

April 30, 2013

It's a 401(k) World

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It's hard to have a conversation today with any worker, teacher, student or boss who doesn't tell you some version of this: More things seem to be changing in my world than ever before, but I can't quite put my finger on it, let alone know how to adapt. So let me try to put my finger on it: We now live in a 401(k) world — a world of defined contributions, not defined benefits — where everyone needs to pass the bar exam and no one can escape the most e-mailed list.

Here is what I mean: Something really big happened in the world's wiring in the last decade, but it was obscured by the financial crisis and post-9/11. We went from a connected world to a hyperconnected world. I'm always struck that Facebook, Twitter, 4G, iPhones, iPads, high-speed broadband, ubiquitous wireless and Web-enabled cellphones, the cloud, Big Data, cellphone apps and Skype did not exist or were in their infancy a decade ago when I wrote a book called "The World Is Flat." All of that came since then, and the combination of these tools of connectivity and creativity has created a global education, commercial, communication and innovation platform on which more people can start stuff, collaborate on stuff, learn stuff, make stuff (and destroy stuff) with more other people than ever before.

What's exciting is that this platform empowers individuals to access learning, retrain, engage in commerce, seek or advertise a job, invent, invest and crowd source — all online. But this huge expansion in an individual's ability to do all these things comes with one big difference: *more now rests on you.*

If you are self-motivated, wow, this world is tailored for you. The boundaries are all gone. But if you're not self-motivated, this world will be a challenge because the walls, ceilings and floors that protected people are also disappearing. That is what I mean when I say "it is a 401(k) world." Government will do less for you. Companies will do less for you. Unions can do less for you. There will be fewer limits, but also fewer guarantees. *Your* specific contribution will define *your* specific benefits much more. Just showing up will not cut it.

The policy implications? "Just as having a 401(k) defined contribution plan requires you to learn more about investing in your retirement, a 401(k) world requires you to learn much more about investing in yourself: how do I build my own competencies to be attractive to employers and flourish in this world," said Byron Auguste, a director at McKinsey and one of the founders of Hope Street Group, which develops policies to help Americans navigate this changing economy. "As young people rise to that challenge, the value of mentors, social networks and role models will rise."

Indeed, parenting, teaching or leadership that "inspires" individuals to act on their own will be the most valued of all.

When I say that “everyone has to pass the bar now,” I mean that, as the world got hyperconnected, all these things happened at once: Jobs started changing much faster, requiring more skill with each iteration. Schools could not keep up with the competencies needed for these jobs, so employers got frustrated because, in a hyperconnected world, they did not have the time or money to spend on extensive training. So more employers are demanding that students prove their competencies for a specific job by obtaining not only college degrees but by passing “certification” exams that measure specific skills — the way lawyers have to pass the bar. Last week, *The Economist* quoted one labor expert, Peter Cappelli of the Wharton business school, as saying that companies now regard filling a job as being “like buying a spare part: you expect it to fit.”

Finally, every major news Web site today has a “most e-mailed list” that tracks what’s popular. Journalists who tell you they don’t check to see if their stories make the list are lying. What makes those lists possible is the use of Big Data and the cloud, which can also measure almost any performance in any profession in real-time and tailor rewards accordingly. More schools can now instantly measure which teachers’ kids are on grade level in math every week, Jamba Juice can see which clerk sells the most between 8 and 10 a.m., and factories in China can find out which assembly lines have the fewest errors. On schoolloop.com, you can track your kid’s homework assignments and daily progress in every K-12 class. A most e-mailed list is coming to a job near you.

I find a lot of this scary. We’re entering a world that increasingly rewards individual aspiration and persistence and can measure precisely who is contributing and who is not. This is not going away, so we better think how we help every citizen benefit from it.

It has to start, argues Ryan Burke, the director of jobs and workforce for Hope Street, with changing our education-to-work system to one that “enables and credits a variety of viable pathways to needed skills.” But “for students and workers to take advantage of the opportunities open to them in a ‘defined contribution’ world, they will need much better information to inform their decisions. Right now it’s much easier to evaluate a choice about buying a car or picking a mutual fund” than to find the competencies employers are looking for and the best cost-effective way to obtain them.