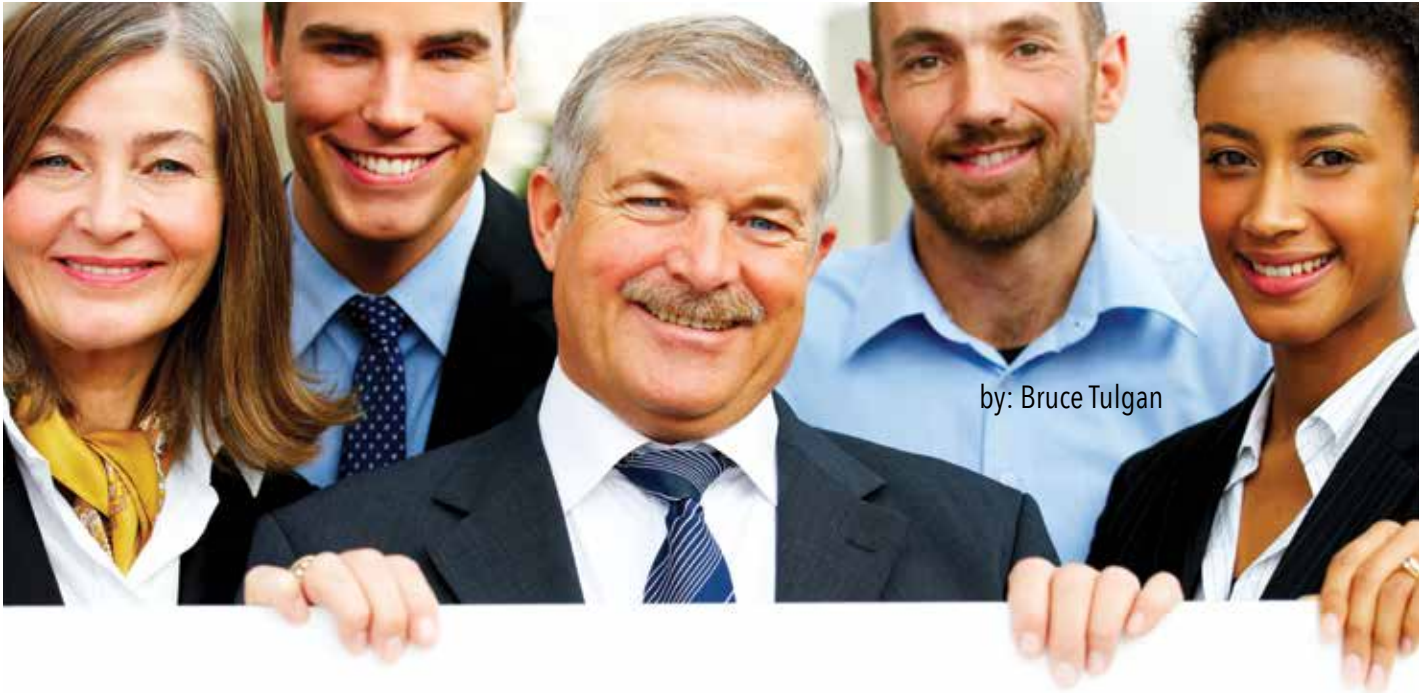


THE GREAT GENERATIONAL SHIFT:



How it is Reshaping Work and How it Could Reshape Retirement

There is a “Great Generational Shift” underway in the workforce today that is reshaping the nature of work and could reshape the very meaning of retirement. This is the post-Baby Boomer shift that demographers and workforce planners have been anticipating for decades. It is not only a generational shift in the numbers in the workforce, but also the final stage of a historic period of profound change globally and a corresponding transformation in the very fundamentals of the employer-employee relationship. We have been tracking this transformation for more than twenty years.

The age bubble in today’s workforce. On the older end of the generational spectrum, the workforce is aging, just as the overall population is aging. This is particularly notable in Japan, most of Europe, and North America. In North America alone, ten thousand Baby Boomers have been turning 65 every single day since 2011. The Boomers are filling up an “age bubble” in the workforce such that there are many more people at or near the ordinary age range for retirement. The exodus of the first-wave Boomers from the workplace – postponed for several years by the economic crisis that began in 2008 – is now swift and steady. By 2020 Boomers

will be less than 20% of the Western workforce; older Boomers (born before 1955) will be less than 6%. What is more, Boomers who do remain in the workforce will continue trending heavily toward “reinventing” retirement and late-career-pre-retirement: working less than full-time, often partially telecommuting, and often working nonexclusively for more than one employer.

The youth bubble. At the same time, the fastest growing segment of the workforce is made up of those born 1990 and later, so there is a growing youth bubble on the younger end of the spectrum. The youth bubble is growing even faster in “younger population” regions of the world. But even in “older” North America, Europe, and Japan, the youth bubble in the workforce is rising much faster than in recent years, because employers are once again hiring new young workers after several years of formal and informal hiring freezes resulting from the economic crisis. By 2020, second-wave Millennials (those born 1990-2000) will be greater than 20% of the Western workforce and another 4 – 5% will be made up of post-Millennials born after the year 2000. And in most of the world, the youth bubble will be much, much larger. The rising global

youth tide will bring to the workplace radically different norms, values, attitudes, expectations, and behavior.

The myth of job security is dead. Downsizing, restructuring, and reengineering are now accepted as constants of the workplace – taken for granted now as “continuous improvement.”

Employers are more likely to undertake major organizational changes that eliminate jobs regardless of employees’ length of service. Such changes include mergers, acquisitions, spin-offs, restructurings, and liquidations. Employers are also more likely to implement new technologies that eliminate jobs due to reengineering. Meanwhile, there is a strong trend among employers of hiring fewer “employees” (full-time, exclusive workers), while hiring more contingent workers; and most employers’ staffing strategies for the future continue to move in this direction. As a result, the number of traditional “employees” is diminishing as a percentage of the overall workforce, while the percentage of “contingent workers” is increasing. This has meant a fundamental change in employment practices, away from long-term stable employment relationships and toward a more efficient supply-chain management approach –

known as human capital management. The goal is to optimize human resources: That means having the right people in the right places at the right times, employing them exactly as long as you need them and no longer, and paying them the market value of their contributions and no more. Because of these new realities, employers are now less likely to make formal or informal guarantees about continued employment and job security.

Employers will have many fewer long-term traditional employees. There will be many more people who flow in and out of organizations – in highly variable roles and arrangements. The most successful employers will still maintain core groups of key talent and critical longer-term stakeholders. But these core groups will get smaller and smaller. Meanwhile, any work that can be streamlined will be done through highly efficient production (“churned and squeezed labor”) that can be staffed-up quickly and staffed-down just as quickly. Employers will need to have many more fluid/flexible ways to employ people and leverage talent – full-time, part-time, flex-time, on-site, off-site, telecommuting; as consultants, temps, vendors, franchisors, franchisees.

The successful organization will have as many different career paths as it has people. Flexible work conditions, learning/knowledge management, pay-for-performance, and coaching-style leadership will be the keys to being an “employer of choice” for in-demand talent. The ability to get people on board, up to speed, and delivering results quickly will be the key to most staffing challenges. Opportunities to earn more money and flexibility will go to the employees who most consistently deliver the most value. Employers will be forced to pay high premiums with lush benefits, lavish work conditions, and lots of flexibility for in-demand talent: What we call “dream jobs for superstars.” As well, more and more non-superstars will be looking for more and more of at least some of these “dream job factors.”

Individual workers of all ages today know that job security is dead. Most workers today – regardless of generation – assume that most employment relationships will be relatively short-term and transactional. In relative terms, older workers tend to lose and younger workers tend to gain – at least in the short term – from the diminishing importance of seniority and longevity of employment.

Individual workers of all ages today are under more pressure than ever as work becomes more demanding for everyone. In every industry, in nearly every organization, individuals are working harder and facing increasing pressure to

work longer, smarter, faster, and better. Meanwhile, workers must routinely learn and utilize new technologies, processes, practices, skills and knowledge, all the while adjusting to ongoing organizational changes which cause growing fear of imminent job loss. While younger workers may have certain advantages in this environment, they tend to suffer more than older workers when they receive less management guidance and support.

Individual workers of all ages today want, expect and often request greater flexibility in work conditions. As the pressure increases, so does the need for some relief from the pressure. That’s why “work-life balance” is such a powerful counter-trend. What “work-life balance” means most of the time is “more control over my own schedule.” The rest of the time it means “flexible location” or “flexible dress” or “flexible something.” Sometimes it means an employee can bring his dog to work. People of all ages want greater flexibility in their work conditions. The biggest difference with Millennials is that they are much more likely to make specific requests for immediate (rather than long-term) increases in pay, benefits, and work conditions and they are more likely to make those requests earlier in their tenure of employment than workers of previous generations would have.

The new normal. Organization charts are flatter; layers of management have been removed; reporting relationships are more temporary; more employees are being managed by short-term project leaders instead of “organization chart” managers. Employers are less likely to award status, prestige, authority, flexibility, and rewards on the basis of seniority; and employers are more likely to award status, prestige, authority, flexibility, and rewards on the basis of short-term measurable goals. Employers are also reducing long-term fixed pay as a percentage of overall employee compensation, while increasing the percentage of variable performance-based pay; and employers’ compensation strategies for the future reflect this change. Part of this new compensation strategy includes a reduction in the percentage of employee “benefits” (paid for by the company for full-time, exclusive workers) in relation to overall compensation. Further, employers are increasing the percentage of “employee services” (paid for by the worker on a pre-tax basis), such as health insurance and retirement savings.

Employees today are much less likely to believe employers’ promises about long-term rewards. While many employees may doubt the sincerity of long-term promises, that is not the biggest problem. Many more employees worry that their prospects for receiving long-term rewards

are vulnerable to a whole range of external and internal forces that might shorten the natural life of the organization employing them. Workers worry openly about events or circumstances that have little or nothing to do with business, such as politics, diplomacy, war, terrorism, and natural disasters. They worry about broad business-climate factors, including monetary policy, global market shifts, change in particular industries, and organizational changes. As well, they are acutely aware that the organization employing them might simply lose out in the fiercely competitive marketplace. Workers also worry about the continued employment of their immediate supervisors and other leaders who know them best.

The free-agent mindset is now the prevailing workforce mindset. Without credible long-term promises from employers, employees no longer labor quietly and obediently. Rather, most employees work anxiously to take care of themselves and their families and try to get what they can from their employers – one day at a time. People of all ages and all levels realize nowadays that they are “free agents” because they have no other choice.

There is no going back. There is no going back to the workplace of the past, in which the default presumption was that employer-employee relationships would be long-term, full-time, on-site, and based on a one-size-fits-all hierarchical career path. Because organizations will need to continually increase productivity, quality, and cost effectiveness, employment relationships will become increasingly short-term, transactional, and highly variable. The traditional employer-employee relationship will finally fade away.

ABOUT THE AUTHOR

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