



Workplace 2015

Forecast and Implications for HR

November 2005

Introduction - Welcome to 2015

ERC has prepared the following document relative to research, statements, and observations regarding the workplace of top organizations in the year 2015. Participants' feedback from ERC's Great Workplace Series was also taken into consideration in the preparation of this document.

The observations contained in this document are only projections and theory and should not be relied upon as fact, legal opinion or consulting advice. Rather, the purpose of this "white paper" is to provide a glimpse of what some highly successful workplaces may look like in the near future. Our hope is that the ideas and predictions contained in this document will spur and promote new ideas for your organizational discussions. We encourage you and your management teams to enter into serious conversation regarding the next five to ten years as you face significant external challenges that are certain to impact how you and your team operate your business.

We do believe you can rely on the following with a great amount of certainty:

- Highly successful organizations will attract and retain mostly top performers. These organizations will be able to address technological, economic, demographic and political changes as well as an assortment of external forces like terrorism and energy resource allocations significantly better than traditionally run organizations.
- Now is an outstanding time for HR professionals to accept these challenges by becoming business leaders within their organizations and help drive the changes necessary for organizational survival and success. HR professionals will need to expand their skill sets to include marketing/branding strategies, technology applications, finance/accounting basics and international business protocols.
- Procrastination in addressing the predicted spectrum of external changes and challenges will seriously impact an organization's ability to compete in the future. The time to act is now as many of these external "climate" changes are well underway.
- Top organizational leadership needs to embrace strategies focused on top performance acquisition and retention as a top priority if they wish to compete effectively in the future.
- Top performance acquisition and retention will be necessary for every organization in every industry of every size interested in being a great company, competitive and an industry leader.

The following pages provide some background on expected external forces that may necessitate HR and other business leaders to accelerate their short and long term business strategies and game plans. In addition, we provide an overview of some predicted changes that may occur in areas that will affect the Human Resources function.

A Look Ahead - 2015

The following researched overviews provide a glimpse of some expected changes that are anticipated to have dramatic changes on how we work and live. These predicted observations are clearly not all encompassing - they are intended simply to create awareness that there are a variety of factors operating "in concert" and separately that should become a part of every management team's strategic business planning discussions.

Technology

America's swiftly developing technologies will increase the demand for highly skilled and well-educated workers. Workers able to master technology and cope with change will have an advantage.

Automation will continue to displace low skilled or unskilled workers in America's manufacturing firms and offices.

The integration of continuing revolutions in information technology, biotechnology, materials science, and nanotechnology will generate a dramatic increase in investment in technology.

Biotechnology will drive medical breakthroughs that will enable the world's wealthiest people to improve their health and live significantly longer.

Genetically modified crops will offer the potential to improve nutrition among the world's one billion malnourished people.

Healthcare

Genetic diagnostics will help uncover correlations among illnesses, therapies, and genetics - before symptoms occur.

Malpractice insurance rates will increase, the government will try to set caps and insurance companies will continue to drop out.

There will be a push toward accommodating patients the same day they call for an appointment. This will lead to fewer cancellations, which will increase capacity and save money.

Demography and Cultural Shifts

Hispanics and other minorities will be the fastest-growing workforce segment.

By 2020 there will be 54.6 million Americans age 65 and older, 16.3% of the overall population.

In the U.S. declining birthrates and aging will combine to increase health care and pension costs while reducing the working population.

The number of 35-44 year olds will decline by 10% by 2010.

Americans with inadequate education and no technological expertise will face declining real wages or unemployment, particularly in manufacturing.

By 2012 the workplace both in Ohio and nationally will be older, more ethnically diverse, and more female.

Employment growth will be polarized with the most job opportunities at the top and bottom of the pay scale but limited in the middle.

The aging of the baby-boomer workforce will create a shortage of knowledgeable and experienced workers, including leaders. Sixty-four million baby boomers (over 40% of the U.S. labor force) are poised to retire by the end of this decade.

Individual workers will change jobs frequently over time and pay will be increasingly linked to performance.

Continuous learning over an entire working life will become increasingly important and may be aided by Web-based e-learning.

Economic Power Shifts

China and India graduate a combined 500,000 engineers and scientists a year, vs. 60,000 in the U.S. In life sciences the total number of young researchers in both nations will rise by 35%, to 1.6 million by 2008. The U.S. supply will drop by 11%, to 760,000.

The quality of products produced by Indian companies will improve to levels acceptable worldwide - and at a fraction of the cost of other countries.

China's working-age population will peak at 1 billion in 2015.

Global Competition

Conservative estimates show that at least 3 million jobs will be exported by 2012.

Globalization and the continued networking of the global economy will not only generate great wealth by 2015 but also fuel tensions between the "haves" and "have-nots".

The networked global economy will be driven by rapid and largely unrestricted flows of information, ideas, cultural values, capital, goods and services, and people.

Regions, countries, and groups feeling left behind will face deepening economic stagnation, political instability, and cultural alienation.

Globalization and technological change will make most segments of the U.S. economy extremely volatile. Small and medium sized firms will be well situated to react and their numbers will grow.

Terrorism and Military Conflicts

The availability of advanced technology will significantly increase the threat posed by missiles and weapons of mass destruction.

U.S. opponents will use political and military strategies designed to dissuade the U.S. from using force, exhaust American will, and exploit perceived weaknesses.

Between now and 2015 terrorist tactics will become increasingly complex and the trend toward more deadly attacks is likely to continue.

The U.S. national infrastructure - communication, transportation, financial transactions, energy networks - is vulnerable to disruption by physical and electronic attack because of its dependence on computer networks.

Energy and Natural Resource Allocation

Rapid aging in the industrial world and the arrival of a billion new people in the developing world will create giant waves of immigration and increase competition for scarce resources such as water.

Rising oil prices will create an increased interest in alternative energy sources and significant resources will be invested in researching them.

Overall food production will be adequate to feed the world's growing population, but poor infrastructure and distribution, political instability, and chronic poverty will lead to malnourishment in parts of the world.

Political/Legislative Landscape

Both China and India will emerge as assertive actors in Asia. Russia will continue its decline. Japan will drop out of the top rank of economic powers. The Middle East will seethe with religious and ideological extremism.

Governments will have less control over flows of information, technology, diseases, migrants, arms, and financial transactions across their borders.

Globalization will increase the transparency of government decision making, complicating the ability of authoritarian regimes to maintain control, but also complicating the traditional deliberative processes of democracies.

The United States will have greater difficulty building coalitions to support its policy goals, although the international community will often turn to Washington, even if reluctantly, to lead multilateral efforts in real and potential conflicts.

Family Values

Two-earner families and women in the labor force will continue to increase, while families with a traditional structure (dad breadwinner, mom homemaker) will continue to decrease.

Parents will spend less time with their spouses and children, while an increasing number of children are home alone after school.

By 2050, the ratio of parents who need support from their children or from care giving staff will more than triple.

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Working Family Values Factoids

Workplace Predictions - 2015

The following predictions are presented as possible scenarios that may be present in highly successful organizations in the future, and should not be relied upon as fact or consulting advice. These predictions are but one set of possible occurrences, and will be affected by some or all of the anticipated dynamics described previously in the document. The possibilities outlined below are an excellent foundation for discussion with your HR and organization's leaders.

Compensation & Benefits - Traditional merit based programs may no longer be used in organizations that employ top performers. Focus will be on wealth creation, equity ownership, cash and non-cash incentives based on individual, team and organizational performance. Top performers will be highly compensated. At-risk compensation will be the norm. Salary grades may disappear, particularly for the top performers.

Top performers will be "free agents", often earning fees as independent contractors rather than salaries. Others will negotiate employment contracts with companies, the terms and perquisites of which will mirror those that have, historically, been reserved only for executives. Highly touted top performers in some industries may enlist the services of "agents" to negotiate employment terms, not unlike free agency structures in today's professional sports.

Identity theft insurance, financial education programs, elder care, child and dependent care programs, pet insurance, convenience services and liberal paid time off programs will take on increasing importance. Sabbatical programs and childcare services will be important to retain top performers. Benefits that help the employee improve, such as wellness and fitness programs will be embraced and show the company cares about the individual, not just their work performance.

Employees may receive benefit "credits" or dollars to pick and choose their benefits "a la carte" from a menu of options, creating customized benefits packages.

Benefits may be earned based on performance. There may be more individualized awards tied to company results. Technology will have a huge impact on benefit and compensation "elections" and selections as these programs become aligned with individual preferences. Relocation benefits will be a high growth area with emphasis on global relocation opportunities.

Health insurance benefits may become predicated upon employees' involvement in health education and wellness programs.

Policies - The punitive and rigid workplace policies in existence today will be extinct and replaced with a few *guidelines* that support the performance of top talent. The only policies remaining may be the ones mandated by law, and/or designed for the health and safety of an organization's employees. These guidelines will focus around risk taking, entrepreneurship, sabbaticals, team engagement, cross selling, branding and customer service. Top performers will be asked frequently to participate in the design of new guidelines designed to attract and retain top performers.

Many organizations will be establishing some type of formal guideline or statement regarding the focus on attracting and retaining only top performers. Written philosophical statements regarding compensation, benefits, health, safety, employee communications, diversity, etc. will become the norm.

Culture - Top performers will force cultures of cooperation, healthy competition, entrepreneurship and achievement orientation. Poor or average performers will not survive. Traditional management as we know it will not exist.

Corporate culture as we define it today may not exist. Organizations that utilize flexible work arrangements, off-site work, decentralized operations and global workforce “communities” will recognize that a variety of “sub-cultures” exist across the organization. The traditional view that organizations are defined by one distinct culture will erode as HR designs and implements programs, policies and work environments that align with the various sub-cultures.

The makeup of the workforce will dramatically change as baby boomers retire while more minorities, women, Gen Y and Gen Xers come into the workforce. Most strikingly, workplaces will be filled with part-time and temporary baby boomers that are semi-retired, yet still want to stay active and challenged in their professions. Increasingly, Gen Xers and Gen Y's will be working collaboratively and creatively with baby boomers and the groups will appreciate one another's different perspectives, strengths and knowledge bases.

Today's fairly one-dimensional workplace environment will be positioned to provide transparent on-boarding across the organization to accommodate diverse top performing employees.

Recruitment - Print classified recruitment advertisements will rarely be utilized by top organizations. All employees will be expected to identify and recruit top talent for the organization. Regardless of size and industry, leading organizations will have an online career center designed to attract top performers. These organizations will have at least one “.jobs” domain name directed to their online career center.

Recruitment sources like internships, mentoring programs in schools, and campus recruitment for office, technical and production staff will be necessary to ensure the future attraction of top performers.

Traditional recruiting departments will not exist in top organizations. Recruiters will need to be proactive, know their industry, partner with their hiring managers, and need to identify the best in the business - they will operate like current 3rd party search research firms. Recruiting may report to the CEO and not through HR. Some top organizations will identify and have a 3-deep talent pool in their critical positions. Hiring managers will have financial accountability in their bonuses for retaining “A” players and removing “C” players.

Recruiters will be high demand. They will act as talent scouts, constantly seeking out “star players”. Traditional recruiting agencies will change their business model to act more as “agents” for the top talent that they represent. They will market their top talent to several companies, as a sports agent would an athlete to several athletic teams.

Competition will be fierce. Organizations will be hiring top performers even when no openings exist.

Organizations will focus on spouse/"significant other" recruitment to support the acquisition of a top performer. Traditionally this approach has been most commonly applied to relocated candidates. In the future this may apply to top performing candidates regardless of relocation.

Organizational branding will be critical for organizations of all sizes. Use of proactive, aggressive and creative marketing initiatives will be key to gaining the attention of passive top performing candidates.

Succession plans will need to be designed and executed as top performers demand new lateral and promotional opportunities. Internships will continue to play even larger roles for organizations of all sizes as organizations focus on developing talent from within.

Health & Safety - Health education and wellness will become the standard. Infectious disease, disaster recovery and emergency response training and education will be expected by employees and their families.

Health food options will be made available in cafeterias and sick employees will be encouraged to stay home. Cleanliness will become more of a priority and workplaces will be non-smoking, including the area surrounding doors.

Return to work programs may not need to be utilized in organizations where the majority of workers are top performers. Top performers will seek prevention programs and identify ways to remain healthy to maintain active lifestyles both in and outside of the organization. Today's incentives to remain healthy may not be necessary as top performers will be compensated and recognized for their performance.

Organizations may provide health and safety support at employees' home offices. Safety training and disaster recovery plans may also include home office activities.

Work Schedules - Flexible schedules will be the norm in most organizational settings along with reduced work hours and liberal paid time off. Teleworking will provide even more flexibility for top performers.

Salaries may adjust monthly or weekly as work schedules vary. A 4-day work week may be embraced! Pay may be increasingly linked to results instead of hours, and options such as part time and job sharing will become more common. More vacation time and paid time off will be offered. Older workers may help fill in the gaps as a transition is made to a 24/7 global workplace.

Linked with expected demographic changes, work schedules may need to reflect the unique and diverse cultures that the "global workforce" will bring into the organization. Respect and recognition of different holidays and paid time off may become institutionalized.

The expected continued liberalization of the traditional work schedule will bring with it additional pressures to the organization including the need to cross-train employees and

re-think traditional management practices that focus on time in the office versus performance based support.

Training & Development - Organizations will significantly increase their training budgets to at least 10% of revenues versus an average of 1.5% today. Marketing, branding, selling, customer service, coaching, second and third languages and technology skill sets will be the core of most organizational training and development efforts with an emphasis on continuous learning. Succession planning will have renewed popularity as organizations increasingly recognize that top performers should be retained for long term organizational leadership.

Training will be for ALL levels of the organization, including the executive level (which is trained less than the rest of the employee population today). Focus will be on enhancing top skills and developing employee strengths, rather than on identifying and improving weak or non-existent competencies. Knowledge sharing becomes a measured piece of everyone's role, in order for organizations to keep intellectual capital through turnover.

Training employees in foreign languages and cultural sensitivity and diversity will become increasingly common.

Organizations will re-think "new" employee orientation programs and transition to on-going orientations for all employees. New employee orientation programs will convert to intensive "on-boarding" programs where top performing employees are provided outstanding support during the initial months of his/her employment.

Outsourcing - Traditional approaches to outplacement, temporary staffing and team building will be extinct. Organizations will outsource most administrative roles and employ HR professionals who are adept at aggressively attracting, retaining and motivating top performers.

More and more HR professionals will work as consultants, coming and going in multiple organizations, as needed, to manage projects and processes, as well as the vendors to whom the administrative work has been outsourced.

Recognition - Traditional, formal performance reviews will no longer exist in successful organizations that employ mostly top performers. The traditional manager's role will change from authoritarian to one of coach, enabler and cheerleader.

In addition to cash compensation, top performers will earn rewards such as travel vouchers, gas cards, gift cards, and other leisure items. Employees may be given choices of how they want to be recognized and options such as time off and increased flexibility will become more common. Top performers will be recognized by being given more independence and more opportunities. Advancement will be used as a form of recognition, and top performers will be praised publicly.

Executives may be recognized and compensated to some degree on their ability to creatively recognize and nurture top performing employees. Service awards may still exist but only for top performing employees.

Organizational Structure - Human Resources, Marketing and Information Technology may be treated as one operating division reporting directly to the CEO.

Organizations will become flatter with fewer layers of upper management. Organizational charts will become wider and will have more dotted lines. Traditional job titles may be eliminated/modified as a matrix system of reporting to multiple managers will become more common. Outsourcing will lead to smaller, leaner workplaces with autonomous business groups.

Employees will be cross-trained in multiple functions within the organization, and may “float” from department to department as business needs dictate.

Human Resources Department - HR will perform less process oriented tasks and focus on strategic business initiatives with the primary focus around top performance acquisition and retention. HR will be expected to think like a CEO. In successful organizations, the CEO will utilize HR as his/her key position.

Outsourcing is expected to have a significant impact on the role of HR and especially in specialized areas and compliance.

HR will utilize a variety of technology applications providing 24/7 access to its “customers” and gaining significant efficiencies allowing employees to self direct a number of previously managed process oriented HR functions.

Traditional HR roles and titles may vanish while new HR positions with greater autonomy, visibility and authority will emerge - all critical elements for HR to engage as a key driver and organizational leader.

Summary

Though none of us have a crystal ball to predict the future, we all recognize that changes are occurring at a rapid pace all around us and inside our organizations. ERC believes that planning for the future is critical for today's businesses to survive and succeed.

Procrastination in business today is the beginning of the end. Start today. Start a dialogue within HR and then with your organizational leaders to begin a directed path towards a higher level of organizational excellence. It starts with defining what "success" means to your organization. Once defined, the blueprint towards that success can be drawn and plans initiated to attain the desired outcomes.

The changes that are expected and already occurring are making this dialogue and planning a necessity - it is no longer an option. HR professionals should seize this opportunity with a ravenous appetite.

The sky is not falling, it's just changing.

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If you would like to discuss this "white paper" with an ERC professional or interested in ERC facilitating a management discussion on Workplace 2015, give us a call at 440-684-9700 or email us at 2015@ercnet.org.