths, when carried to an extreme, can lead to reckless or volatile behavior. In this sense, B players act as grounders for charismatic A players who might otherwise destabilize the organization. Unfortunately, organizations rarely learn to value their B players in ways that are gratifying for either the company or these employees. As a result, companies see their profits sinking without really understanding why.

I encourage you to rethink the role of your organization's B players—those employees that in a rough ranking are neither the fast-track A players who make up the top 10% nor the struggling C players who make up the bottom 10%. B performers bring unique strengths to an organization, both every day and in times of crisis, by keeping the company from slipping into entropy. Once you realize your B players' worth, you'll begin to appreciate them more and to reward them fairly.

3 TRAPS THAT BLOCK CORPORATE TRANSFORMATION

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to transparency and allow employees to constantly scout for new business opportunities. No wonder Uber, which was founded five years ago, is valued at around $17 billion today.

But what if you're in an existing business rather than a start-up? Going by my experience at HCL Technologies, where I led the change effort, transformation for large companies involves breaking out of three traps:

1 The Logic Trap. Companies often have to consider doing what others believe is impossible; they can't change radically by thinking within the boundaries of reason. Could Amazon have come up with the idea of delivery drones, for instance, by thinking within the box?

Smart companies identify gaps, focus on discontinuities, and force the creation of new markets. Their leaders have to move away from incremental steps, such as cost cutting, and think of giant leaps that will put them on the path of transformation. That's what we did at HCL Technologies with the Employees First, Customers Second idea. Being illogical can sometimes be a way of achieving the impossible.

2 The Continuity Trap. A comet leaves behind a tail long after it has disappeared, but astronomers, knowing that the comet has gone, quickly re-calibrate their telescopes to search for the next one. By contrast, many business leaders take comfort in the past — essentially staring at the long-gone comet's tail — rather than getting excited about the uncertainty of the future.

Some argue that uncertainty demotivates employees, leading to increased attrition and corrosion of market value. However, the opposite is also true; the best talent is usually motivated by challenges and how to tackle them. An owner may wax eloquent about his beautiful home, but it's the leak in the bath that excites the plumber.

HCL Technologies was proud of its leaky pipes, so to say, and laid bare those aspects of the organization that weren't working. That attracted transformers, who were drawn up by the challenge of fixing big problems. HCL's clock speed went up, and its talent and energy focused on tackling future discontinuities. As a result, the company has seen revenues and market capitalization grow over seven-fold in the last nine years.

3 The Leadership Trap. If the source of today's competitive advantage lies in the interface between employees and customers, the leader's role must change from being a commander to an enabler of bottom-up innovation. Customer experience is supreme, so leaders must inspire employees to create and deliver unique experiences by tapping into their insights.

Howard Schultz and Jeff Bezos, the CEOs of Starbucks and Amazon, are proponents of the employee empowerment credo. Their goal is to inspire employees to be personally accountable for the customer experience. That's how more leaders should try to think.

The impact of digital technologies on business and leadership models is the biggest issue facing corporations nowadays. It's an opportunity for business leaders to stand up, be counted, and convert the threat into an opportunity for transformation without settling for incremental change. Isn't it stimulating to do what no one has done before you?

Conflict Strategies for Nice People

by Liane Davey, Harvard Business Review

Teams need conflict to function effectively. Conflict allows the team to come to terms with difficult situations, to synthesize diverse perspectives, and to make sure solutions are well thought-out. Conflict is uncomfortable, but it is the source of true innovation and also a critical process in identifying and mitigating risks.

Still, I meet people every day who admit that they aren't comfortable with conflict. They worry that disagreeing might hurt someone's feelings or disrupt harmonious team dynamics. They fret that their perspective isn't as valid as someone else's, so they hold back.

Sure, pulling your punches might help you maintain your self-image as a nice person, but you do so at the cost of getting your alternative perspective on the table; at the cost of challenging faulty assumptions; and at the cost of highlighting hidden risks. That's a high cost to pay for nice.

To overcome these problems, we need a new definition of nice. In this version of nice, you surface your differences of opinion, you discuss the uncomfortable issues, and you put things on the table where they can help your team move forward.

The secret of having healthy conflict and maintaining your self-image as a nice person is all in the mindset and the delivery.

To start shifting your mindset, think about your value to the team not in how often you agree, but in how often you add unique value. If all you're doing is agreeing with your teammates, you're redundant. So start by telling yourself "it's my obligation to bring a different perspective than what others are bringing." Grade yourself on how much value you bring on a topic.

Here are a few tips on improving your delivery:

1. Use "and," not "but." *When you need to disagree with someone, express your contrary opinion as an "and." It's not necessary for someone else to be wrong for you to be right. When you are surprised to hear something a teammate has said, don't try to trump it, just add your reality. "You think we need to leave room in the budget for a customer event and I'm concerned that we need that money for employee training. What are our options?" This will engage your teammates in problem solving, which is inherently collaborative instead of combative.*

2. Use hypotheticals. *When someone disagrees with you, don't take them head on—being contradicted doesn't feel very good. Instead, a useful tactic is to ask about hypothetical situations and to get them imagining. (Imagining is the opposite of defending, so it gets the brain out of a rut.) If you are meeting resistance to your ideas, try asking your teammates to imagine a different scenario. "I hear your concern about getting the right sales people to pull off this campaign. If we could get the right people…what could the campaign look like?*

3. Ask about the impact. *Directing open-ended questions at your teammate is also useful. If you are concerned about a proposed course of action, ask your teammates to think through the impact of implementing their plan. "Ok, we're contemplating launching this product to only our U.S. customers. How is that going to land with our two big customers in Latin America?" This approach feels much less aggressive than saying "Our Latin American customers will be angry." Anytime you can demonstrate that you're open to ideas and curious about the right approach, it will open up the discussion (and you'll preserve your reputation as a nice person).*

4. Discuss the underlying issue. *Many conflicts on a team spiral out of control because the parties involved aren't on the same page. If you disagree with a proposed course of action, instead of complaining about the solution, start by trying to understand what's behind the suggestion. If you understand the reasoning, you might be able to find another way to accomplish the same goal. "I'm surprised you suggested we release the sales figures to the whole team. What is your goal in doing that?" Often conflict arises when one person tries to solve a problem without giving sufficient thought to the options or the impact of those actions. If you agree that the problem they are trying to solve is important, you will have common ground from which to start sleuthing toward answers.*

5. Ask for help. *Another tactic for "nice conflict" is to be mildly self-deprecating and to own the misunderstanding. If something is really surprising to you (e.g., you can't believe anyone would propose anything so crazy), say so. "I'm missing something here. Tell me how this will address our sales gap for Q1." If the person's idea really doesn't hold water, a series of genuine, open questions that come from a position of helping you understand will likely provide other teammates with the chance to help steer the plan in a different direction.*

Conflict — presenting a different point of view even when it is uncomfortable — is critical to team effectiveness. Diversity of thinking on a team is the source of innovation and growth. It is also the path to identifying and mitigating risks. If you find yourself shying away from conflict, use one of these techniques to make it a little easier.

The alternative is withholding your concerns, taking them up outside of the team, and slowly eroding trust and credibility. That's not nice at all.

Meet **SUE POCIEJEWSKI** »

Payroll Manager
Corporate Office

» How long have you been in the staffing business? About 12 years

» What was your first job? What do you remember most about it? I stocked the salad bar at a local bar/restaurant. I was always starving by the end of my shift.

» Who was the worst boss you ever had and why? My worst boss was the one that micromanaged.

» What motivates you each day to sell and service your clients? Paying people is very personal-isn't that the reason we all work? I always try to keep that in mind when issues come up.

» What are some of your long-term goals? I want to get my degree before I am 90 years old. I also want to be debt-free for my retirement.

» What makes Peoplelink unique, from your perspective? Peoplelink allows its managers to find what works best for them. We have accountability, but yet the ability to get to that point on our own.

» What makes you successful as a Manager? I love what I do and there isn't anything in my department that I haven't done. I am always willing to pitch in and do what needs to be done. I am always looking for ideas and ways to make things more efficient.

» What is the best advice you could give to other Peoplelink staff members? If you don't love what you do, don't do it.

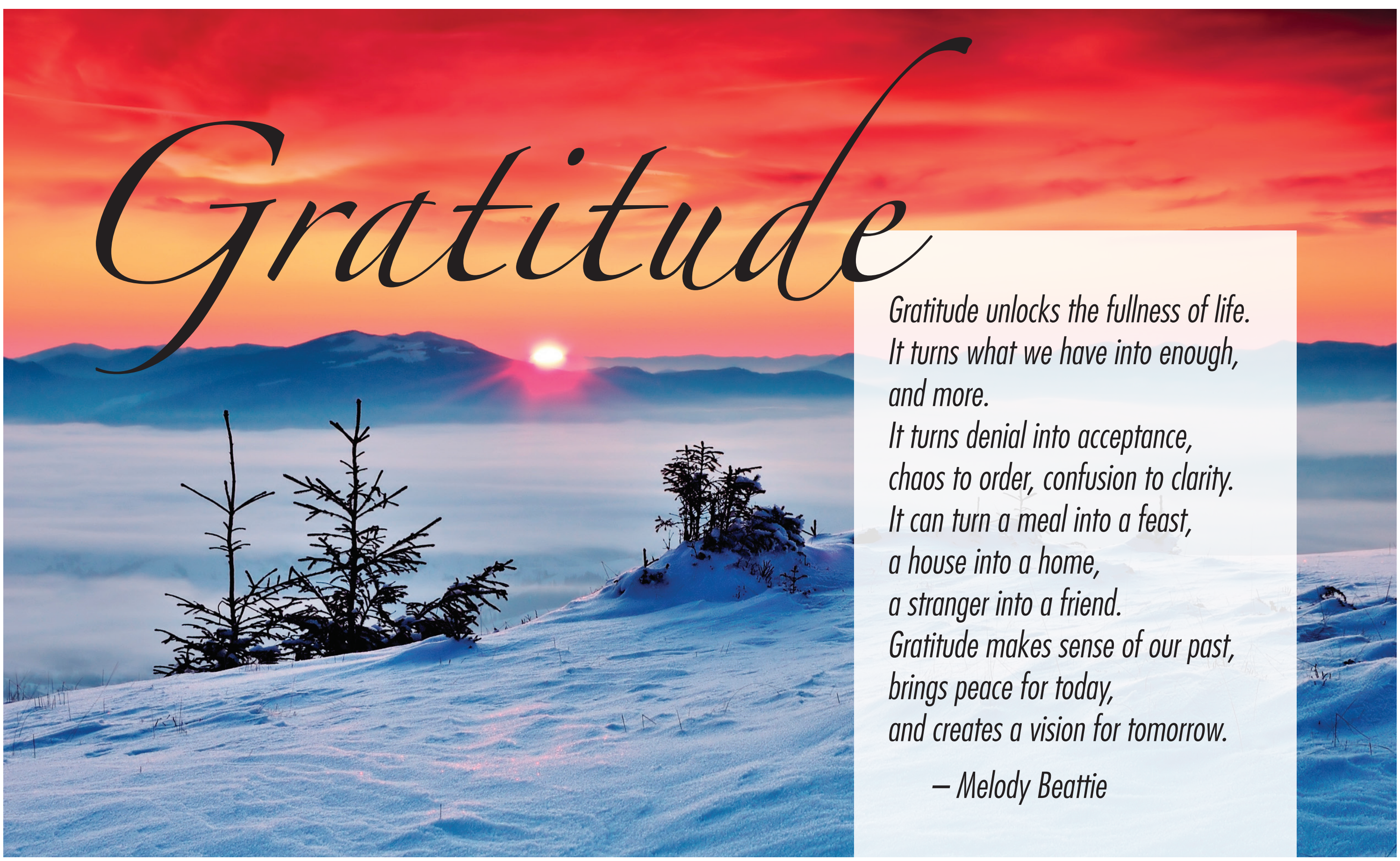
» What is your favorite movie? Shawshank Redemption. **Book?** ? I don't have one. I am constantly reading and prefer fiction (who wants reality?). I like anything by Stephen King or JD Robb. **Drink?** Give me a cup of coffee or a beer-I am a microbrew fan.

» If you could have any car you want, what would it be? I prefer muscle cars. 1968 corvette would be best-black.

» What is your home city? What is the greatest feature about your home city? My home town is Kouts, IN. I like that it still has that small-town feel.

» How do you unwind when you're not at the office? I like going to food festivals, watching a good movie or reading a good book.

» What do people like most (least) about you? Most - I am honest and direct. Least - I am honest and direct.



Gratitude unlocks the fullness of life.
It turns what we have into enough,
and more.
It turns denial into acceptance,
chaos to order, confusion to clarity.
It can turn a meal into a feast,
a house into a home,
a stranger into a friend.
Gratitude makes sense of our past,
brings peace for today,
and creates a vision for tomorrow.

– Melody Beattie

Staffing and Recruiting: Climbing With Vigor

Source: American Staffing Association

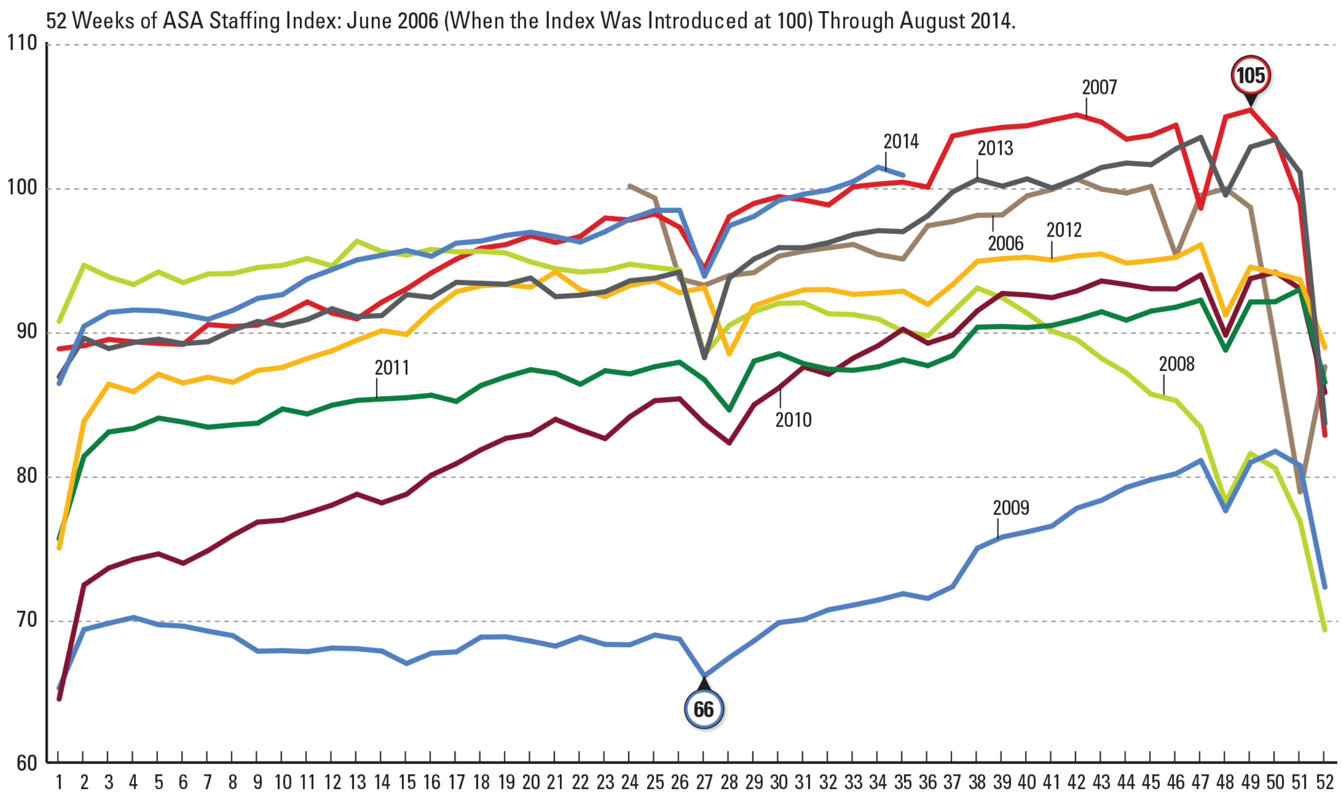
Historically, staffing employment has been a coincident economic indicator and a leading employment indicator. What that means is that staffing employment trends coincide with economic trends (as measured by GDP) and happen in advance of shifts in employment trends.

In other words, as the economy grows, so does staffing employment. And as GDP shrinks, staffing employment falls. Because overall employment trends tend to lag economic trends, and staffing employment coincides with economic trends, changes in staffing employment frequently portend changes in overall employment by three to six months.

In 2006, ASA introduced its Staffing Index, which provides a near real-time gauge of staffing industry employment and overall economic activity. It tracks weekly changes in temporary and contract employment, with results reported nine days after the close of a work week.

The index was set at 100 when it was publicly launched on June 12, 2006. The weekly percentage change in employment is applied to the index, allowing observers to easily estimate how much staffing employment has changed over time. For example, the index troughed at 66 in midsummer 2009, indicating that staffing employment had fallen about 34% from its level in mid-June 2006. The index peaked at 105 in mid-October 2007, virtually coinciding with the peak of the last economic expansion. The index accurately marked the turning points of the last economic cycle (see Figure 4).

Key Figure 4: Staffing Employment Peaked in 2007, Coinciding With the Peak of the Last Economic Expansion, Then Troughed in 2009, at the End of the Recession.



Source: American Staffing Association Staffing Index

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Staffing and Recruiting: Climbing With Vigor

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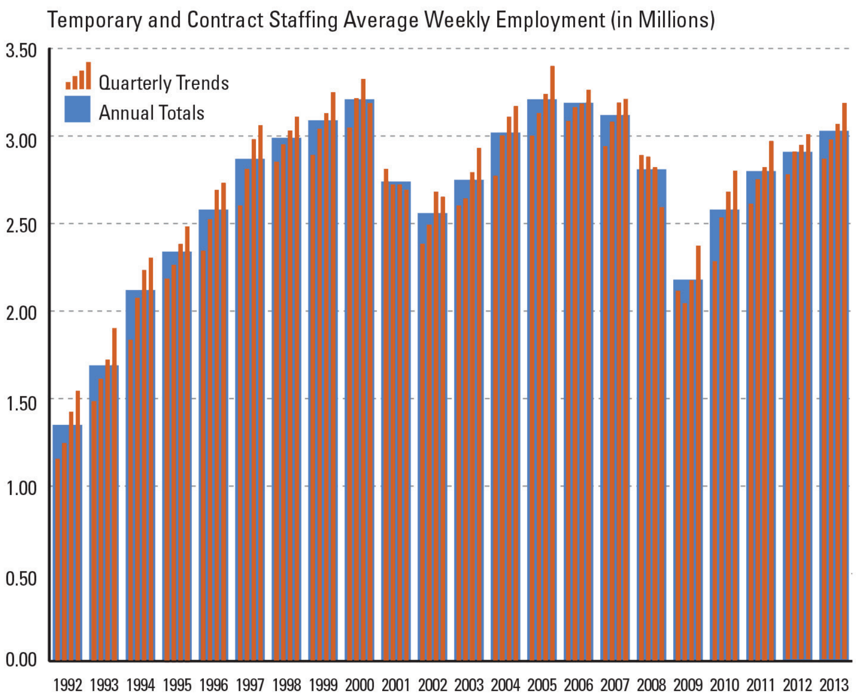
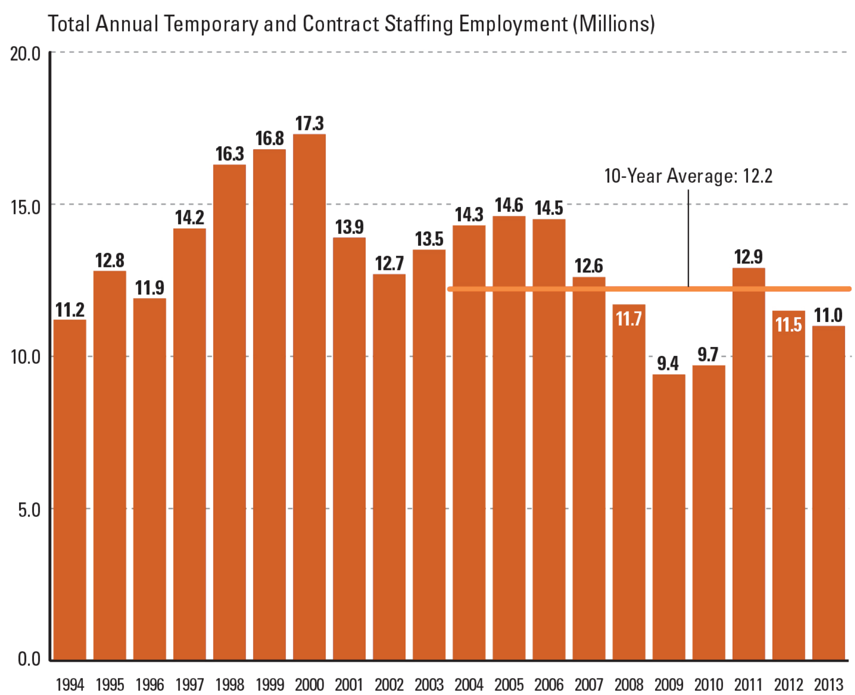
Figure 5: U.S. Staffing Firm Jobs Climbed From a Low of 2.2 Million in 2009 to 3.0 Million in 2013.



Source: American Staffing Association, Staffing Employment and Sales Survey

Figure 6: U.S. Staffing Firms Hired a Total of 11.0 Million Temporary and Contract Employees During 2013.



Source: American Staffing Association, Staffing Employment and Sales Survey

Since the recovery began in July 2009, staffing employment has been growing faster than the economy and than overall employment.

Temporary and Contract Jobs

Staffing companies in the U.S. employed an average of 3.0 million temporary and contract workers per week in 2013, up 4.0% from 2012, according to the quarterly ASA Staffing Employment and Sales Survey (see Figure 5).

ASA began estimating temporary and contract employment through a quarterly survey of staffing firms after BLS suspended monthly measurement of jobs in the temporary help services industry in 1990. When BLS resumed measuring temporary help jobs in 2000, ASA maintained its survey. The quarterly ASA employment survey is similar to the BLS monthly jobs survey, and the ASA Staffing Index is similar to the ASA quarterly survey. Typically, data from the three surveys statistically correlate.

BLS and ASA measure employment during select weeks so that the metrics are comparable across surveys as well as, for BLS, industries. However, because most temporary and contract work assignments are truly temporary and of relatively short duration, weekly employment figures undercount the enormous number of people who work for the staffing industry over the course of a month or even during a year.

To determine annual employment in the staffing industry, ASA collects data on the number of Forms W-2 issued annually to temporary and contract employees by the staffing firms that participate in the association's quarterly survey. From those data, ASA estimates the number of temporary and contract employees who have worked in the staffing industry during the calendar year.

Over the course of 2013, U.S. staffing firms hired a total of 11.0 million temporary and contract employees, a 4.4% decrease from 11.5 million in 2012 (see Figure 6). [27]

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Staffing and Recruiting: Climbing With Vigor

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Turnover, Tenure, and Conversion

Average weekly staffing employment increased while the annual total decreased in 2013, in part because staffing employee turnover decreased and employment tenure increased. In other words, more people were working in temporary or contract jobs because of increased demand, but they were also working longer (more days)—either because their assignments lasted longer or because they had a string of shorter assignments that together resulted in extended employment.

Turnover is the rate at which incoming employees replace outgoing employees over the course of a year. Overall turnover in the U.S. workforce is 15%, according to the Society for Human Resource Management. 28 At nearly 300%, turnover in the staffing industry is perhaps the highest of any industry in the nation. In 2013, staffing employee turnover was 263%, down from 294% in 2012—setting a new record low, which had previously been 277% in 2010.

SHRM and other sources note that turnover in general has been declining as the economy has improved and the workforce has aged. Turnover is often inversely related to job satisfaction, SHRM notes—unhappy employees are more likely to leave their employer. Temporary and contract employees report extraordinarily high satisfaction, with nine out of 10 (92%) giving top marks to their staffing firm.

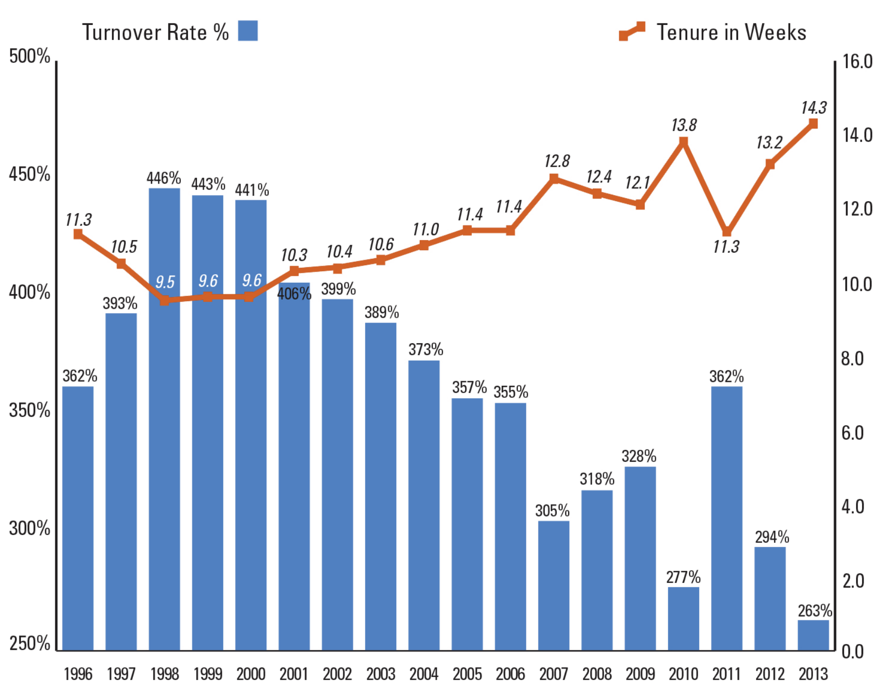
Tenure—the duration of employment with the staffing firm—is based on turnover. They are inversely related: the longer the tenure, the lower the turnover, and vice versa. Turnover has gradually increased in the two decades over which ASA has been tracking it, generally adding a day or two per year, averaging about 11 weeks (nearly three months). Tenure rose markedly in 2012 to 13.2 weeks, and again in 2013 to 14.3 weeks (see Figure 7).

The recent elevation in staffing employee tenure is consistent with national trends across the entire labor force. A Wall Street Journal analysis of U.S. Department of Labor data shows that median tenure has increased in all age groups of workers, particularly among workers under 45.[29]

Another explanation for the recent elevation in tenure is the conversion of employees from temporary or contract assignments to permanent positions with staffing clients. Securing a permanent job is important to most staffing employees; it's a top priority for half. In a 2014 ASA survey of nearly 12,000 current and former temporary and contract employees, 41% of former staffing employees landed a permanent job.

However, achieving the objective of landing a permanent job often takes more time than simply filling in a bit of free time with a short temporary or contract assignment to earn some quick cash—thus the increase in tenure of staffing employees.

Figure 7: The Average Staffing Employee Works About Three Months. In 2013, Staffing Employee Turnover Decreased to 263% and Tenure Increased to 14.3 Weeks.



Source: American Staffing Association, Staffing Employment and Sales Survey

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Penetration Rate Hits New Record

"Companies are using temporary professionals as part of their staffing mix to a larger extent than ever before."

Temporary help services accounted for one in 10 job losses during the Great Recession, but have been responsible for more than 16% of net nonfarm employment gains since the recession ended.[33, 34] Those are outsized effects for an industry that employs only 2% of the nonfarm workforce—in essence, the staffing industry's penetration rate.

The staffing industry's penetration rate nearly doubled from 1.02% in July 1991 to its longstanding peak of 2.03% in April 2000 (see Figure 8). The penetration rate dropped to 1.64% in December 2001 at the end of that year's recession, then climbed to 1.96% in November 2005, near the apex of the prior economic expansion.

During the Great Recession, temporary and contract employment shrank by 30%—nearly a million jobs—and the penetration rate sank to 1.34% in June through August 2009, as the economy began its recovery. In the five years since, staffing employment has continuously climbed, faster than overall nonfarm employment, reaching a new record penetration rate of 2.07% in July 2014.

The new record suggests that a structural shift is taking place.

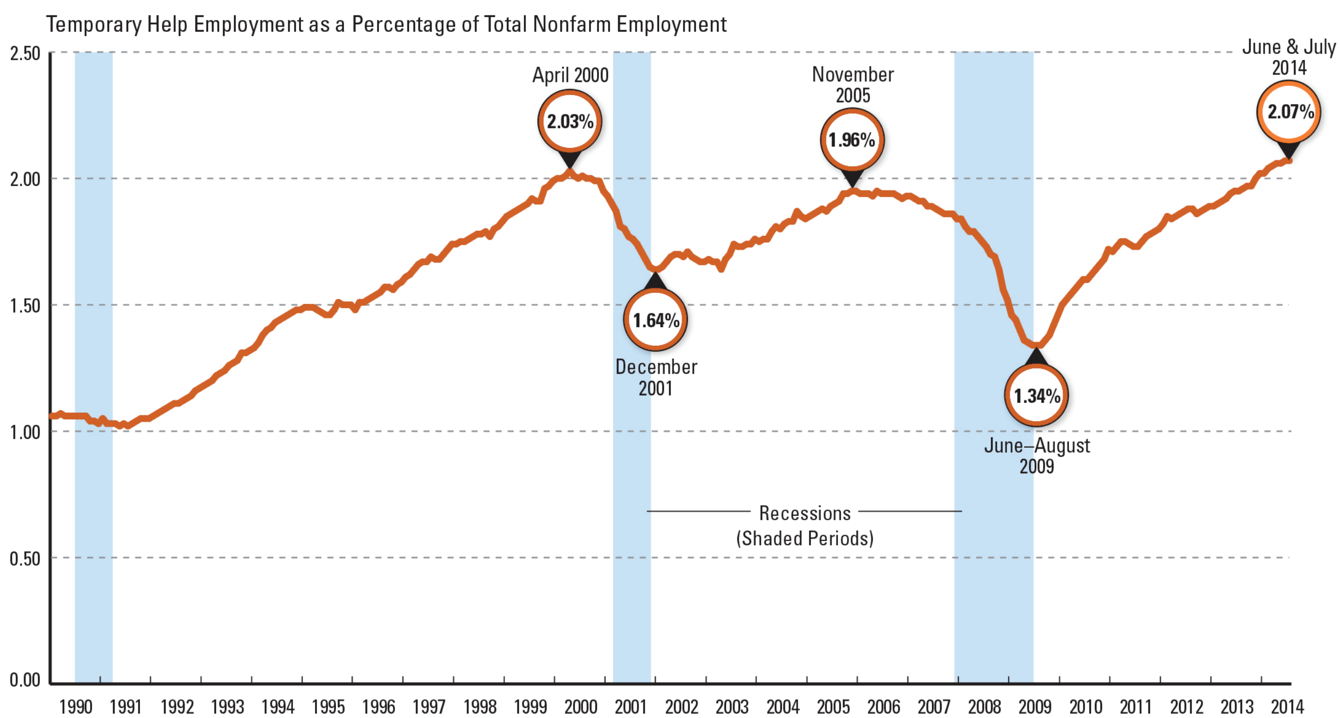
"We've long held that temporary penetration rate recovery has been principally secular to this point," Waddell said. "We're quite bullish that temporary penetration rates for the entire industry…have the potential to go much higher."

In other words, the rapid recovery of staffing employment relative to overall nonfarm employment growth indicates that staffing clients are using staffing services differently now than they did before the Great Recession—hence a structural shift. This is not a return to the status quo. It's more than that.

The economy appears to have plenty of room to grow, offering ample opportunity for the staffing industry to further penetrate the labor market. U.S. industrial capacity remains in surplus; the stock market continues to break records; and the Fed faces minimal inflation pressure, so interest rates are likely to remain near zero well into 2015.

"We are working through the middle of the economic cycle," said financial analysts Kevin McVeigh and Jordan Maka from Macquarie Capital Inc. "The severity of the last downturn coupled with demographics—aging Baby Boomers—should drive the penetration rate for temporary and permanent workers (as a percentage of nonfarm payrolls) to new record high levels of 2.2% to 2.4%."

Figure 8: Since 1990, the Staffing Penetration Rate (the Percentage of the Nonfarm Workforce Employed by Staffing Firms) Has Climbed After Each Recession, Reaching a Record High in 2014.



Source: U.S. Bureau of Labor Statistics

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Staffing and Recruiting: Climbing With Vigor

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What's Ahead?

Many different measures suggest that although the economy is healing from the extreme downturn, conditions—even after five years of recovery—are not back to what used to be considered normal.

Strong growth in staffing employment would normally suggest that strong growth in overall employment would soon follow; instead, overall employment growth has been anemic in this recovery due to the lackluster economic growth. With GDP expanding only 2.2% in 2013, businesses are rightly cautious in hiring.

Instead of hiring permanent employees, businesses are increasingly turning to staffing services to match their workforces with the pace of what little growth they might be experiencing—to keep fully staffed during busy times.

The staffing and recruiting industry grew about two times faster than the economy in 2013. Will the industry grow 5% in 2014, as SIA predicts? Not if GDP grows only 2.0%, as forecast by the economists surveyed by the Wall Street Journal in August. But if the economy can sustain the 4% pace of growth witnessed in the second quarter of this year, or even match the revised forecasts of 3% for the third and fourth quarters of 2014, the staffing industry could break even more records before the year ends.

"Looking ahead," said Fed chairman Janet Yellen, "I expect that economic activity will expand at a somewhat faster pace this year than it did last year, that the unemployment rate will continue to decline gradually, and that inflation will begin to move up toward 2%."[36]

Regardless of what happens during the coming months, it's becoming apparent that the staffing and recruiting industry is charting a new course. After a long history of service to job seekers, businesses, and the economy, the industry has been transformed for today's slow-growing yet rapidly evolving economy. The role of the industry within the U.S. economy has undergone a structural shift—the staffing and recruiting industry now creates jobs faster than the overall economy.

Cynthia Poole is director of research for the American Staffing Association. Steven P. Berchem, CSP, is chief operating officer for ASA and oversees the association's research program. Send feedback on this article to success@americanstaffing.net. Follow ASA on Twitter @ StaffingTweets.

SHINING STAR NOVEMBER

Mykel Bradley November *Shining Star* employee

Peoplelink is pleased to announce that Mykel Bradley has been chosen as our November *Shining Star* employee. Mykel is a Production Worker working on the band saw at Good Metals. He reports to the Rockford, Michigan Peoplelink branch.

Mykel has worked at Good Metals for nine months. He is one of the most skilled cutters in his department due to his great attention to detail. According to Mykel's supervisor, Brian Mix, Mykel has a thorough understanding of his job and troubleshoots his own orders.

While on the job, Mykel enjoys using the crane and forklift. In his spare time, he enjoys playing basketball, football, and video games.

Congratulations to Mykel for being Peoplelink's November *Shining Star* employee!

Find your shining star! Contact Peoplelink at 574.232.5400.

HR News

Minimum Wages Get a Hike in Midterm Votes

By Katy Steinmetz, Time

Voters in Alaska, Arkansas, Nebraska, and South Dakota chose to increase their states' minimum wages Tuesday, while those in San Francisco opted to start paying workers $15 per hour, matching the national high.

In Alaska, an overwhelming 68% of voters endorsed a minimum wage increase to $9.75 by 2016. In Arkansas, 65% of voters said "yes" to bumping the current minimum of $6.25 (many businesses still had to pay the federal minimum of $7.25) to $8.50 by 2017. Voters were almost as enthusiastic in Nebraska, with 59% approving a bump from $7.25 to $9 by 2016.

The vote was closer in South Dakota, with 55% of supporting a hike from $7.25 to $8.50 an hour by 2015.

The raises happened despite big losses for Democrats in all those states. Such a strong consensus for raising the minimum wage shows bipartisan support for an issue that has been contentious in Washington, where Obama and many congressional Democrats have backed raising the federal minimum wage to $10.10 by 2016.

Republicans say that while raising the minimum wage would push many workers above the poverty line, it would likely cost many others their jobs. A Congressional Budget Office report found that raising the minimum wage to $10.10 could result in job losses of 500,000, while leading to higher incomes for an estimated 16.5 million workers.

The increase in San Francisco will be phased in over time, reaching $15 by 2018. Early voting counts showed more than 76% of voters opting to match Seattle for offering the highest minimum wage in the nation (though Seattle has been taken to court over its ordinance).

In Illinois, 66% of voters supported a non-binding resolution to raise the minimum wage to $10 by 2015. And on the East Coast, Massachusetts voters made their state the third in the nation to require paid sick leave for workers, after Connecticut and California.

The labor force participation rate is at a low point

By Mitchell Hartman, Marketplace.org

Economists can point to steady improvement over the past several years in job creation, and the unemployment rate (which was 7.2 percent in September 2013, and 9 percent two years earlier).

Yet, this 'official' unemployment rate doesn't accurately characterize many aspects of the labor market right now—in particular, how hard it still is to land a middle-income job; how easy it is for employers to find qualified candidates; and how little those employers have to compete with each other over wage and benefit offers, in order to hire the workers they want.

The 'official' unemployment rate—called the U-3 by the Bureau of Labor Statistics—only counts how many people are actively unemployed. They're looking for work and actually applied for a job in the past four weeks.

But right now, the number of people who are not working, but would like to work, is unprecedentedly high. These people have given up looking—possibly because they don't think any jobs are available for them, or perhaps to attend school and upgrade their skills, or to go into semi-retirement. They've pushed down the labor force participation rate to its lowest level (62.7 percent in September) since the late 1970s.

Combine these discouraged and marginally attached workers with the 'underemployed'—people who would like to find better-paying full-time jobs but can only find part-time jobs—and total unemployment (the U-6 rate), as measured by the BLS, is averaging well over 12 percent in 2014 (it was 11.8 percent in September).

Economists have anticipated that some attrition in the labor market would occur when the Baby Boomers began retiring earlier this decade. But in fact, after the recession, older workers have stayed on the job longer than was predicted, on average. With retirement savings and home equity depleted by the recession, older Americans are holding on to jobs if they can.

"Where we're seeing large declines in labor force participation is actually among prime-age workers," explains University of California-Berkeley economist Jesse Rothstein, "especially among people in their early twenties. It's hard for me to believe that there's this enormous group of people in their early twenties who have decided that they're never going to work."

Rothstein and many other economists believe the economy hasn't changed structurally so that fewer people want to work or feel the financial need to work. Rather, they think the labor market is simply too weak, and demand in the economy too anemic, to employ all the potential workers who want and need jobs. They believe if the economy strengthens significantly, many of those potential workers will come out of the woodwork and begin job-hunting again.

Absent such improvement, the labor market is likely to remain slack, even if the official unemployment rate continues to decline steadily and eventually dips below the Federal Reserve's target of 5.5 percent. Fed policymakers, led by chair Janet Yellen, have said they are looking at other labor market indicators in addition to the unemployment rate, to make sure they don't withdraw economic stimulus and kill the nascent recovery before it's helped the hard-core and long-term unemployed, the underemployed, and discouraged workers.

Rising wages are now considered a key harbinger of labor-market tightening by market participants and Fed policymakers, explains economist John Canally at LPL Financial.

"I think that's the ultimate indicator—to get wage growth back to normal, back to the 3.5-percent-to-4.5-percent gains we saw prior to the Great Recession," said Canally. "Then I think there'll be confidence that businesses are finding it more and more difficult to fill jobs."

In recent years, average hourly earnings have been rising in the 2-percent-per-year

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range, just keeping pace with inflation.

Another indicator of a tightening labor market would be a reverse in recent declines in labor force participation, especially among prime-age workers. If more people who have dropped out of the workforce, or never entered it after high school or college, started looking for work again, that might raise the unemployment rate temporarily. But it would be another sign the economy is truly on the mend.

Rising stakes in wage-and-hour suits: Jail time for employers

By Christian Schappel, HRmorning.com

While the Fair Labor Standards Act (FLSA) says wage and hour violators could face imprisonment, that punishment was rarely levied. But ultra-aggressive enforcement efforts have raised the stakes.

Until now, the remedies for violations were primarily limited to fining employers and collecting damages and back wages for wronged employees.

But times, they are a-changin'.

Government agencies like the Department of Labor (DOL), the Equal Employment Opportunity Commission (EEOC) and even some state labor entities have become more aggressive in their efforts to seek out employers breaking the law and bring them to justice.

As a result, we're beginning to see **more** and **more** instances in which federal and state agencies are exercising their abilities to imprison company owners, partners, directors, officers, shareholders, managers and supervisors for violations of wage and hour laws.

FIRST OFFENDER FACING JAIL TIME

The latest example: A Port Chester, NY, restaurant owner, Elisa Parto, was arrested and arraigned on charges that she failed to pay minimum wage and overtime to employees who sometimes worked in excess of 70 hours per week.

She faces several counts of wage and hour violations, and faces a maximum jail term of one year, plus fines of $5,000 for

each count, as well as restitution to five employees, who were cooks, cleaners and cashiers at her restaurant Elisa's Food & Plus, Inc.

Under New York law, wage and hour violators could receive a fine of up to $20,000 or up to one year in prison (on top of civil penalties) for a first offense.

Putting other New York employers on notice, state Attorney General Eric Schneiderman had this to say about Parto's arrest and charges:

"My office will take aggressive action, including criminal charges, where appropriate, against business owners who fail to properly compensate their employees for hours worked. Protecting the livelihoods of hardworking New Yorkers is a priority for my office."

Parto's case in New York is particularly interesting — and should be particularly troubling to employers — as her actions didn't seem to occur as part of a pattern of misconduct, according to employment law attorney James M. Lemonedes of the firm Fox Rothschild LLP.

Lemonedes said there was no indication of her having been a part of any prior DOL investigations.

He commented:

"Simply put, within four years of opening a business, the owner may be facing jail time for failing to comply with Wage and Hour regulations."

FLSA NOT AS HARSH

Under the FLSA, imprisonment couldn't be levied until a person's second offense.

Plus, a person can only be imprisoned under the FLSA if he or she was found to have intentionally, deliberately and voluntarily disregarded requirements under the law.

Still, laws in some states (like New York) can be much more stringent.

Bottom line: The dangers associated with falling out of compliance with wage and hour laws are growing. Now violations are much more likely to result in more than having to write some big checks.

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Studies Examine Prescription Painkiller Use Among Injured Workers

by Bill Leonard, SHRM

The Workers Compensation Research Institute (WCRI) recently conducted two studies to get a clearer picture of how opioid-based pain medications are prescribed to workers who were injured on the job. Opioid drugs, such as morphine, oxycodone and hydrocodone, are effective pain relievers but also can be highly addictive.

The WCRI researchers discovered that the **number of prescriptions for opioid-based drugs has held fairly steady in recent years**. The researchers identified nearly 265,000 workers' compensation claims filed in 25 states from October 2007 to September 2010, then tracked more than 1.5 million prescriptions filled through March 2012 that were related to the workers' comp claims. Three out of every four injured workers received some form of opioids for pain relief.

The 25 states in the study represent more than two-thirds of the workers' compensation claims filed in the U.S. every year.

"The number of prescriptions for opioid drugs did not increase or decrease substantially through that time period of the study, which is good news," said Dr. Vennela Thumula, a policy analyst for the WCRI. "However, the number of prescriptions for opioids and the duration of the prescriptions remained fairly high."

Injured Workers Not Receiving Standard Treatments

The WCRI also examined how often the services recommended in medical treatment guidelines were used for monitoring and managing workers' chronic opioid therapy. Again, the study showed that the number of workers who received prescriptions for opioids three months and six months after their injuries remained steady. However, variations existed among the states, such as the number of prescriptions provided and the number of pills offered per prescription. Louisiana, Texas, Pennsylvania and New York had significantly more injured workers who had long-term (more than six months) opioid use.

"The variations … are there so it's clear that some states are not following standard practices," said Dongchun Wang, a WCRI economist.

The most significant finding of the study, according to Wang, was that the vast majority of injured workers with long-term opioid use did not receive standard treatments for chronic opioid-use management, as recommended in medical treatment guidelines, such as drug screening, psychological evaluations and physical therapy. Successful treatment of chronic opioid usage is in the interest of all employers, Wang added, because excessive use of opioids leads to an increase in work-related accidents and injuries.

"So it's very important that employers and workers' comp administrators make sure that injured workers receive the standard recommended treatments," she said.

Opioid Use Higher in Louisiana, New York

A separate WCRI **study examined the interstate variations of narcotics use** and found that the amount of opioids prescribed for workers' comp claims in Louisiana and New York was significantly higher than the other 23 states.
According to Thumula, the study only examined the number and duration of prescriptions, so it was unclear why opioid usage in some states was significantly higher or lower.

"All we can determine from this is that it can't be standard use if the numbers are much higher," Thumula said. "The usages in Louisiana and New York, for example, are twice the median rate and four times higher than the states with the lowest usage rates."