

THE RETIREMENT AND DEATH WARS



Why company owners and officers must integrate external, third-party, Internet based training and testing (referred to as Interactive Distance Learning or IDL and Computer Based Training or CBT) as a corporate requirement of a successful and surviving business in the immediate future to avoid charges and accusations of due-diligence negligence under the Sarbanes - Oxley Law compliance requirements and other “knew or should have known” legal liability theories. Always consult your attorneys for their legal advice.

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THE RETIREMENT WARS

The 1960's-hired baby-boomers are retiring in record numbers and most corporations, companies and privately owned businesses are neither prepared nor planning adequately for this first wave of a two part labor inversion and insurrection. Workers hired for all industries in the 1960's are reaching retirement age. This is also true in all other industries. Replacements must be found, hired and trained. Extending the careers of older employees will still be faced with the more severe, trailing wave of the storm... the Death Wars.

Reduced Labor Pool.

In the next 10 to 15 years there will most certainly be a shrinking labor pool and fewer skilled workers. Many of the traditional labor industries and Fortune 500 companies are forecasting retirement rates of 50% of their workforce within the next ten to fifteen years.

Small Company Struggles.

Small companies will be at a competitive disadvantage because they could never afford to produce the same quality and types of benefit packages and the critical, internal training and testing materials as the large corporations with embedded training and testing personnel and systems.

Corporate Due-Diligence.

Identifying, hiring and training replacements from both inside and out should be an immediate priority for all small businesses, sole-proprietors and all corporate Chief Executive Officers, Chief Financial Officers and all upper management.

Internal and External Hiring.

New hires must also be trained and cross-trained for advancement to fill all positions of labor and management as they are vacated by upward promotion of experienced individuals, planned and unplanned retirements and deaths. The domino effect of internal promotions represents a massive amount of new training and testing that companies must recognize as a core business requirement. This will evoke and demand a major migration of personal skill sets. Job and company specific skills will demand immediate focus to enable company survival.

Benefit Package Bribes.

Older, experienced workers will become more valuable and costly than precious gems and harder to obtain and retain. Medical and benefit packages for the mature and senior employees will be the currency of their workforce when dealing with all companies of every size.

Outsourcing Interactive Distance Learning.

The generation entering the workforce today is the most computer literate group in history. Each successive generation will be even more advanced. As an alternate to recurring, outside hiring, internal lateral transfers and vacancy filling promotions, Interactive Distance Learning (IDL) companies will use the clients' business content in software applications to create and administer complete, global campus training and testing over the Internet.

The available job applicants and the emboldened job shoppers will use the internet as never before to see what is available and test the waters. The Internet will be what newspaper, radio and television was to the past generations. Training and testing over the Internet will be so common as to be a boring conversational subject.

Interactive Distance Learning will trade on the fact that every person with a connection will have an available library resource newer, greater and more comprehensive than the content of the United States' Library of Congress. Private websites, online newsletters, email lists, blogs, anti-company websites and pro-company websites will and shall anonymously disclose everything that a company employment-environment offers or does not offer.

If there are only 10 people to interview for a company's 100 open positions, those ten people will soon learn they can make outrageous demands and can be expected to bring new meaning to the term, "job-shopper." "Company loyalty" may become an extinct term.

The Internet and IDL will become two indispensable terms. The companies that embed these processes in their corporate culture now will mitigate a lot of the coming damage and maximize the advantage of outsourcing to educational training and testing companies whose core responsibilities have included the generation and deployment of mature IDL systems and software.

THE DEATH WARS

If this first wave of Retirement War's crisis is not enough basis to take immediate actions and mobilize your corporation then you are certainly not ready for the subsequent wave of Death Wars. Price suppression will evolve from the glut of products being converted to cash by the children of the baby-boomers. Objects will sell cheaply in a buyer's market. As the purchasing power of a dollar increases the inverse is also true regarding workers' motivation. The inducement power of an employer's wage dollar will drop as the wants and desires of the new workforce are satisfied from an ever increasing supply volume of cheaper products and things.

When workers will get even.

A payback for the years of small business and large corporations' disloyalty to their employees may be coming. A previously simple growth plan will require constant attention and innovative and company unique solutions. The maintenance of a stable market share will require diligence when coupled with the loss to retirement and death of experienced members of the workforce. This "brain drain" will cause both experience and labor intensive companies to struggle. Cash rich companies will be required to invest heavily to maintain an adequate workforce of qualified employees. Companies with marginal profitability, or uncommitted inheritors, will fail to obtain, replace and maintain an adequate workforce and will surely fail. No organization will be immune from this problem when only 10 laborers apply to fill 100 open labor positions. The other 90 may have new middle management jobs because they can provide at least some experience to restore work lost as a casualty to the 50% retirement and death wars. What will these needy entities do?

Bigger salaries and more benefits.

The best salaries and benefits will secure the best employees during this cycle. It will require a larger payroll to retain the remaining half of the workforce and new ways of thinking, in addition to larger benefit and salary packages, to replace and retain those workers lost to the retirement and death wars.

Less buyers, but for more, cheaper things.

This reduction by 50% of the workforce pool of buyers of big-ticket item will drive the prices of those same big-ticket things down and increase the buying power of the workers' already increased salary packages. Simply, they will be able to buy more goods from an ever increasing pool of available goods, for less. As always, this unbalanced equation will result in an increased demand for time off of work. A day's pay will not carry the same importance as it did during your grandfather's day.

Demands for more leisure time.

The inevitable results will be the workers demand for more leisure time to spend their expanded-value paychecks and incomes. Forced overtime and long workweeks will become objectionable and the source of unrest, dissatisfaction and employee migration. The high demand for the same workers at businesses that do not require forced overtime and long workweeks will shape the employee movement and temporary destination markets.

More assets and things available for less dollars.

The Death Wars will depress estate and garage sale prices for every item duplicated in the baby-boomer's homes, garages, barns and storage buildings. Their inheritors will most surely try to convert these inherited or gifted items (which they themselves have bought and duplicated in newer models) to ready cash... As death envelopes this pool of retirees, owned objects of every type will flood the down-sized workers' market. Everything from large homes to automobiles to the simplest hand tools of the retirees will be marketed for cash by the survivors of these deaths of the baby-boomer retirees. This will

create (1) an over-saturated market of used, medium-sized and big- ticket things, (2) price depression of new, similar-products, and (3) a period of retail and commercial price wars.

50% of all houses, cars and boats for sale... Cheap?

The most inflexible market will be the mortgage and new homes industries which will lose approximately 50% of its owner / buyers to death over a 10 - 15 year time period. Inheritors will attempt to (1) convert these houses to cash or (2) move into these houses and place their house on the market. This glut of for-sale houses will evolve into a market for 1st time home-owners and drain apartment dwellers from the apartment industry. This also will deplete the investment based expectations of the multi-family housing industry. The migration from apartments to houses will trigger a repeat of the horrors of the massive, empty subsidized housing complexes seen during the Savings and Loan crash. The same pattern can be forecast for used luxury cars, boats, jet skis, RV, airplanes, second homes, lake houses, farms, ranches, hunting and fishing lodges.

In-House vs. Out Sourcing - Deflating the IDL Myths

In the late 90's Silicon Valley was the sight of massive lay offs and firings, and finally, company closings. After the various company's software was written the programmers were an expense, not a profit center. The mystery was gone and the bodies were sent out the door. It was learned by the general public that a computer programmer was not a generalist and, in most cases, was the holder of a vary limited and focused skill set. Teams of programmers, each often the master of a different computer language, created products. A single programmer might just be useless. They then joined the ranks of the under-employed in IT Departments across the country and world.

The question of internal or outsourced training and testing services face opposition from internal IT Departments. They quite possibly can write the code to make their system work but rarely can they envision all of the features required to service their training and testing needs. Their in-house cost advantage is almost always lost in their false-starts, reworks, omitted but necessary features and schedule delays. IT Departments defend themselves with two basic arguments: (1) We can create the software so that we can do it cheaper in-house and (2) we must own the software to prevent continuing or recurring costs. Both arguments are myths.

Two of the most damaging myths embedded in corporate cultures relate to IT Departments. The demand of CEO's and CFO's to internally control the benchmarking and best practices lexicons may cause the delays that prevent a corporation from reacting in a timely manner. Additionally, the subjective attitude that every software package must be owned to prevent recurring cost is factually deceiving and intellectually dishonest. It does not consider the continuing development costs, the recurring, infrastructure and system operators' costs and the questionable contributions to core tasks and strengths. Moreover, a purchased software package faces obsolescence or recurring revision and update costs.

Top-Heavy, Internal IT Departments

The first strategy, benchmarking, has become so overbearing, time consuming and costly that CEO's and CFO's are watching details that have reached and exceeded diminishing returns. Instead of watching for situations that could kill their businesses, executive management is often so involved with benchmarking and fine tuning (micro-managing) daily operations, they have little time for the "big picture."

Embedded, Mystery Work

When businesses started using computers, computer operators, without any business experience, became the business controllers. Later, the turf wars and job protection antics of the internal IT Departments and computer programmers grew and became more obvious. When large, systemic canned or customized software packages were implemented in years past, programmers and analyst pirated the methods of the historical alchemists and wizards. For good or bad, everything became computerized and these parties became invaluable because others could not see what they do.

Historically, a ditch digger was immediately fired for digging a crooked trench or sleeping under a tree, because his boss and other bosses could see it. This isn't the case with internal IT Departments,

computer analyst, programmers and software. When asked how long a particular new project will take to accomplish, who has ever received an answer that was within time and budget requirements?

The ongoing development and modification of an internal, educational, training and testing software package rarely meets the economies of scale inherent in a mature, industry accepted system. Costly internal administration and modifications, allowing the internal system to "talk" to the rest of the company's system, is seldom measured and time verified as a "best value." If it doesn't work, the chant is usually, "It's a software problem but we know of another software package that will work."

Unlike the ditch digger above, watching an IT Department employee work often yields no understandable measurements. When tasked to create an internal training and testing program, the IT Departments cannot assimilate and replicate a non-core trade that the formal educational field has been developing for decades. It becomes a misplaced effort to continually reinvent the wheel. This internal shared service center approach is rarely analyzed for its true, life cycle cost of ownership.

Outsource Non-Core Responsibilities

Simply, if it is not a company's core market, cost or profit center, then it is not within the specialty of the company and should be outsourced to allow manpower focus on core markets and profitability within the company.

An article by Joseph McCafferty, in CFO Magazine's July 2005 edition restates this concept clearly.

Lose the Yardstick

"If you're still running a shared-service center, you're way behind the curve."

Greg Hackett, a business specialist that focused on benchmarking and best practices for the corporate world, has a new message for finance: forget about metrics.

Most of the gains from measuring have been made, and that now firms spend too much time counting and computing only to make incremental improvements in efficiency. "It's time to move on," he says. "You can polish the apple only so much."

*So what has turned Hackett from a preacher of metrics and benchmarking to a critic of the practices? He says there is now a better alternative to all the number crunching: **"Outsource the damn stuff,"** he advises. **"if you're still running a shared-service center, you're way behind the curve."***

Hackett says he recommends outsourcing not just because it works, but because it allows companies to focus on other things. In particular, he believes finance should start looking for outside threats to the business. "In this time of rapid change, someone needs to be on the lookout for what is going to kill the company," he says. "if the bulk of your resources are still being spent crunching numbers, there's not a lot of time for looking over the horizon."

Effects Of The Retirement and Death Wars

The Retirement and Death Wars can certainly kill a company. Every company's internal Computer and Finance Departments should be focusing on core responsibilities and not on designing and operating an Internet-based training and testing system. The training, testing and educational giants perfected these systems as a core responsibility of their markets and business.

When the projected retirement rate of 50% materializes, who will learn, operate and administer the company's internal educational system. Is this really a best use of the company manpower and assets? Is it a core responsibility that will support the company's net profit and operational goals?

The final question to consider is related to the article reproduced above. If Mr. McCafferty is correct, as he has been proven to be in the past, and the majority of a company's Finance and IT Department work is outsourced at some point in the future, who will remain and be available to run the IDL training and testing show?

This Decade's Demographics:

1. All Occupations - 60 Million.

*2002 Survey finds benefits more important than pay for many. More... 60 million will retire in next 15 years...*¹

2. IT Workers in U.S. Government Agencies - 50%.

*Government agencies recruiting IT workers... Report finds large portion of federal workforce is nearing retirement age...According to a report prepared in 2001 by the National Academy of Public Administration, there were 59,577 IT workers at the federal level at the end of 2000. Seventy percent were over age 40, and 29 percent were over age 51. And federal agencies have continued to recruit from an older base of workers. It's estimated that half of the federal IT workforce will be eligible to retire by 2004. "While one cannot assume that over 50 percent of federal IT professionals will retire in the next three, four or five years, it is probably safe to assume that over 50 percent of current federal IT professionals, or around 30,000 workers, will retire within the next 10 years," the report said.*²

3. Construction / Building Trades - 50%.

*Nearly half of mainland building trades workers will be ready to retire in the next 10 to 15 years.*³

4. Petroleum Industry - 50%.

*Chevron Overseas Petroleum Inc. (COPI), for example, expects that half of all its workers will retire within the next 10 years.*⁴

5. Railroad Industry - 50%.

*The Brotherhood of Maintenance of Way Employees' Union web page reports it clearly. "The number of railroad retirements in January 2002 was four times greater than January 2001," said Hank Crowe, a Florida district manager of the U.S. Railroad Retirement Board. He stated he was expecting 2003's retirements to be double 2002's total.*⁵

6. Civil Service Workers - 45%.

*Civil service set to go on hiring spree. About 45 per cent of permanent federal workers will retire in the next 10 years...*⁶

7. Retirement Wars retirement average:

IT Workers in U.S. Government Agencies	=	50%
Construction / Building Trades	=	50%
Petroleum Industry	=	50%
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Average	=	49%

All Occupations - 60 million in the next 15 years.

2 questions for you...

If your paycheck was cut by 50%, what would you do?

Will Bob's "R&D Wars" also reduce, in 10 - 15 years, the number of people paying income taxes, by 50%?

What will your city, county, state and country do to pay their bills?

¹ See sacramento.bizjournals.com/sacramento/stories/2002/08/26/smallb5... - 2002-08-26 - Sacramento

² See <http://classifieds.dallasnews.com/employment/it/021603ccCareersTechGov.1bcaaf7.html>, 02/16/2003, By Victor Godinez / Dallas Morning News.

³ See www.herald.ns.ca/stories/2003/01/10/pOpinion102.raw.html

⁴ See www.chevron.com/about/chevronnow/2001/jan_feb/Feature2/pg2.shtml

⁵ See <http://www.bmwe.org/nw/2002/02FEB/75.htm>.

⁶ See www.globeandmail.com/servlet/ArticleNews/TPStory/LAC/20030804/PFF...

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Executive Summary

The 1960's hired "baby-boomers" are retiring in record numbers and most corporations, companies and privately owned businesses are neither prepared or planning for it. In the next 10 to 15 years there will certainly be a shrinking labor pool and fewer skilled workers. Training replacements, from both inside and out, should be an immediate priority for the Chief Executive Officer, Chief Financial Officer and all of upper management.

If this Retirement Wars crisis is not enough basis to take immediate actions and mobilize your corporation then you are certainly not ready for the subsequent Death Wars. The Death Wars will depress estate and garage sale prices for every item duplicated in the baby-boomer's homes, garages, barns and storage buildings. Their inheritors will most surely try to convert these inherited or gifted items (which they have themselves bought and duplicated in newer models) to ready cash... This will create (1) an over-saturated market of "used things", (2) price depression of new, similar-products, and (3) a period of retail and commercial price wars.

Workers hired for all industries in the 1960's are reaching retirement age. This is also true in all other industries. Replacements must be found, hired and trained.

New hires must also be trained for advancement to fill all positions of labor and management as they are vacated by upward promotion of experienced individuals and retirements. The domino effect of internal promotions represents a massive amount of new training and testing that companies must recognize as a core business requirement. This will evoke a major migration of personal skill sets.

Older, experienced workers will become more valued than precious gems and harder to obtain and retain. Medical and benefit packages for the old will be the currency of the workforce.

Small companies will be at a competitive disadvantage because they could never afford to produce the same quality and types of benefit packages and internal training and testing materials as the large corporations with embedded training and testing personnel and systems.

As an alternate, IDL companies will use the customer's content in software applications to create and administer complete, global campus training and testing over the Internet.

As death envelopes this pool of retirees, owned objects of every type will flood the down-sized workers' market. Everything from large homes to automobiles to the simplest hand tools of the retirees will be marketed for cash by the survivors of the baby-boomers retirees.

Price suppression will evolve from the glut of products being converted to cash by the children of the baby-boomers. Objects will sell in a buyer's market. As the purchasing power of a dollar increases the inverse is also true. The inducement power of an employer's wage dollar will drop as the wants and desires of the new workforce are satisfied from an ever cheaper products supply. The most inflexible market will be the mortgage and new homes industries which will lose a full 50% of its owner / buyers over a 10 - 15 year time period.

It will require a larger payroll to retain the remaining half of the workforce and new ways of thinking, in addition to larger benefit and salary packages, to replace and retain those workers lost to the retirement wars. A previously simple growth plan will require constant attention and innovative and company unique solutions.

The retirement and death wars have begun. Is your company ready... or doomed?

Recurring Layoffs

Railroad executives reduce operating costs by periodically laying off railroad employees. This also makes the executives eligible for their bonus packages by meeting operating costs targets and providing the company profit and stock results that stockholders demand.

After they qualify for their personal bonus they start frantically trying to hire and train new employees to fix bad service and late delivery issues caused by their earlier actions.

A shortage in the projected labor pool will cause massive corporate effects if this practice is continued.

Cost of Training and Testing

According to the U.S. national average, it takes \$7.00 of new sales to create \$1.00 of profit. As sales opportunities shrink anything that saves money on training and testing is critical to bottom-line profitability. The conclusion is simple. Corporate saving of \$1.00 on training and testing costs is the direct equivalent of \$7.00 of new sales or adding \$1.00 to profit.

IDL Is A Partial Solution

Flexible and dynamic Interactive Distance Learning (IDL) providers will provide Internet based and distributed training content and real-time test score reporting evolved to specifically support recurring manpower replacement requirements, budget limitations, risk management demands and compliance obligations.

It is an accepted fact that a large portion of training and testing is destined to become Internet based and IDL. The global reach is great, availability is on demand and universally available from almost any geographical location and the cost is small. There is global product placement and penetration advertising and IDL is a universal, recurring and self-regenerating market.

IDL companies will supply industry-focused, online training and testing, including administration of content, and a wide range of training services including training process analysis, structuring of existing teaching aids, integration of new technology in the training process, updating and version management of course material and training and testing system administration.

Customer requirements will dictate other hardware, software and services developments.

This business model can quickly be reproduced, with minimum effort and cost, for other companies. The same model can be "copied and pasted" and used for any and all other light, medium or heavy industry customers.

More importantly, a system for one commodity can quickly be reproduced for a second customer within the same industry. There is never a need to reinvent the wheel.

The normal IDL global business model is the ultimate of the no-brick-and-mortar and work-from-home lifestyle envisioned and promoted by the global explosion of the internet. This enables IDL suppliers to market to every type of training and testing customer in every vocational, municipal, governmental and professional field conceivable.

This model can easily be expanded to all other occupations and requirements without any other hardware, software or services. Most dramatically, it can be rubber-stamped, or copied, to every other occupation, trade or hobby known to the human race.

Railroad Industry Example

A simple example is contemporarily demonstrated by the railroad industry. The immediate focus is the railroad industry's required and repetitive certification training and testing requirement for locomotive engineers, yardmen and trainmen. This represents the highest count, repetitive, required testing and training among railroads with a common core set of shared rules. Compliance must be demonstrated for the Federal Railroad Administration or the employee cannot work. Every employee must be tested every two or three years. Physical distance from the testing center elevates both the difficulty and the cost of both training and testing compliance.

In-house Company Training and Testing

Employment and certification training and testing is a core business requirement of almost every company. They must maintain their ability to perform this function in case their outsourced training or service suppliers catastrophically fail them for any reason. That being said, all companies will retain the ability to provide direct training and testing to certain groups and counts of their employees. This is a given proposition of due diligence and risk management that must remain in place for almost every companies.

This may or may not be true for the next generation of employees that have grown up as computer users.

Our railroad industry target market is identified as two groups for their company's consideration:

1. *Career driven employees and new hires are willing to train and test on their own time at no labor or travel cost to their company.*

Many good employees want or need a better paying job. The motivated employees' goals are to provide an enticement to the company to consider them for future open positions with larger responsibility and wages.

The company's goal is to obtain a better trained pool of prescreened job candidates provided at a much smaller cost (because the employees virtually and voluntarily trained themselves to a certain level.) Any successful self-training of this type is a very measurable, massively recurring cost savings to the company, demonstrates the motivation of the employee. Any cost savings goes directly to the bottom line of the company's profit. Company trainers can now focus on those employees that need individual help and thereby directly and affirmatively influence all company performance and risk management matters.

2. Retirements and remotely located employees and crews of short-staffed sites or locations.

Staffing levels currently cannot be considered excessive in cost conscious companies and can even be argued as perpetually short-handed. The next ten years will see the retirement and necessary new hiring and training of many thousands of new railroad employees worldwide as the current employees retire in mass numbers. Retirements are projected as 50% over 10 years.

The removal of one employee from a short staffed location can create recurring havoc in manpower, crew scheduling and covered work. The concept of Internet based electronic rules training and testing (ERTT) helps to address and possibly eliminate the general and administrative (G&A) cost and inconvenience of requiring the employee to "mark off" of the extra-board, travel to the training center, attend a training class, take the required test, incur cost for housing and meals and then travel back to his work area.

This estimated cost of doing business can range from \$300 to \$1200 per employee. No freight is moved by this employee during this process and no profit is generated for the company. The largest rail freight hauler in the United States allows employees to rest 8 hours, take the test over the Internet, rest for eight hours and then "mark-up" for work. If the employee passes the test with a score of 85% or better he or she is paid a day's pay and placed back in the work rotation or the so-called extra-board. If he or she fails the test, he or she must contact the supervisor within 24 hours to schedule a proctored or witnessed retest.

General Market Analysis

The Interactive Distance Learning (IDL) market is universal, self-regenerating and recurring. All major companies in all jobs, trades and professions are considering or moving their training and testing to the Internet. Hardware prices have fallen precipitously but software and content are still the profit kings.

Training and testing will be required for a large portion of the new employees hired to replace some 60 million retiring U.S. workers. They are scheduled to retire in the next 15 years and approximately 50% of the railroad workforce is projected to retire in the next 10 years. These replacements will be computer and Internet literate and will probably expect and prefer Internet based training and testing.

Recurring television and music royalties are the business model for IDL software content providers. Once content is created, it can be reproduced for virtually no cost and licensed over and over for recurring profits. This is the absolute opposite of selling one valve, building one valve, delivering one valve and then repeating the process. The Beatles recorded their song "Yellow Submarine" once and then sold millions of copies globally.

All markets are potential targets for future PCS's IDL expansion and penetration. The railroad industry has been targeted first because of the universal and recurring commonality of their operating and safety rules and the self-regeneration of employee and corporate customers facing a 50% retirement and replacement of their workforce.

Fortune 500 companies and cash-rich companies should be quietly accelerating a long term business strategy to acquire every type and form of mature, IDL related service provider available as one of the most obvious self-sustaining, future profit centers.

Demographics of Retirements in This Decade

1. All Occupations - 60 Million. 2002 Survey finds benefits more important than pay for many. More... 60 million will retire in next 15 years...⁷
2. IT Workers in U.S. Government Agencies - 50%. Government agencies recruiting IT workers... Report finds large portion of federal workforce is nearing retirement age...According to a report prepared in 2001 by the National Academy of Public Administration, there were 59,577 IT workers at the federal level at the end of 2000. Seventy percent were over age 40, and 29 percent were over age 51. And federal agencies have continued to recruit from an older base of workers. It's estimated that half of the federal IT workforce will be eligible to retire by 2004. "While one cannot assume that over 50 percent of federal IT professionals will retire in the next three, four or five years, it is probably safe to assume that over 50 percent of current federal IT professionals, or around 30,000 workers, will retire within the next 10 years," the report said.⁸
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6. Civil Service Workers - 45%. Civil service set to go on hiring spree. About 45 per cent of permanent federal workers will retire in the next 10 years...¹²
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⁷ See sacramento.bizjournals.com/sacramento/stories/2002/08/26/smallb5... - 2002-08-26 - Sacramento

⁸ See <http://classifieds.dallasnews.com/employment/it/021603ccCareersTechGov.1bcaaf7.html>, 02/16/2003, By Victor Godinez / Dallas Morning News.

⁹ See www.herald.ns.ca/stories/2003/01/10/pOpinion102.raw.html

¹⁰ See www.chevron.com/about/chevronnow/2001/jan_feb/Feature2/pg2.shtml

¹¹ See <http://www.bmwe.org/nw/2002/02FEB/75.htm>.

¹² See www.globeandmail.com/servlet/ArticleNews/TPStory/LAC/20030804/PFF...

PART III – THE RETIREMENT AND DEATH WARS IN CHINA

The 2006 White Paper Series – The Retirement and Death Wars, 2006 © by R. C. Ballew, lays the detailed foundation for this addendum to that series. It expands those papers by focusing on the Chinese national culture and the author's personal future projections based on extensive subject readings, research and personal analysis.



This historical researcher believes the Chinese are racing controlled, cultural rickshaw down the international trade on dangerously bald tires. The question is when the crash not if.



their state-autobahn will happen,

Americans can anticipate the reporting of a horrific Chinese cultural crash, similar to the collapse of the Soviet Empire, within the next few decades. Their three, bald Chinese tires are the pending (1) citizens' globalized expectations and demands, trailed by the (2) gender imbalance and (3) the retirement and death wars. These severe cultural problems remain hidden while the media places its focus on the electrical, electronic and mechanical aspects of the temporary Chinese export dominance. This trade dominance may end and disappear in the immediate future very much like the historical Phoenician, Egyptian, Spanish and Aztec dynasties.

The questions becomes, "Will the Chinese survive their self-inflicted problems?"

Back then we said, "Duck and cover!"

The useless warning cry, "duck and cover", that permeated the dawning of the atomic bomb age echoed the daily, primal fears that American Baby-Boomers faced during childhood. Today, certain foreign country trade practices and profiles represent a similar theoretical, but unspoken, threat to America's culture.

Today, China Phobia Is An Example

Today, Americans fear, but seldom verbalize, the overwhelming educational, manufacturing and export prowess of the Chinese culture. The daily saturation of American citizens' lives by imports from China, including both legal and "patent-infringing, knock-offs and copies", reinforces the image of American manufacturing and services outsourced to Chinese and other offshore companies.

The whispered message is that America is becoming a country of service-providers and is losing its dominance as a country of premier creators, inventors and manufacturers. America's future, in the minds of the many uninformed, seems to be dim.

That opinion is ridiculous.

Our parents' cumulative post-war "guilt and humanity" helped rebuild Asian economies with new state-of-the-art infrastructures and manufacturing capabilities and then attempted to compete with them using out-dated infrastructures and manufacturing capabilities.

This obvious but temporary result was similar to an endurance race pitting Japan's and China's 20th century Rolls Royce against America's 19th century Model T Ford.

Times and fortunes change.

Citizen Globalized Expectations And Demands

The globalization and expectations of Chinese citizens are rapidly expanding through international communications, media and the Internet. Every country's people are demanding better living conditions, more money and more things. They also read, see and hear how the rest of the world lives, works and plays. It is natural for a person to want more; outside factors can enable or prevent it.

The ruling parties are focused exclusively on providing jobs for the rural millions that are moving from the farms and rural areas to the cities and industrialized areas. If jobs are not made available, at any costs, political upheaval is assured and many of the Chinese ruling party and rich will surely lose their power and riches.

This mandates the explosive growth of the many Chinese businesses alliances, similar to the Japanese “Keiretsu.” Interdependent Chinese companies and organizations, supplying each others’ hardware, software and services, are organized around a group-centric financing organization or bank. This keiretsu has one business and trade focus... win!

The keiretsu will primarily keep all of its business within its own keiretsu. If it can’t, it will enlist the efforts and support of another keiretsu.

What might be considered an anti-competitive, anti-trust action in the United States might not be in Chinese or Japanese business transactions.

The United Kingdom’s Patent Office is only about 150 years old. The United States Patents and Trademarks Office is only about 230 years old. America imposes our trade rules on 6,000 year old cultures and then we act bewildered that they don’t require these relative new American rules in their own countries.

It seems a bit arrogant to the Chinese that this 500 year old baby-nation-experiment called America has only about 200 years of industrialization and 100 years of global trade experience, yet “...tries to teach the 6000 year old Phoenician’s culture how to trade.” Japan, India and Korea have repeatedly expressed similar dismay.

They quietly speak in analogies among themselves and say “it is the infant ordering the grandfather and this arrogant, naive and misbehaving infant deserves little respect.”

Gender Imbalance

China is a country where men outnumber women, where the vast surplus of sexually frustrated males could threaten the society, and where females are only available in very low numbers proportionally. The desire for male-children-only is coming back to haunt them.

The total present Chinese population stands at 1.3 billion, but will reach 1.557 billion in 2043. It is estimated to approach a zero population growth rate after 2043.¹³

"China's newborn gender ratio of girls to boys was 100:117, according to the fifth national census. The number of boys under 9 years old was 12.77 million more than that of girls."¹⁴

"The normal newborn sex proportion is 100:104-107, and if China's disproportionate figure is allowed to continue unchecked, there would be 30 to 40 million marriage-age men who would be single all their lives by 2020. Such serious gender disproportion poses a major threat to the healthy, harmonious and sustainable growth of the nation's population and would trigger such crimes and social problems as mercenary marriage, abduction of women and prostitution."¹⁵

These officials would not have expressed these types of facts and predictions without government approval. This approval is unusual in a society where face-saving and secrecy is the norm. It identifies the concerns of the Chinese government.

This translates to social unrest and discomfort. A group of 10 single men, of any nationality, gathered on a dark corner or in a bright food store communicates a threat of danger even if there is none. This irrational fear expands exponentially when faced with 40 million marriage-age men. Society becomes uneasy.

The China Daily discussed the background of the ancient practice of preferring boys to girls and asked, "Where have all the girls gone?" It concluded that it is a combination of the old and the new. The Chinese quote analogies from their long history and say the *"Book of Songs"* (1000-700 B.C.) declared:

*"When a son is born, Let him sleep on the bed,
Clothe him with fine clothes, And give him jade to play..."*

*"When a daughter is born, Let her sleep on the ground,
Wrap her in common wrappings, And give (her) broken tiles to play..."*

¹³ Xinhua, China's state-controlled news agency.

¹⁴ Zhang Weiqing, Minister-in-Charge of the State Family Planning Commission

¹⁵ Li Weixiong, vice chairman of the Population, Resources and Environment Committee of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), at a full meeting of the CPPCC's annual session.

This may seem a bit harsh, but for centuries Chinese families without sons feared poverty and neglect. The male offspring represented continuity of lineage and protection in old age. American history reflects that 19th century, middle-America farmers fathered large families to work their farms. This is also the history of most agrarian societies and cultures. Customarily, Chinese men take care of their elderly parents and Chinese women are expected to take care of their parents-in-law. It is a tradition in a heavily traditional society that is hard to break.

In 1979, Chairman Mao implemented the infamous one-child policy as part of his strategy to fast-track economic modernization. Originally, Mao had favored a huge population to provide strength in numbers, but then realized that placing a limit would ensure greater control.

Parents faced with this law and with only one choice... unsurprisingly choose a boy. This has led to such extremes as the reported killing or abandoning female infants, as well as the mass adoptions.

The security implications of Asia's surplus male population is well recognized. The situation in China (and India) could threaten future world peace. In societies where the status of women is so low, the prospects for peace and democracy are reduced. By 2020 these "bare branches" will make up 12-15% of the young adult population. It is unlikely that this problem will "self-correct" as there is no incentive to stop having boys. The Chinese government is aware of this dilemma, but has not solved the problem yet.

Environmental Catastrophe

China's air, water and soil contamination are a recognized catastrophe. They have been polluted by twenty years of explosive growth.¹⁶ More than half of China's 21,000 chemical companies are located near the Yellow and Yangtze rivers. Any accident could mean an immediate disaster of poisoning to the drinking water of tens of millions of people. The government says its other major rivers are also polluted.

China's cities are on the world's short list of dangerous air pollution. Excessive smog is a daily personal hazard.

There is no correction in sight in the immediate future. In order for the ruling organizations to remain in power, they must provide a continually increasing number of jobs for the rural workers that are moving to the industrialized areas seeking better wages and living conditions. All other national and international concerns are, in reality, secondary.

The excessive environmental pollution is a ticking time-bomb and will affect everything from production efficiencies to the saturation of all health care services and facilities.

Retirement And Death Wars

China has a rapidly aging population. By 2040, each Chinese-citizen's-work will be required to support five non-working Chinese elders.

Only 25% of these elders have any type of pension.

United Nations analysis and reports state that the ratio of elderly Chinese people to working-age will increase from 3:1 now to 5:1. By 2040 the count of 80+-year-old Chinese citizens will rise from 8 million now to about 50 million. Chinese citizens over age 60 will increase explosively, from 11% of the population in 2004 to a projected 28%.

Looking at China's extreme demographic difficulties (which will only increase with time) makes its growth as a sustainable economic superpower, that will just overwhelm the United States and the rest of the world, seems highly unlikely.

China's huge single-male and elderly populations will cause its retirement and death wars problem to grossly overshadow the United States' projections.

One analytical tome states, "By 2040, assuming current demographic trends continue, there will be 397 million Chinese elders, which is more than the total current population of France, Germany, Italy, Japan, and the United Kingdom combined."¹⁷

¹⁶ Zhou Shengxian, China's senior environmental official.

¹⁷ *Graying of the Middle Kingdom* by Richard Jackson and Neil Howe.

With a lot fewer workers to power the engine of China's monstrous machine, the huge advances of today could come to a halt tomorrow.

It is very clear that Chinese taxpayers' contributions and the entire social security system will have to be transformed.

“Pension coverage in China is largely limited to urban workers in the state-owned sector of the economy. In 2002, the ‘basic pension system’ covered 45 percent of the urban workforce, mainly employees at state- and collectively owned enterprises. Rural workers are excluded from the basic pension system, although 11 percent participate in a small and voluntary rural pension system. All told, just 25 percent of China's total workforce, urban and rural, have any pension provision at all.”¹⁸

The government-run People's Daily stated, “According to government rules, professional women working for government institutions and state-run companies should retire at the age of 55, but men should retire at 60. Female blue-collar workers may retire at the age of 50 and men at 55.” These retired women live longer than the men and will require financial support. The World Health Organization puts the average life expectancy for Chinese women at 73 (70 for men); in some affluent areas like Shanghai it's nearly 80.

Official figures from the People's Bank of China state that in September 2005, savings deposits at financial institutions were 28 trillion yuan (US\$3.46 trillion). That does not include the bundles of cash that are kept at home.

Unlike American personal practices, saving money and hoarding are endemic in Chinese society. In rural areas, they may have no pension, but there will be rampant savings in private. It is estimated by international financial institutions that the Chinese cultural pattern identifies an approximate personal savings rate of 30% currently. This variable will cause a difference in the world's documented perception of the Chinese retirees' status and the real situation of many of the Chinese elderly.

Summary

The Chinese citizens will demand better wages and living conditions and the wife shortages and environmental hazards will promote social unrest. The rich-to-poor differential will be extreme and will be accentuated by the demands of the immense population of retired workers and the remaining workers' responsibility for them.

As the Retirement Wars progress into the next several decades, immediate social, environmental and financial pressures will demand major modifications to the current Chinese social order to prevent a critical implosion.

The Death Wars will reallocate assets and wealth to a generation of inheritors that neither conceptualized, originated, developed nor produced their beneficial wealth generators.

***“There is much to what I say. Sometimes, much too much.
I'll tell you again. Everything I say is a lie.
It is your job to prove me sage or fool.”***

Respectfully and Without Prejudice,
Bob Ballew, 2008
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¹⁸ Ibid.

¹⁹ Credit for original work by other entities has been footnoted everywhere possible. This document is an analysis generated from an accumulation of readings, reports and analysis from a great number of sources. Every effort has been made to credit the responsible authors and sources. Any discrepancies or additional source identifications will be immediately corrected and updated if notice is given to the compiler of this information at the address identified in Footnote 8. Your help would be appreciated.

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