

Personnel Notebook

For Your Most Important Resource -- The Human Resource

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HR 2020

PART II. THE HR DEPARTMENT OF THE FUTURE

In 1985, we at Human Resource Associates (HRA) presented a seminar called "Workforce 2000." It was partly based on the Hudson Institute study of the same name. The seminar addressed major changes in the make-up and philosophies of the future workforce. It forecast the emergence of women, immigrants and minorities as the predominate entrants into the new labor market. It described the shifting demographics as the population and the workforce moved West and South across the United States. It outlined new workplace philosophies that were more centered on personal development and time off. It also predicted a new era of higher turnover rates. We have now seen all those changes come to pass.

Those forecasts or predictions were based not on crystal ball gazing, but on the emerging trends that were developing in the early 80s. The newly emerging trends are now speaking to us even more loudly of even quicker changes already occurring—and these won't take as long to be recognized.

For human resource (HR) professionals, all of the changes will impact you. HR will, in fact, be the facilitator of most of those changes. The emerging new HR professional will find that a major new element of the HR job is to be the one who not only recognizes the changes coming, but can also make the acceptance of change a reality in the workforce.

The trends and forecasts in this issue of "HR University" come from many sources. At the
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core are:

- "Human Resource Activities, Budgets and Staffs," Bureau of National Affairs (BNA)/Society of Human Resource Management (SHRM) Survey No. 62.
- "Survey of Human Resource Trends Report," AON Consulting in partnership with SHRM.
- "Strategies, Practices, Trends and Retention Management," American Management Association (AMA) and the Saratoga Institute.
- Hudson Institute's study, "Workforce 2020: Work and Workers in the 21st Century."
- Special reports by Forbes, Business Week and American Demographics magazines, Kiplinger Newsletter and The Bureau of National Affairs (BNA).

So many trends are forming that we must categorize the areas to examine. We will start with those changes coming in the labor market and workforce and proceed as follows:

- I. The Workforce
- II. The HR Job
- III. The Company
- IV. Compensation
- V. The Culture
- VI. Miscellaneous Observations & Future Conflicts

I. THE WORKFORCE

We are already seeing the historical entry of so many women, immigrants and minorities into the labor market that they will soon reach the earlier forecast of 70% of all new entrants.

- The world birth rate is in decline. This is just the opposite of the U.S. baby boom of the 40s. Although the trendier doomsayers are still threatening world population explosions and demanding zero population growth (ZPG), the demographic facts are that not one European country has a birth rate high enough to maintain its current population. The 2.8 children per family has fallen to 1.5. The less developed nations have dropped their 6 children per family birth rate to less than 3! Italy now has more people over 60 than under 20, so has the state of Wisconsin.

In the U.S., our birth rate is barely at replacement level! The labor market is going to shrink while the demand for workers expands. America has at least one major advantage that few other countries have, and that's immigration (primarily Spanish and Asian)! Regardless of your feelings about immigration, U.S. companies are, thereby, gaining needed workers. This is going to drive many of the foreseen changes.

- Spanish will become a much more significant language in the workplace. Hispanics are becoming the primary new entrant into the labor market and the Spanish birthrate is exceeding every other identifiable group. Employers teaching English as a second language will also expand.
- The workforce is aging rapidly. Fewer births, longer, healthier life spans, people

working into their 70s and 80s. Some because they're able, some because they have to. The fastest growing segment of the American population is the number of people exceeding 100 years of age. You will be hiring much older workers.

- Women and older workers will leave to set up their own businesses at a much greater rate.
- Fewer transfers or relocation of existing employees. The workforce is getting older. Older workers will not transfer as willingly as younger workers have.
- Companies will become a significant educator and trainer of U.S. citizens. Employers are not happy about the quality of the new workforce—poorly trained, unproductive and with bad work attitudes. Companies are responding by establishing training schools and colleges and becoming the educators, as well as expanding school co-op programs. They are then offering jobs to graduates. In recent polls, corporate executives identified their number one concern as the low level of job competency and poor work attitudes among all the new hires. Education and training, continuous, focused and custom designed for each employee is the decided solution. The bad news is that it will take 6 to 8 years to develop large numbers of competent people.
- Generation X makes its mark. The negative image of Generation X workers (the 52 million people born from 1964 through 1976 who are now firmly in the workforce) is that they are independent, cynical, with short attention spans and a constant need for reassurance, with poor work attitudes and no company loyalty. Not one of the 1,200 surveyed said they plan to stay with one company for life. No matter where they go, they are in business for themselves. They will develop

into one of 3 groups.

- 1) Of the 52 million, a few million will stay slackers and drop out of the workforce to seek personal experiences.
- 2) About 6 million will develop until they become business owners themselves.
- 3) The 40+ million remaining will become trend setting, highly technical leaders in the work place. Generation Xers, don't write them off. Identify those in that 40+ million and go after them.

- Welfare to work. As more states develop the welfare-to-work programs, employers will gain tax advantages and training funds for hiring employees from welfare roles. Most will become successful employees. But it's the children of the ex-welfare workers that will show the real productive gains.
- Higher productivity rates. Mostly due to technology and mostly in manufacturing. However, as productivity grows, so will wages and employee gainsharing.
- Shorter, more flexible work schedules. The concentration will be on flex time (everyone works the core hours while starting and quitting time are flexible), 3-day weekends (4 -10 hour days), shared work week (2 or 3 people covering one 40 hour work week and shorter weeks of 25 to 35 hours). However, for supervisors and managers, these schedules usually result in them working more hours.
- More telecommuting. Working from home. It's already a big demand and although about 1/3 of the experiments to make it happen actually fail, it is successfully growing because it solves several other problems such as available work space (at work), parking, commuting, insurance, liability, employee relationships, employee lawsuits, union activities, administration costs, food service, day care, etc.

- Continued high turnover. Employees find that when they take new jobs their salaries grow faster and their exposure to more work experiences enhances their careers. Older workers however tend to stabilize.
- Worker certification. National and international standards will be established for an ever wider number of professions, careers, jobs and skills. This is already well established in international manufacturing, but will spread to technical as well as many other job titles allowing individuals to become "certified" to certain industry-accepted standards.
- Outsourcing (to independent contractors) will increase rapidly as a major way to deal with labor shortages and company efficiency.
- Demand for technical workers continues. Fastest growth in database administrators and cashiers. HR will become more involved in immigration, foreign workers and international HR issues.
- Union expansion. Although the expansion of self-employed entrepreneurs and independent contractors will not help unions, they will make deep inroads into service workers, public employees, couriers, food machine services, pharmacists, short order cooks, bouncers, cafeteria workers, health care workers, landscapers, exotic dancers and wherever they find unhappy workers with complaints against a company. In spite of these advancements in entry-level service jobs and some manufacturing positions, overall union membership numbers and overall percentages will continue to shrink as the manufacturing workforce continues to shrink. Unions will also begin to support conservative and republican

candidates.

- Floating minimum wage. Surpassing federal and state minimum wage levels, states will be adjusting the mandated wage requirements to fit a worker's needs more so than his/her skills or productivity. Therefore, a worker with 5 children will earn more than another worker doing the same job but who has only 2 children. The minimum wage will also be adjusted regionally for cost of living differences. If the local-level programs survive, then the federal government will follow suit nationally.

II. THE HR JOB

- HR skills will broaden. Specialists will become generalists. Special projects such as Affirmative Action Programs, position descriptions, training, etc., will be outsourced. Computer literacy will broaden. In depth knowledge of the company's business will expand. In addition, this will include the ability to evaluate employee competencies far better than now. Surveys are showing that company executives' primary criticism of the new workforce is their low level of competency and bad work attitudes. HR professionals will develop the ability to identify intelligence, creativity, maturity and trainability regardless or even in spite of the degree or area of studies the candidate provides. Long established statistics continue to show that 85% of all people who have a degree in anything have ever worked in the field in which they have the degree. HR professionals will become change facilitators. They will be the key people to translate, sell and initiate the necessary changes facing the workforce.
- Strategic plan. HR will not only be a contributor to the corporate plan by adding the HR part, but will become integral in the overall design, implementation and success of the corporate strategic plan. Companies want HR to become far more knowledgeable about what the company does and how it operates.
- HR professionals will become training experts. Almost all employees are seeking training and career development. Almost all companies want to provide it. How do you train older employees differently than younger employees? Foreign employees, women, technical, non-technical? Who should be trained, how and in what?
- Performance evaluation and measurement. The ability to evaluate effectively the performance of employees, not just the annual classic, but to identify the values that the company is truly seeking and to identify those employees that are providing those values. Not necessarily those employees that are just showing up and getting along, but who are the people who are actually doing what the company needs to have done? HR will measure it in relationship to other employees, teams, departments or companies.
- Performance management. Coaching, leading, encouraging, facilitating, measuring, advising, providing feedback. HR will become accountable to the company for the performance of employees.
- Outsourcing of HR services and projects. The trends show that companies will outsource (contract out to independent contractors or vendors) almost all work that is not the core expertise of the company, administrative work that leads to bureaucracy and paperwork (including payroll, accounting, purchasing, delivery, etc.), projects that adversely impact productivity (such as preparing employee handbooks, affirmative action programs, position descriptions, etc.).

- Technology infusion. HR, like all other departments, will be committed to finding ways to interject technology into all operations. They will also be expected to update and make things even more hi-tech. Why HR? Because HR will be expected to balance all high tech with high touch. A balance of the technical with the human to make it more palatable, more acceptable. HR is expected to be the facilitators of these upcoming changes.
- Globalization leads to international HR competencies. Expatriate selection, global compensation, cultural differences, benefits needs and strategy, training and family related issues, and the political implications affecting and being affected are going to be responsibilities of the HR professional. Most foreign companies need, but do not understand, HR skills.
- Intelligence and skill capital (inventory) will become an HR management job. What skills, knowledge and competencies does the company have in its employees?, which does it need?, how will the company develop it?, where will the company apply it?, etc. Position descriptions will become necessary and mandatory. Employee skills, training and education will become a capital asset. They will be considered and used as capital to be marketed, traded and borrowed against
- HR will become a much more proactive element in the workforce, the company and the community. They will participate more in trade associations, schools, community, employee teams, department functions, etc.
- New titles. There is already an undercurrent drive to create a new name or title to the HR office. Going from "personnel," which was by many, considered to be the title for those that hired, fired, kept the records and carried

the watermelon to the company picnic, to human resources, which included the whole scheme of employment regulations and raised the level of the employee resource to that of the finances and material resources. Companies have already changed the name to the "People Department," "CHRO (Chief Human Resource Officer)," "The Performance Center," "Human Factors Center," and "The Human Development Department."

- Multi-lingual. Spanish is the major second language in the U.S. workforce, but where is your company likely to expand? China?, Russia?, Germany?, Taiwan? The global HR professional will be multi-lingual as well as culturally knowledgeable and politically savvy.
- Affirmative Action. This is such a divisive, confusing and complex issue that the changes coming may be improvements, but will still be divisive, confusing and complex. First the requirements for quotas, set asides, and hiring by race and sex will mostly end. But the original concept of affirmative action, outreach and employment assistance will continue.

Although hiring by race and sex will again be declared illegal, companies like Burger King restaurants, which refused to consider males when they openly advertised for a female CEO, were not charged by EEOC. So more companies did the same. We will see employers hiring by race, sex, religion, ethnicity, etc., when placing people to work in the global workplace. Japanese workers and professionals may help impress Japanese customers. In the U.S., affirmative action in employment will eventually concentrate less on race and sex and more on economic conditions, lower educational levels and handicapped.

- Litigation. It's here and it will stay. Sexual harassment, unfair terminations, disparate treatment discriminatory employment

decisions, ADA, FMLA violations, etc., will continue to result in EEO charges and lawsuits. Although much of the litigation is justified, the regulations are being misinterpreted and being used by the wrong people for purposes for which they were never intended. The excessive court awards are causing more employers to avoid hiring whenever possible, to outsource work and to keep their employee count below the eligibility levels. Mandatory arbitration is not working and will not be the answer, but putting caps on awards, holding the charging party responsible for frivolous charges and outlawing class action suits may bring some relief. However, for the foreseeable future it appears that HR professionals will be spending more time building documents and testifying in court.

III. THE COMPANY

- The U.S. will continue to lead the world in high tech engineering, research and development, productivity, training and management expertise. The productivity will primarily be due to technology.
- The management pyramid will continue to be flattened even though companies will be re-hiring some middle managers. Executives will continue to make decisions of company direction and strategic planning, but day-to-day operations and procedural decisions will become truly and completely the responsibility of the people and teams doing the work. These decision-making teams will include designers, manufacturing groups, sales people, vendors and customers all in one group. HR will be in there as the facilitator.
- Fewer private offices and walls. The virtual office will change and shift in appearance, shape and function. Telecommuters will arrange for space to be made available by appointments. Team discussions, presentation groups, sales meetings, demonstrations, research

sessions, etc., will all use the same space which will be arranged and reserved for them as needed. the office will move to a desk, a car, the home, a laptop computer, a voice mail experience, or a client's workplace.

- Companies will eliminate mandatory retirement and encourage older employees to stay. Downsizing, mergers and layoffs will continue just as high turnover will. There will be fewer long-term employees.
- The average U.S. employer will be smaller. They will be the major employer of people. They will, to a greater degree than today be the service and product providers to the large companies.

IV. COMPENSATION

- Higher increases for high performers. 10% - 15% - 20% increases and bonuses. Little or no increases for longevity or to mediocre, or low performers. Pay for performance will become a necessity and a reality as better methods for evaluating and measuring performance are developed by HR.
- Caps on benefits, cafeteria plans for employees to pick and choose from will prevail. This includes trading insurance coverage for more vacation or sick leave for holidays.
- The annual merit increase by percentage is on the way out. It leads to high pay for long-term employees but not high performers. It discourages risk takers but rewards low key, "hangers on." Large cash bonuses will replace percentage increases that compound upon themselves.
- The elimination of "defined benefit pension plans" is likely. The proliferation of 401(k) savings type plans will be the standard.
- Severance pay will largely be eliminated over a long period. It's basically a guilt offering by the employer that is now being questioned. As turnover increases,

the continuous incidents of severance pay will make it prohibitive. Specific cases for its use will be more tightly defined and will be used less frequently.

- Stock options will be growing as an employee benefit to more employees. Participating in the company's success will be the two-sided benefit.
- Legal services and career planning will become faster growing benefits to employees.

V. CULTURE

Although much of what we have been reviewing here could be called culture, the following items are also affecting our working environment.

- Casual dress days will become more prevalent and depending on your job, will become the standard. Limits, however, will become more defined. No shorts, toga sandals or sloppy appearances.
- True responsibility and freedom to make decisions, commit capital, control output, redesign jobs and functions will become inherent in most jobs.
- More e-mail—v-mail—the virtual office. Less privacy, more employee surveillance.
- Less job security, more training, more opportunity to develop, more career management.
- Work relationships dwindle as there are fewer full time, long-term employees stabilized in offices working the same hours. Also, because the environment will be more fast paced, there will be more emphasis on a just-in-time culture.
- Multi-cultural, multi-lingual work environment with concern for foreign customs and cultures.
- It's the end of the Golden Rule and the establishment of the platinum rule. Not "treat others as you would want to be treated," but "treat others as they would want to be treated." Forget that they are employees, think of them as the

individuals with whom you have chosen to work.

Just how do people want to be treated in their jobs? This Public Agenda Foundation survey tells us:

1. Work with people who treat me with respect.
2. Interesting work.
3. Recognition for good work.
4. Chance to develop skills.
5. Working for people who listen to my ideas about how to do things better.
6. A chance to think for myself rather than just carry out instructions.
7. Seeing the end result of my work.
8. Working for efficient managers.
9. A job that is not too easy.
10. Feel well informed about what's going on.

Oh yes, pay was number 14 on the list, you can buy good people with money, but that won't keep them. These 10 items can. In addition, more employees are demanding balance to their WORK-LIFE time.

Studies are showing that each dollar spent on company culture produces more value and productivity than each dollar spent on wages and benefits.

VI. GENERAL OBSERVATIONS AND FUTURE CONFLICTS

- The line between the empowered worker and the independent contractor will become even more blurred as the government attempts to have you pay employee taxes and enforce employment regulations on independent contractors.
- Federal government will continue to attempt to tax all employee benefits. (Anyone remember Section 89?)
- Expanded federal employment regulations such as the Family and Medical Leave Act (FMLA), will be expanded to cover school and community

activities. It will soon become paid leave.

- Greater employee freedom, faster paced, multi-cultured, dwindling work relationships also means more conflicts and violence.
- Despite federal frowning on tests, employee testing and psychological testing will expand.
- High-tech vs. high-touch. The battle for balance will continue.
- Socialized employment vs. performance based employment. The government will reward (or force) employers to hire those least trained and least employable, while companies are striving to focus on high productivity.

So, just when you thought it was safe to go back in the water, everything changes again. If some of these forecasts seem too extreme, just take a look back to 1985. Most employers saw no women, few minorities, no immigrants, no e-mail, no fax machines, few personal computers, no CD-ROM, no CDs, no FMLA, no sexual harassment lawsuits, few work cubicles. ...Remember when animated cartoons were for kids, sex was private and smoking was legal?

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