

# CHAPTER 1

## The New Workforce

*The Millennials are coming!*

—CBS News, February 11, 2009

Learning and development (L&D) generally represents an organization's single largest investment in its people. The American Society for Training & Development (ASTD) estimates that U.S. organizations spent over \$150 billion on training in 2011.<sup>1</sup> Our intent with this book is to show you how you can use analytics to better manage the learning and development needs of a thriving organization in a rapidly changing environment. It is no coincidence that the field of human capital analytics is growing in popularity at a time when organizations are managing up to five generational cohorts in the workplace. These generational groups represent different backgrounds, ideals, challenges, and opportunities, many of which can be better understood through the various analytical tactics presented in this book. It's going to take the evidence and insights from analytics for organizations to effectively manage their workforces—and their human capital—for competitive advantage.

## DEFINING THE GENERATIONS

Despite what the buzz around the Baby Boomers and the Millennials may have you believe, there are five generations in the current workforce:

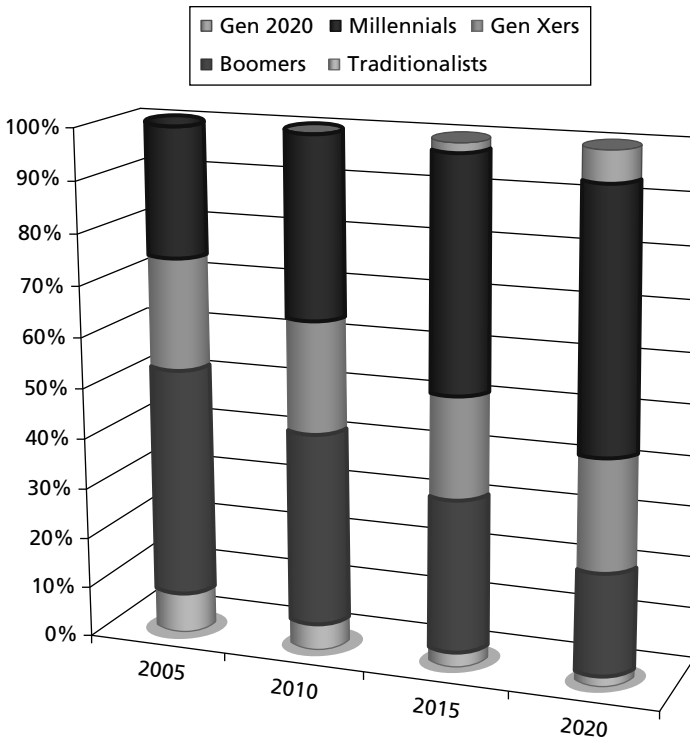
1. Traditionalists (born prior to 1946)
2. Baby Boomers (born between 1946 and 1964)
3. Generation X (born between 1965 and 1976)
4. Millennials (born between 1977 and 1997)
5. Generation 2020 (born after 1997)<sup>2</sup>

For the purposes of our discussion, in this chapter we focus on the three generations with the largest employee presences at the majority of organizations: Boomers, Xers, and Millennials, as well as some of the attendant changes and significant issues facing the workforce. For a more detailed discussion of the future workplace, we highly recommend Jeanne Meister and Karie Willyerd's book, *The 2020 Workplace*.<sup>3</sup>

Figure 1.1 shows how these workforce populations have shifted (and are projected to shift) over time.

While each generation is made up of individuals with unique belief systems and life experiences, we can assume a number of generalizations about each generation based on their collective experiences. As the generation of drugs, sex, and rock 'n' roll, the Baby Boomers came of age during the era of the Vietnam War and Watergate. In their youth, they took to the streets for human rights and the women's movement. They are said to be optimistic, competitive, and questioners of authority. At work, they're motivated by money, they work long hours at the expense of their personal lives, and they pursue upward career mobility.

Generation X is the skeptical generation. They saw the divorce rate triple as they grew up, with parents working long hours at the expense of family life. Experiencing life in a single-parent household became commonplace. Gen Xers were often latchkey children, left to their own devices after school. As adults, they tend to distrust institutions and be highly adaptive to change. In the office, Xers are known



**Figure 1.1** Workforce Populations

for following their hearts. They're motivated by freedom and prefer to be judged on their output instead of the number of hours spent at their desks. Their families are just as important as their careers, and they're unconcerned about lateral moves and career plateaus.

Millennials were the first generation raised from day one with technology, experiencing the expansion of its capabilities and reach into everyday life as they grew up. They've been influenced by a diversifying population, violence ranging from gang activity to terrorist attacks, and large-scale natural disasters. Millennials are known for their technological savvy, their concern for global affairs, and their short attention spans. In the workplace, they crave feedback, fulfillment, and flexibility. They've echoed Generation X's equal-parts emphasis on career and family.<sup>4</sup>

## PROJECTED GAPS AS THE GENERATIONS SHIFT

As with any changing of the guard, there are institutional concerns accompanying the generational shift. One is the loss of institutional knowledge. While many Boomers have built their careers within one organization or industry, the younger generations tend to jump from company to company as opportunities arise. Many learning leaders are grappling with the challenges of retaining the institutional knowledge that departs with the retiring Boomers, not to mention the transient workforces that are the hallmark of so many organizations today (more on this later).

Certain industries are also suffering from a shortage of skilled workers in particular job roles. These jobs tend to be on the ends of the educational spectrum: highly specialized sectors and labor-intensive positions. High schools have shifted their emphasis from vocational skills to preparation for four-year colleges, which is one factor in the shortfall of laborers. For example, the aging population of skilled-trade workers (e.g., welders or machine operators) is not being replaced by younger workers. In 2012, 53 percent of skilled-trade workers were over the age of 44; by contrast, in the overall workforce only 44 percent of workers were over age 44.<sup>5</sup> On the other end, the health care, manufacturing, and technology industries are struggling to fill open job positions. The Bureau of Labor Statistics counts 3.5 million job openings at a paradoxical time of high unemployment, reflecting the difficulty of filling certain types of positions.<sup>6</sup>

## CHASING DOWN RETIREMENT

Retirement was once a shining beacon at the end of one's career path; today, it's a shifting, elusive state that some mature workers may never attain. For many Boomers, retirement is simply not economically feasible. Others aren't interested in facing another 20-plus years of life without gainful employment. A Deloitte study found that 48 percent of Baby Boomers plan to keep working past age 65.<sup>7</sup> As life expectancies increase, wealth declines, and government policy shifts, the definition of retirement for the Boomers has changed.

When the Boomers leave the workplace primarily through retirement, they leave with significant institutional knowledge, most of

which is in their heads from years of on-the-job experience. So the question is: How do you capture this knowledge?

On one hand, the gap in numbers of skilled workers is helped by delayed retirements. Many workers are entering a state of semiretirement, in which they work part-time or as independent consultants.<sup>8</sup> These types of arrangements buy time for organizations to shift institutional knowledge to the younger generations, particularly when the older workers are encouraged to serve as mentors to their younger colleagues. On the other hand, delayed retirements can create frustrating roadblocks to career advancement for younger workers, particularly those in Generation X.

To assist in this knowledge transfer, organizations are investing in knowledge management systems, centralized repositories of knowledge and history that can be accessed. Millennials are comfortable and well versed in using platforms such as Google and Wikipedia to search for information; however, implementing an internal knowledge management system is an expensive and complicated undertaking.

## **CHANGING THE WAY WE WORK**

There's no question that the generational shift from Boomers to Millennials is changing the way we work. While many of these changes are driven by the inherent differences between the generations, there are a number of other factors impacting—and impacted by—the generational shift. One of the biggest changes to impact corporate America in the twenty-first century is the flexible workplace, often referred to as mobile working. While the flexible workplace began as an initiative to retain and accommodate working mothers, it has become a lynchpin in the race to attract and retain top talent. Almost every organization has its own rules for flexible work arrangements; generally these include variable working hours and the ability to perform work outside of the office.

Millennials may voice the loudest demands for flexible work arrangements, but the Boomers have embraced flexibility as they've taken on the care of aging parents. One in five employees cares for elderly parents, and that statistic is projected to increase to one in two in the coming years.<sup>9</sup> Many other factors are driving the trend toward

the flexible workplace: technology, economic forces, and globalization, to name a few. These are hallmarks of the early twenty-first-century workforce. As the generations transition, we see a workforce that is increasingly connected, diverse, and fluid. In this chapter, we consider the flexible workplace as both instigator and consequence; flexible workplaces are driving change every bit as much as they are driven by it.

## TECHNOLOGY

Many workplace theorists point to technology as the biggest difference between the Boomers and the Millennials. The Baby Boomers “encountered new technologies in the smoke-filled workplaces of the 1980s. [They] came in the forms of the IBM Selectric III, word processors, and dot matrix printers,” notes i4cp’s Lorrie Lykins.<sup>10</sup> But, she points out, “Technology didn’t dominate [Boomers’] lives.”

Advances in technology (particularly mobile technology) have spurred a cultural revolution in which we are always connected. Fax machines and cell phones began breaking down the barriers between home and office in the 1990s, and today’s smartphones keep employees connected 24/7. Employees see many benefits as a result. Work isn’t tied to a physical office space; workers take a conference call while picking up the kids, or keep up with e-mails in the doctor’s waiting room. Of course, there are trade-offs. Lykins says, “Life before cell phones meant going home at the end of the day fully disconnected from work. There were no emails to check, no intrusive mobile devices buzzing during little league games.”<sup>11</sup>

The Millennial generation has never experienced a workplace that shuts down at the end of the day. In this case, developing technologies have shaped the way Millennials work and have fueled the demand for flexible workplaces. After all, the Millennials reason, if they are expected to answer e-mails from home in the evenings or take the boss’s calls on vacation, what is the rationale behind the “butts in seats” mentality of measuring corporate productivity?

Furthermore, technology has enabled virtual collaboration across the globe. Using videoconferencing, online collaboration tools (e.g., Google Docs, Sharepoint, Skype, etc.), and corporate social platforms,

teams can transcend distance and tap nearly limitless subject matter expertise. These types of technologies have spurred the rise of virtual teams, and it's no longer a given that an employee will have a manager in the same office, or even in the same country. Millennials have led the charge to build virtual communication skills, and Boomers have seen their tried-and-true leadership styles fall by the wayside as they navigate the challenges of, and adapt to, virtual management.

From a learning perspective, technology has changed learners' expectations when they approach a training event. While instructor-led training is still the preferred modality for many learning topics, shrinking budgets have pushed learning leaders to seek more cost-effective solutions. Asynchronous and synchronous distance learning and e-learning have rocketed in popularity, but even those are evolving in response to mobile and video game technology. Mobile learning allows employees to access training at the point of need, and it also offers opportunities to digitize training for employee populations that don't typically have computer access (such as retail or food service employees). So-called gamification seeks to engage a generation that has "essentially grown up digital." Gamification also drives performance and offers opportunities to highlight achievement.<sup>12</sup>

Technology and social media in the workplace have also given rise to informal learning. Learning leaders use the term *informal learning* to refer to a variety of different types of activities, and it has become a catchall for everything from watercooler conversations to company wiki pages and social learning platforms. Its hallmarks include user-created content and learning that occurs at the point of need.

## ECONOMY

The 2008 recession hit and hurt all of the generations, but they have been impacted in different ways. The Baby Boomers have seen an unprecedented loss of wealth, which has caused many to push back (or forgo) their retirements. As noted earlier in this chapter, the Boomers continue to linger in the workplace and occupy leadership positions that many Generation Xers thought they would assume.

The older Millennials were just establishing their careers or finishing college in 2008. Those who were newer to the workforce were, in

many cases, the first to be laid off as companies began trimming their payrolls. Those graduating from college saw once-promising futures become uncertain as they struggled to find job opportunities. College graduates snatched up jobs for which they were overqualified, leaving the high school graduates with fewer openings. College grads struggled to keep up with hefty student loan payments, and record numbers defaulted on student debt.

Changes to the shape of the professional career began well before the 2008 recession, but that event brings the new resume into sharp relief. Many Boomers began their careers with a clear path to follow, often climbing the corporate ladder within one or two companies and feeling secure in the knowledge of promised pensions that would allow them to enjoy their retirements. By contrast, Millennials' career paths tend to zigzag all over the map. The U.S. Department of Labor predicts that the average Millennial will have had 10 to 14 jobs by the time he or she reaches age 38. Millennials, by and large, do not feel a sense of employer loyalty and in turn tend to be disengaged at work. Millennials make many lateral moves, jumping from company to company, and build their skill sets through contract positions and freelance work.

## GLOBALIZATION

Technology enables a global workforce, and the global market economy demands it. For an increasing number of organizations, the ability to compete on a global scale is vital to success. As communication across continents has become commonplace, time zones, language barriers, and cultural mores are now the biggest barriers to global collaboration. Furthermore, offshore development models have fueled developing economies and enabled new players in the global competition.

Deloitte calls this new model “the open talent economy.” Most companies are mixtures of “full-time employees, contractors, and freelancers, and—increasingly—people with no formal ties to [the] enterprise at all. People move more freely than ever from role to role and across organizational and geographic boundaries.” These conditions developed in response to the global marketplace, which “demand[s] new talent models that can be rapidly configured and reconfigured.”<sup>13</sup>

## DEMOGRAPHICS

The Millennial generation's demographic makeup reflects the shifting demographics of the United States as a whole. Forty percent of Millennials are nonwhite, and 20 percent have at least one immigrant parent.<sup>14</sup> The U.S. Census Bureau projects that white children will become the minority in the public school systems by 2020.<sup>15</sup> As the United States continues to diversify, the needs of the upcoming generation of workers (including the younger cohort of Millennials and on to the next generation) will shift.

Brookings Institution demographer William Frey points out that “a lot of immigrants that have come in over the last 20 years, especially from parts of Latin America, haven’t had the same levels of education as middle-class Americans do, or did. That puts even more pressure on making sure that their children are getting the right kind of movement into the middle class.”<sup>16</sup> Frey’s point highlights one cause of the talent gap being created by retiring Boomers. There’s a crucial need for training to prepare future leaders, as well as to ensure adequate numbers of workers to fill various professions.

## ARE VIRTUAL WORKPLACES HERE TO STAY?

Virtual workplaces are by no means a done deal in corporate America. Yahoo! CEO Marissa Mayer was simultaneously maligned and applauded when she announced that Yahoo! employees could no longer telecommute. In fact, Mayer’s pronouncement sparked a fierce debate about whether flexible workplaces are beneficial or detrimental to a company’s overall success. Google, Mayer’s previous employer and a workplace revolutionary in its own right, views working from home as a detriment to productivity.<sup>17</sup> Best Buy, one of the pioneers of flexible working hours, also reined in its policy in response to its struggles in the marketplace.<sup>18</sup>

## WHAT CAN LEARNING LEADERS DO?

Generations have always been in the process of entering and exiting the workforce. The difference today is in the method of value creation

of organizations. The majority of value in companies has shifted from traditional revenue-generating balance-sheet assets (e.g., facilities, equipment, raw materials, etc.) to intangible assets—including people and intellectual capital. To compete and succeed in today's marketplace, it is absolutely critical for companies to inspire, develop, and engage their employees. Investing in people isn't a new concept. But knowing where those investments are working—and where they aren't—is the new competitive advantage.

The age of big data has created opportunities for learning leaders to drive change in their organizations. In this book, we'll equip you with a variety of analytical methods—from the basic to the advanced—to improve your ability to make effective investments in people. This book will make the case for a strategy around designing and evaluating your investments in people to strategically align learning to the business. We will look at the tried-and-true methods of evaluation, then take you to the next frontier—predictive analytics.

## SUMMARY

It's no coincidence that interest in the field of human capital analytics is growing at a time when organizations are managing five generational cohorts in the workplace. The Baby Boomers, Generation X, and the Millennials represent different backgrounds, ideals, challenges, and opportunities. Analytics can help learning leaders make informed decisions about how to tackle the looming human capital challenges. One of these challenges is retaining institutional knowledge as the generations shift and employee populations become more transient. Another is the projected worker shortfall in a number of industries.

As the generations transition, the acquisition and development of talent becomes a fundamental driver of business success. To compete and succeed in today's marketplace, it's absolutely critical for companies to build their human capital intelligently and effectively. Investing in people isn't a new concept. But knowing where those investments are working—and where they aren't—is the new competitive advantage.

## NOTES

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