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WOULD MILLENNIALS LET GO OF THEIR SMARTPHONES AND WORK IN HEAVY INDUSTRY?

“Young men do not want to work in industry; rather they prefer to work in malls or restaurants.” Through various instances where we were forced to act as the ‘discharge station’ for company owners or managers from different sectors and cities, we concluded that these words are uttered in an ever-increasing manner in Turkey. This, therefore, begs the question; is there any truth to this claim? Today, we will discuss whether the claim holds true and related, why many firms in manufacturing experience difficulties in employing people, mainly the young while the recent youth unemployment rate (for ages 15-24) announced by TUIK is 19.8 percent.

Before starting the discussion about why millennials’ preferences are different, we should also note that employers in Turkey do not only complain about supply shortages in the industry but also about skills gap problems in the labor market. Therefore while trying to understand the reasons behind the aforementioned statement; an analysis is essential on the comparison of the requirements of industry jobs and the skills of the youth. Related, in the Manpower

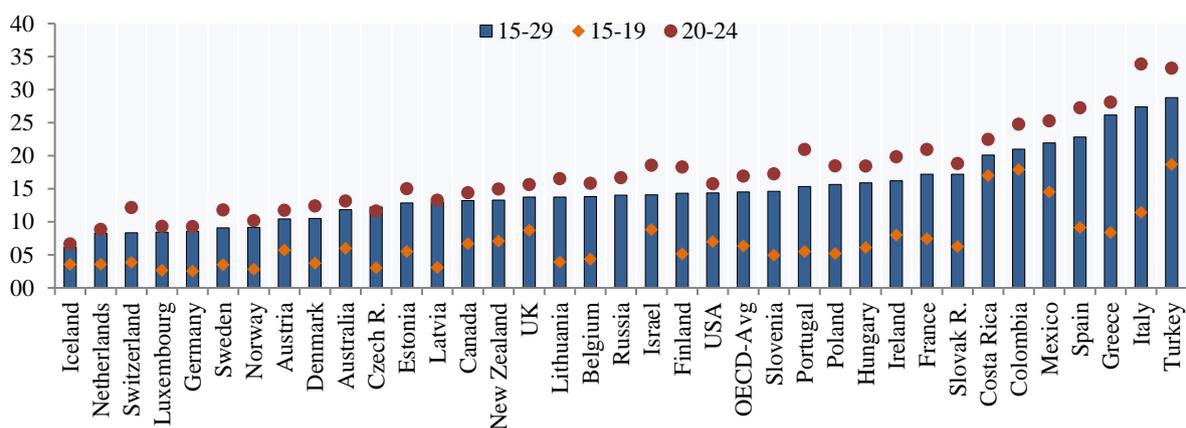
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2016-2017 Talent Shortage Survey³ employers from 43 different countries were surveyed with regards to the difficulty they face in filling job openings. Unsurprisingly, while the global average came out to as 40 percent, Turkey emerged as the 5th country with the highest talent shortage with 66 percent, behind Hong Kong, Romania, Taiwan and Japan, respectively. Subsequently, aside from the millennials' lack of desire to work in heavy industry, the labor force as a whole in Turkey fall short in attuning to the demand of the labor market. In turn, this shows the deficiencies in the design of educational programs, practical and vocational trainings that could adhere to the needs of the employers, therefore the market and eventually lead to a more qualified and educated labor force.⁴

On the other hand, the discontent of managers especially in heavy industry about their hardship in finding even unskilled young workers does not seem to be caused by a saturated labor market as in the case of Japan. Actually, the proportion of young people who are not in employment, education or training (the NEET) in Turkey is the highest among the OECD members, around 29 percent (See Figure 1). This means approximately 29 percent of young people between the ages of 15-29 are neither enrolled in formal education nor in business while Turkish manufacturing sectors are having labor supply shortage. The situation is even more worrying for young people between the ages 20-24: almost 4 in 10 young people are excluded from both formal education and employment.

Figure 1 NEETs (15-29) OECD Countries, 2015



Source: Society at a Glance 2016, A Spotlight on Youth, OECD

While the number of young people who are either looking for a job or sitting at home is quite high as high levels of young unemployment rates and NEETs suggest, jobs most desired by

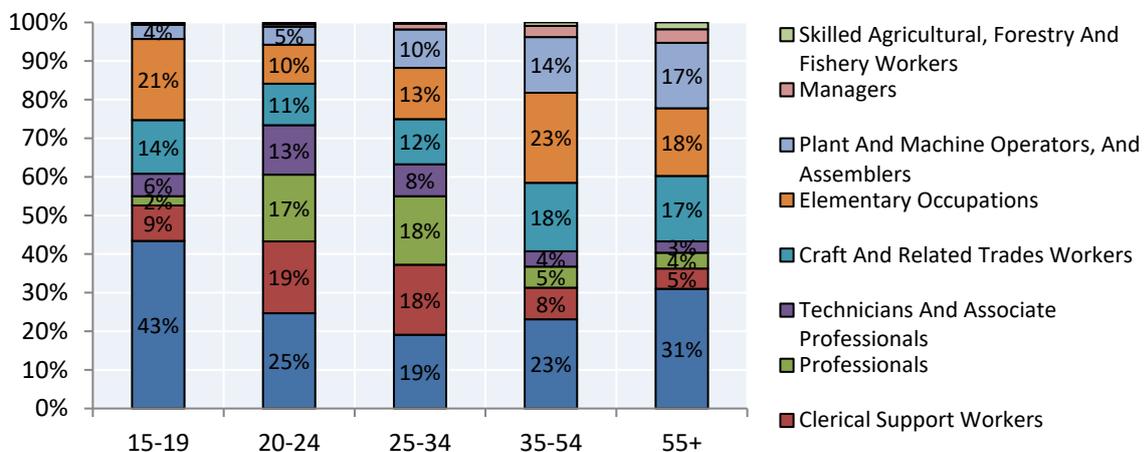
³ Survey was conducted by Manpower Group, 2016. <http://manpowergroup.com/talent-shortage-2016>

⁴ Özen, E. 2016. Mesleki Eğitim Sanayide Dönüşümün Neresinde? Tepav Politika Notu.

http://www.tepav.org.tr/upload/files/1477896543-2.Mesleki_Egitim_Sanayide_Donusumun_Neresinde.pdf

young people cluster at the service sector. As seen in Figure 2 below, the demand for service and sales jobs among the youth is relatively high in comparison to other jobs. It is trivial and intuitive to see the answer of why young people prefer to work in malls or restaurants but not in manufacturing: most industrial structures today are out of sync with the lifestyle young people desire to have. There appears to be a mismatch between the expectations of millennials and the current state of industries in Turkey and in most parts of the world, attributable to the shortcomings of these industries in wholeheartedly understanding the different lifestyle and views these generations support.

Figure 2 Occupation Sought by the age group, 2015



Source: TUIK

Turkey’s labor force is quite young. To be precise, let’s define the youth in two groups: Generations Y and Z. Generation Y are those who were born between 1981 and 1995, while Generation Z are those who were born in 1996 and later. Almost 40 percent of Turkey’s labor force is composed of Generation Y, compared to the 6 percent constituted by Generation Z. These numbers also emphasize Turkey’s younger labor force in comparison to the labor force in EU-28 countries where Generations Y and Z comprise the 30 and 2 percent of total labor force, respectively. However, having a young labor force brings with it distinct problems regarding the design of the work place and its conditions in accordance with their preferences. Let’s discuss the reasons that make industry so “old-fashioned” among the millennials and what could be done in Turkey or elsewhere to attract them towards manufacturing jobs (the so-called “engine” of economic growth).

Improving Work-life Balance and Workplace Conditions

In today’s world, both Generations Y and Z are more eager to have an equitable work-life balance. Keeping that in mind, according to OECD’s Society at a Glance 2016 report, Turkey takes the last place among all 38 OECD countries in work-life balance. While, on average, in

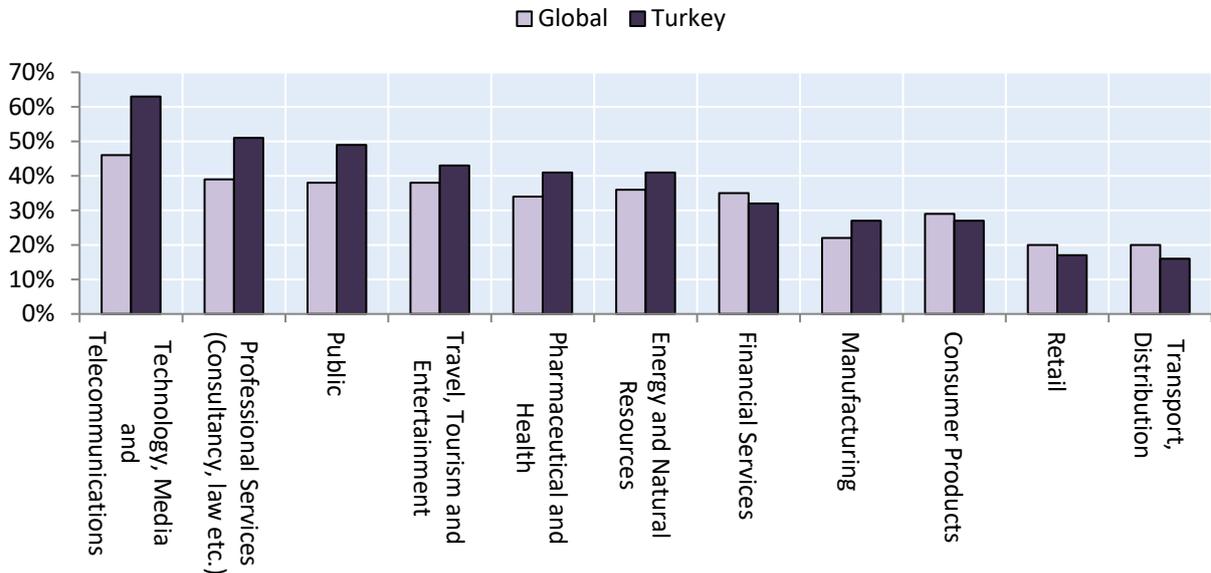
an OECD country a full-time worker devotes 15 hours of a day to leisure and personal care (sleeping, socializing etc.), in Turkey this figure is around 12.2 hours. Similarly, when the share of full-time workers who work for more than 50 hours a week is analyzed, Turkey takes the lead with 39.3 percent in comparison to the 13 percent average of all OECD countries. Leaving its implications for labor productivity aside for now, Turkish people work far more than advanced industrialized countries.

In the study, OECD also speculates on the possible outcomes of working longer hours such as increased stress and impaired personal health. Since the employees are expected to work long hours in Turkey, the state of working conditions plays a vital part in their choice-making. Subsequently, since the perception is that young people are less willing to work in stressful environments, it is only normal to expect that these generations would choose to opt-out from labor intensive jobs as well as from those that offer subpar working conditions. Keeping these in mind, Generations Y and Z are more prone to choosing service sector employment because it offers a better work environment (i.e. air conditioning, clean space). The absence of standards looked for by millennials in most manufacturing plants make those jobs too “uncool” to work in. Air conditioning, game tables for breaks, better food, cleaner interior design...etc. can all help in transforming the image of industry jobs. Therefore, the first thing the industry should consider is to create a work-place which is healthier and more comfortable, and offers a better work-life balance.

Offering Valuable Career Skills

According to a study conducted by Deloitte in 2015, 63 percent of the participants from Generation Y chose Technology, Media and Telecommunications as the sector(s) with the prospect of gaining the most importance and value in the future whereas only 27 percent selected the manufacturing sector. In turn, this also proves the decreasing interest of the young demographic in the manufacturing sector.

Figure 3 Preferred Sectors by Generation Y, 2015



Source: Deloitte Generation Y Research, 2015⁵

Young people want a career that is exciting, challenging, well-paid, and helps them make an impact on the world. Related, at a time where current discussions occur around the future of robotics in the manufacturing sector and the digitalization of systems it is comprised of, heavy industry manufacturing have started to lose its attractiveness at an alarming rate. Therefore the role Industry 4.0 plays in the decision-making process of young people cannot be ignored and underestimated. In an ever-increasing technological world, it is only normal for the young generations to expect and be willing to work in technology related industries. On the other hand, Turkey is struggling to transition from a mid-tech to high-tech producing economy due to its shortcomings in productivity-enhancing investments in labor skills, technology and innovation. Consequently, the youth perceives heavy industry occupations in Turkey as being “dirty” and “primitive” and without career opportunities. The essential innovation-based development in Turkey therefore would not only enhance productivity itself but it would also transform the image of the industry among the mentioned generations.

Presently, industrialized countries are discussing a new concept called “gamification” to attract young people to manufacturing. The idea is to add gaming elements to non-gaming activities for encouraging action and participation. It is a movement that seeks to capitalize on these generations’ obsession with video games as well as their competitive nature. For

⁵ Study participants are born after 1982, hold a college or university degree and employed fulltime.

instance, Invensys has been using 3D gaming technology to teach new hires how to operate oil refinery equipment for the past few years.

However, to attract millennials towards industry technological transformation is essential, but not enough. To convince young people that manufacturing offers valuable career paths, we may even need a transformation in vocabulary. Terms like “blue collar” and “unskilled” or “middle skills” do nothing to inspire ambition, and they conceal the dynamic environment and innovation of today’s manufacturing industry.

Compensating Risks

Conventional wisdom suggests that millennials are risk-averse. Accordingly, due to difficulties millennials have witnessed their families go through, they are more inclined to guarantee their future, at the least with regards to monetary means. Younger cohorts are more open in their social relations, can easily make friends, and less risk-averse in their private life. They could go skydiving, bungee-jumping and risk their life for pleasure. However, this risk-taking does not extend to work life and investment decisions. Many researchers find that younger generations are more risk averse when risk taking involves business.⁶ This begs the question, could this risk-averse nature of Generations Y and Z also have an effect on the types of jobs they prefer to work at? In other words, is this one of the reasons underlying their lack of interest in working in heavy industry or even in the manufacturing sector for that matter?

To put it in layman’s terms, heavy industry can be considered as a high risk - low reward industry in comparison to the service sector. Furthermore, heavy industry is where employees operate expensive and heavy machinery in order to be paid somewhat equal wages to an employee in the service sector who folds t-shirts or is a cashier at a retail store. Additionally, the margin for error in heavy industry is much less due to its costly nature when compared to the service sector as well.

Therefore if you want to make young people take higher risks, you have to compensate their risks with higher wages. However, in Turkey, it is debatable if the wage gap in favor of manufacturing compensates those risks. For instance, according to TÜİK, in 2014, the monthly average gross wage gap of an *unskilled worker* in “manufacturing” and an *unskilled worker* in “arts, entertainment and recreation” was 52 TL favoring manufacturing. The monthly average gross wage gap between *plant and machine operators and assemblers* in “manufacturing” and *service and sales workers* in “accommodation and food service

⁶ <http://www.businessinsider.com.au/entrepreneurshipgrimmer-for-gen-y-2013-3>

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activities” was 108 TL favoring machine operators. Given that these wage margins are gross, we see that the mentioned wages for the manufacturing sector where there are higher risk involving occupations do not satisfy the employee enough to choose industry over services.

In conclusion, the need for sectors operating in heavy industry to play catch-up with the differing expectations of Generations Y and Z is bluntly apparent if companies in these sectors want to stay relevant and operational.

Two possible ways come to mind for helping the sector and operational companies in this endeavor; increase the employee wages in heavy industry for the sake of equalizing or eliminating the risk factor; or improve risk distribution through expediting the transition to automation and innovation processes already in motion for the pursuit of Industry 4.0 and make working in heavy industry ‘cool’ again for abovementioned generations. Considering both ways, it is a fact that steps need to be taken but spearheading an initiative at the right direction could give the impression that their country recognizes its millennial citizens and their preferences.