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The poor economy may have distracted executives from inevitable forces of change, but futurists advise human resource professionals to analyze trends and labor needs today to determine how to adapt their workplaces for competition in the future. To understand the future of work, you first must understand the forces driving change. In the case of demographics, futurists have long predicted a labor shortage when the oldest of the 78 million Baby Boomers begin retiring this year and not enough skilled and educated younger workers are available to take their places. Even with a portion of Boomers delaying retirement, economists still project a skills gap for certain jobs. The HR professional who can produce data in terms the CEO and CFO can understand will become the most important person in HR in the future. In the future, an employer's workforce will not necessarily consist of regular full- and part-time employees. The HR role will be focused on talent management.

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Headnote

Shape your organization for the future by measuring workforce needs, analyzing trends and

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being open to new working relationships.

Senior executives spend only 3 percent of their workday thinking about the future, according to the Future of Work, a global community of organizations and individuals whose members study workplace trends. In an eight-hour workday, that's a mere 14 minutes pondering the environment where they will be competing. As the Chinese proverb warns, "The person who does not worry about the future will shortly have worries about the present."

The present is chock-full of enough worries to keep executives occupied. The poor economy may have distracted executives from inevitable forces of change, but futurists advise human resource professionals to analyze trends and labor needs today to determine how to adapt their workplaces for competition in the future.

Demographic, economic and societal shifts combined with technological advances stand to change the ways people work and are managed. HR systems and processes will adapt to a world with more project work, independent contractors, custom career tracks and virtual collaboration.

The Future Ain't What It Used to Be

To understand the future of work, you first must understand the forces driving change. In the case of demographics, futurists have long predicted a labor shortage when the oldest of the 78 million Baby Boomers begin retiring this year and not enough skilled and educated younger workers are available to take their places. In 2004, the U.S. Bureau of Labor Statistics (BLS) projected that by 2014, the number of workers ages 35 to 44 would decline by 2.8 million, leaving a huge talent gap.

But, a funny thing happened on the way to the Boomers' golden years. The U.S. economy derailed, wiping out much of retirement savings. The housing bust slashed net worth. Companies that once offered retiree health care cut benefits because of rising costs.

According to an October 2008 AARP survey, more than one-quarter of adults age 45 and older said they would delay retirement if the economy did not improve. Workers who hoped to retire at 62 or 63 said they no longer can, due to the reductions in retiree health plans, according to the AARP study, *The Economic Slowdown's Impact on Middle-Aged and Older Americans*. Most retirees aren't eligible for Medicare, the federal health insurance, until age 65.

The demographic time bomb has been pushed off the agenda for chief human resource officers (CHROs) and has been replaced by "repositioning the company for growth and accommodating the needs of a multi-generational workforce," says Eric Brunelle, who directs the Executive Value Network for SAP in Waldorf, Germany. The network sponsors eight round tables a year for CHROs representing various companies, industries and regions to share best practices and to discuss the future of work.

Many older workers don't want to retire. "The majority of Boomers are knowledge workers, and our brains seem to last longer than our bodies," explains Jim Ware, principal at Future of Work in Berkeley, Calif. "Our minds need stimulation, so I predict Boomers will want to work even if they don't need to financially."

Labor Gaps and Losses

Even with a portion of Boomers delaying retirement, economists still project a skills gap for certain jobs. The U.S. Department of Labor spotlights network systems and data communications as well as computer software engineering among the occupations projected to grow explosively by 2016. During the next seven years, jobs in the IT sector are expected to jump 24 percent.

"It's hard to convince people there will be talent pressures in the near future with unemployment rates hovering around 10 percent," notes Charles Grantham, executive producer of the research group Work Design Collaborative in Prescott, Ariz. "But, we are starting to see evidence of this pressure in the education, IT and health care sectors."

Talent shortages also exist in skilled production manufacturing, according to the 2009 People and Profitability survey of 779 manufacturers by The Manufacturing Institute, Deloitte and Oracle. Fifty-one percent of skilled manufacturers-whose employees are machinists, craft workers and technicians-report moderate to severe shortages today and expect those shortages to increase in the next three years. Respondents predicted that the top two business requirements for the future will be innovation (cited by 65 percent) and high-skilled, flexible workforces (named by 50 percent).

"Manufacturers, especially the most profitable, say they place high priority on having a high-skilled, flexible workforce, but they continue to rely on traditional approaches to managing and developing their employees," the researchers stated.

David Arkless, president of global corporate and government affairs at Manpower Inc. in

London, explains the mismatch of available labor and lack of skills: "In Europe, we've lost 10 million jobs due to the recession, but we can't fill 3.5 million skilled positions.

"The school system isn't producing the necessary skilled workers," he adds. "At the same time, the European Union [EU] is erecting barriers to immigration of skilled workers from countries outside the EU."

The story is similar in the United States, where numbers of graduates in science, technology, engineering and math have flattened to roughly 225,000, well short of the estimated 400,000 needed by 2015, according to the Business-Higher Education Forum, a coalition of chief executive officers, university presidents and foundation leaders. In addition, U.S. executives have failed to persuade Congress to lift the cap on the annual number of H-1B visas for skilled immigrants.

Despite such barriers to immigration, Arkless predicts a diverse and challenging workforce in the future. "We estimate that 500 million people-or double the number today-will legally work outside their countries in the next 20 years due to conflict, natural disasters and climate change, and economic opportunism," he says.

Scenarios Unfold

The HR professional who can produce data in terms the CEO and CFO can understand will become the most important person in HR in the future.

A metrics-focused company is one of three potential scenarios in *Managing Tomorrow's People: The Future of Work to 2020*, a report by PricewaterhouseCoopers (PwC).

This scenario features large, global companies that use hard people metrics to measure performance and productivity in a future reality of doing more with less. A second scenario describes corporations that focus growth and recruitment and retention on sustainability initiatives. The third scenario envisions a network of independent workers contracted by companies for short-term projects.

Scenario planning could help HR professionals visualize what labor their organizations will need in the future and how to create an environment that attracts those types of workers.

For instance, Oticon, a hearing aid manufacturer in Copenhagen, Denmark, is confronting a

and Denmark doesn't produce enough, according to HR Director Mads Kamp.

To reach the finite supply of homegrown talent, Kamp has studied his targeted group of employees and designed a workplace that appeals to them. The workspace is open, without walls or cubicles. The entire building is equipped with wireless phone and Internet access so people can work anywhere or have an impromptu brainstorming session. Couches invite engineers to kick back with their laptops and discuss a problem or new idea. Game rooms encourage energy release and bonding.

"Younger workers want flexibility, and they want to be challenged," Kamp says. "They want to work with the latest technology and to develop their skills. They are not so focused on moving up in the organization. They are looking for collaboration."

Ulrich Holtz, general HR manager at Microsoft International in Paris, says women are its untapped employee resource of the future. Currently in the high-tech industry, women fill only a quarter of jobs, and the proportion drops dramatically when you look at top and middle management, he says.

In the United States, men outnumber women (73 percent vs. 27 percent) in total employment for science and engineering. In business and industry, the gender gap is even larger (79 percent men vs. 21 percent women), according to the National Science Foundation.

Overall, women made up 46.5 percent of the total U.S. labor force in 2008, according to the BLS, and are projected to account for 47 percent of the labor force by 2016. The BLS forecasts that women will account for 49 percent of the increase in total labor force growth from now until 2016.

Holtz says that to attract workers, particularly women, organizations will need to offer an option to tailor career paths. "We need to have career paths that are not just always going up," he says. "We should allow people in a respectful way to downsize their commitment to the organization, whether it's transitioning to part time or in terms of responsibility and complexity of what they do."

Deloitte LLP, for example, has created a custom career tool that helps its 42,000 U.S. employees match work to their stages in life. The process allows employees to "dial up" or "dial down" workload, pace and hours.

Left without an option to move horizontally within an organization, many employees will leave. "Younger employees want to gain a breadth of knowledge and experience rather than move up the traditional ladder," says Paul Osterman, a labor economist at MIT's Sloan School in Cambridge, Mass.

Independent, Networked Workforce

PwC's third scenario-the one involving a network of independent contractors-forecasts radical ways of working: "We take the concept of outsourcing and globalization of the workforce to an extreme working model where people organize their working lives like individual businesses in a highly networked world," the researchers state. PwC calls these networks "guilds."

Networks of independent contractors are appealing to highly motivated, talented workers who want more control over how they work. "HR professionals think they will be competing against each other for top talent, but they won't," says Libby Sartain, former CHRO for Yahoo Inc. and Southwest Airlines, who now heads the compensation committee on the board of directors at Peet's Coffee & Tea.

"There's a whole network of smart, innovative people" who don't want to work for companies that "have created an environment that doesn't allow them to do their best work," adds Sartain, co-author of *Brand for Talent* (Jossey-Bass, 2009).

Holtz says business leaders need to rethink the types of employees they will contract for work in the future. "Do we need to continue to have this full-time employment notion, and contract work is done at the lower level?" he wonders. "Could you also imagine having people in a higher-level, managerial position who join a company on a one- or two-year contract and then move on?"

Use of independent workers would enable companies to weather disruptions without making radical reductions in force when times are bad and rehiring when times are good, says John Verderese, leader of PwC's Advisory Services Talent Management group in Boston.

In the future, an employer's workforce will not necessarily consist of regular full- and part-time employees, he predicts. "The HR role will be focused on talent management. The other administrative duties will be shifted to the guild."

"A guild, potentially, could provide a health care option because it can take advantage of the economies of scale and negotiate a lower-priced plan," explains Verderese. "Currently,

the Screen Actors Guild offers health insurance, and I see other unions or professional groups doing the same."

If the concept of the guild sounds familiar, it's because futurists predicted years ago that corporate America soon would operate on the Hollywood model where employees assemble just for a project, as actors and crew do for a movie. The vision didn't materialize.

"Guilty as charged," says Grantham, who made the same prediction. "When that didn't happen, we surveyed employees to ask them why. The No. 1 reason was access to health insurance, and the No. 2 reason was managing the retirement fund. We asked them if you had those two covered, would you stay at your organization? The vast majority said no."

Because retirement is portable through Roth IRAs, Grantham adds, "What keeps Dilbert in the cube is health insurance. The same was true back in the 1930s in Hollywood with the studio system controlling everything. As soon as the actors organized and the union provided health care insurance, the studio model fell apart and actors became independent workers." He wants health care reform to have the same effect by opening up alternatives to employer-sponsored health care.

The other main barriers to the free-agent model are resistance by leaders to manage them and a lack of HR processes to track and connect them to companies. But Sartain notes that there have been pockets of success in this area, such as with virtual assistants and at-home call center agents.

Social networking technology will enable independent contractors. "Professional online groups like LinkedIn and Plaxo already give free agents a place to promote their expertise and services," notes Ware.

Verdere says these sites and others will evolve into systems similar to the consumer web site eBay, where recruiters will view worker profiles, see ratings of their work and read references. HR managers will also post projects that independents will bid on, determining the market value of the work.

"Bidding for workers and putting projects up for bid will come sooner than you think," predicts Sartain.

Social networking tools are already being adapted by companies for training and collaboration.

Tim Ringo, vice president and global leader for IBM's worldwide human capital management, in London, predicts they will replace classroom training and elearning. "Younger workers already use companies' internal social networks to find experts and learn from them," says Ringo, who adds that IBM's internal portal enables this. "HR directors have caught on to this quickly and are using virtual worlds to facilitate collaboration and training."

In the next few years, Ringo predicts, HR managers "will realize that [they don't] need to spend all that money on discrete, structured training." Social networking will spawn just-in-time mentor relationships across borders and time zones.

Trading Workspaces

Technology will affect where people work. The number of people who work from remote locations at least once a month rose 39 percent from 2006 to 2008 to an estimated 17.2 million, according to the Telework Trendlines 2009 report by WorldatWork, which was based on BLS data.

The percentage of employees who worked from home rose from 76 percent to 87 percent, according to the survey. Working from a customer or client's place of business jumped from 28 percent to 41 percent. But, the percentage of telecommuters who worked from "third places," such as cafes or restaurants, fell from 31 percent to 23 percent. Working in libraries declined from 16 percent to 10 percent.

Ware maintains that "People still need collaboration and interaction."

Co-working, a growing trend, emerged in 2005 to combat the isolation of working at home and to provide a more professional, collaborative alternative to working in coffee shops and libraries.

Co-working sites are equipped with desks and wireless Internet, with some offering access to copy machines, faxes and conference rooms. A diverse crowd of web designers, artists, freelancers, consultants and other independent contractors pay a monthly fee of \$200 to \$400 for a guaranteed desk or a drop-in rate of \$25 a day.

The trend has a sustainability component as officials in areas with co-working sites have seen a decrease in traffic and pollution. "Communities invest in centers like this to lure residents, raise property values, decrease congestion and encourage businesspeople to spend lunch money in local restaurants," says Grantham.

"Many years from now, it won't be the norm to go into the office every day," he adds. "You will

work at home or at a coworking center or a community business center. Most meetings with headquarters will be conducted on high-definition videoconferencing or in virtual worlds like Second Life."

The Way Forward

Brunelle urges HR professionals to study potential workplace scenarios and workforce models needed to attract targeted employees such as women, youth or older workers.

Look at what talent you have now, what your organization's strategy for growth is, and note the gaps, says Sartain. "Plan scenarios around what talent you will need to fill those gaps. How do you change your policies and systems and accommodate and track these workers? Is it possible to manage your labor project to project? If we have five to 10 years before we get there, start piloting programs."

The exercise allows HR professionals to get creative and imagine the impossible. "Think about the future world, get provoked, talk to your peers and do scenario planning," says Ware.

"Consider what is on the fringes that may never happen, but if it does, it will rock your world. Are you ready?"

Sidebar

HR's New Paradigm

The future jobs of HR managers will center on strategic talent management, experts predict.

This includes:

- * Anticipating future workforce needs.
- * Sourcing talent globally.
- * Finding the right mix of contract and regular full- and part-time employees.

Working relationships and HR policies will be tailored. "You will have a core workforce that the organization needs long term, and benefits will be tailored to incent loyalty," explains Libby Sartain, HR consultant and former chief HR executive at Yahoo Inc. and Southwest Airlines. "But the flexible workforce-the ones you will need for short periods-will be motivated differently based on the challenging work, training and development, and exposure to new technology or markets."

Sartain notes that it may take years to organize for diverse working relationships. The current systems of tracking full- or part-time workers are not set up for this, she says. "It's quite possible for a company to have a tiered workforce that consists of employees and contract workers who come in and out on a project basis."

Charles Grantham, executive producer of the research group Work Design Collaborative in Prescott, Ariz., says he has consulted with companies that didn't even know how many contingent workers they had.

Managing different types of workers requires different processes, messaging and delivery methods, says Grantham. "You can't as easily manage by line of sight, and you can't as easily convey the organization's mission and strategy."

HR Professionals' Roles: Assessing and Advising

Workforce analytics will become critical to HR professionals as they consider immigration patterns, demographics and education along with their future labor needs.

CEOs are supporting investment in workforce analytic tools, says Tim Ringo, vice president and global leader for IBM's worldwide human capital management, in London. "I've been through a number of downturns in my career, and this is the first time I've seen an increase in investment in HR. That's surprising," he says.

Ringo says the commitment by many CEOs results from mid-recession realization that their HR departments were not equipped to provide data on top performers and high-potential employees and to make decisions on who should be retained. HR practices have "not progressed enough to pull data on the workforce, analyze it, and provide recommendations on how to manage and deploy talent globally," Ringo says.

Jürgen Pfister, head of corporate HR management at Metro Group, a large retailer based in Düsseldorf, Germany, says HR people need to "avoid the trap of planning and planning and never coming to a decision" about where you are going as a company.

Sidebar

'We estimate that 500 million people-or double the number today-will legally work outside their countries in the next 20 years.'

Sidebar

Online Resources

For more data, and additional visions of the future of work and human resources, see the online version of this article at www.shrm.org/hrmagazine.

Sidebar

'Bidding for workers and putting projects up for bid will come sooner than you think.'

Sidebar

17.2M

Number of people who worked from remote locations at least once a month in 2008

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The author is a contributing editor and former managing editor of HR Magazine.

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