

The Rise of the Emergent Workforce

Despite the current economic downturn - or perhaps because of it - more and more workers are self-directed, self-motivated and self-reliant, taking charge of their own careers and searching for a balance between life and work. Their employers, however, are often not keeping pace. A new Spherion® Emerging Workforce® Study indicates that the consequences of inaction could be disastrous.

Less than a generation ago, typical American workers put their fates in the hands of big organizations and essentially set their careers on auto-pilot. The employer did the rest. It told them when to come to work and when to go home, what to do and how to do it, when they would be promoted and when they would have to wait for advancement, how to dress and how to behave in the workplace. This was, for many employees, a predictable and relatively stress-free work life.

But a funny thing happened on the way to the 21st century, forever altering the lives and expectations of American workers. According to new data from a workforce study commissioned by Spherion® and conducted by Harris Interactive, that “traditional” employee now represents only 21% of the American workforce—down from 34% in 1997. Traditional employees have been replaced by a new breed that Spherion has dubbed the “Emergent WorkerSM” (31%, up from 20% in 1997).

Moreover, an increasingly plentiful segment of workers—nearly 50%—are classified as “migrating” from a traditional to an emergent mindset. If this trend continues unabated, which seems likely, Spherion expects that by 2007, 52% of the U.S. workforce will be emergent and only 8% traditional. The new majority of employees will be Emergent Workers.

For employers that have moved toward an emergent style of management, this is good news. But for what appears to be the majority of employers, continued reluctance to “emerge” will make it increasingly difficult, if not impossible, to compete for talent. Difficulties will arise because of a growing mismatch between employees and employers, and that mismatch will be intensified by a growing labor shortage in coming years.

THE EMERGENT WORKER

Who are these Emergent Workers? “They don’t wear signs,” says Jan Wahby, senior vice president of Spherion®. “They’re not located in one part of the country. They might not even respond to the term if they heard it applied to them.”

But their answers to questions posed as part of a series of studies by Spherion in 1997, 1999 and 2003 provide a clear and consistent portrait that sets them apart from their traditional counterparts. For example, Emergent Workers feel more in control of their careers and want an employer that rewards them based on performance. They are more concerned with opportunities for learning and growth, and they define loyalty not by longevity but by the value of their contributions to an organization.

“Emergent Workers wake up every day believing their destiny is in their own hands,” Wahby describes. “They don’t look to their employer to prescribe their development or manage their careers.”

Emergent Workers are not confined to any specific group. According to the study, they cross all boundaries including age, education, industry, size of company in which they work and level in the organization. These 21st-century workers can be identified by new attitudes and expectations rather than by their demographic group.

...COMPARED TO THE TRADITIONAL WORKER

In contrast, traditional workers feel that an employer is responsible for providing a clear career path and, in return, the employer can expect long-term employee commitment. Compared with Emergent Workers, they are

more concerned with job security, stability and clear direction, and define a loyal employee as someone who is in it for the long haul.

While 72% of traditional workers feel that changing jobs could damage their long-term career advancement, Emergent Workers view job change as a positive step and the vast majority (95%) are eager to explore new opportunities. As one respondent put it, “You’ve got to keep growing and developing if you’re going to get ahead, take on new assignments, additional responsibilities, acquire new skills. If my company is not willing to give me that room to grow, I’ll find it somewhere else.”

Similarly, while most Emergent Workers are looking for ways to creatively find new and better ways of doing their jobs, traditional employees are more likely to agree with the respondent who said, “It’s nice to have a job that gives you some freedom, but I like to be sure that I’m doing things the right way ... the company way.”

Still, even the most traditional workers are starting to have some doubts about the principles on which they’ve built their approach to work. Compared to respondents in the 1999 study, 2003 respondents who are characterized as traditional are now less likely to fear job changes (72% in 2003 compared to 86% in 1999), less likely to value the organization over their supervisor or peers (38% in 2003 versus 49% in 1999), and less likely to rest responsibility for their careers on their employers’ shoulders (86% in 2003 vs. 93% in 1999).

WHY HAS THIS HAPPENED?

In many respects, the inception of the Emergent WorkforceSM can be traced to the massive layoffs that swept through corporate America in the early to mid-1990s. Where once the traditional values of employees were fostered by corporate benevolence and the promise of lifetime tenure, the “rightsizing” movement tore apart that traditional fabric and left many employees, whether or not they’d been personally laid off, with a stark sense of vulnerability and a mistrust of employers. The assurance of lifetime employment devolved into multiple cycles of hiring and firing. As a result, employees began to realize that they needed to gain some measure of control over their own careers.

With that realization employees began to go out into the world, selling their services and charting their own paths. Some awakened to the notion that they could function as “free agents,” serving, in essence, as what business guru Charles Handy has called “portfolio workers” who travel from company to company with a portfolio of skills. And they began to appreciate the benefits of their new freedom.

Even when the economy improved and full employment beckoned, these workers were not anxious to return to traditional ways of working. While they often did return to corporate jobs, their expectations and their orientations were forever changed. More than that, they had learned that they can, when necessary, survive outside of organizational walls, and that they possess skills that will allow them to earn a living both within and outside the typical company structure. Further, they found they could move from job to job or even leave an organization entirely to work in a consulting capacity.

It’s not that job hopping is a preference. Most employees indicate that they’d be more than happy to remain under a single employer’s roof, so long as the relationship remains mutually beneficial. The difference is that the once prevailing fear of change has begun to evaporate as employees realize that they can successfully manage their own careers, with or without an ongoing organizational connection.

Today, in the wake of more corporate belt-tightening, the high-profile collapse of both mainstream and dot-com companies, the September 11 tragedy and the ongoing war against terrorism, employee priorities have continued to shift. The sense among employees that they can control their own careers has increased. And as the workers in the Spherion survey indicate, they’re looking for balance in their lives as well. In fact, 73% of respondents said they would be willing to move their careers to the back seat for their families.

“9-11 profoundly impacted many people and made them realize what is important,” notes Robert Morgan, president of Spherion[®] Employment Solutions. “So did the economic downturn. Working 80 hours a week when

your stock options were rapidly compounding is a different story than when those options have lost most, if not all, of their value. Even in the wake of a recession, striking a balance between work and life has come front and center. Employees are feeling that where they go to work, who they work for, and how they spend their time matters.”

In addition, during the last couple of years, corporations have laid off just over a million people each year. In the past, that would have been devastating from a societal and individual perspective. But many people have become more resilient and have changed in order to survive.

This change in worker attitudes and expectations is evident in the questions that Spherion recruiters hear when interviewing candidates. “Candidates relate to the same issues we see identified in the study,” says Wahby. “They want to know who they would work for, not just the company but the person, what the culture is, whether they’ll be exposed to new areas, given an opportunity to learn new skills. And there are lots of firm beliefs these days about work/life balance. There is a sense of independence that was much less prevalent in the past.”

WHAT DOES IT MEAN FOR EMPLOYERS?

The survey findings provide new insights on how people are recruited and managed, as well as on the unwritten rules of conduct in an organization, on the protocols, the norms, the rules regarding how work gets done in a company, of who gets ahead and who succeeds. There are significant implications if the workforce has changed but employers have not.

These implications are most clearly evident among what is expected to be the new majority of employees: the Emergent Workforce. Almost by definition—and certainly according to the study— Emergent Workers are happiest in an organizational environment that plays to their strengths and aspirations. If they are frustrated by the limitations a traditional organization imposes, they are unlikely to thrive and unlikely to stay. On the other hand, as “The Emergent Organization” chart on page 5 indicates, a shift from a traditional to an emergent management style can have a dramatic and positive impact on job satisfaction, trust, loyalty and ultimately retention.

Significantly, that positive impact extends beyond the Emergent Worker. While traditional workers, unlike their emergent counterparts, do quite well in traditional organizational environments with hierarchical structures and well-articulated expectations, the data indicates that traditional employees are just as happy in a non-traditional, emergent environment.

This level of comfort plays out most visibly when it comes to work/life balance. According to the Spherion study, an employer’s ability to offer both fulfilling work and time for personal responsibilities is “extremely attractive” to a full 96% of U.S. workers, regardless of whether they’re emergent or traditional.

In fact, 77% of all workers in the study indicated that they’d be interested in taking advantage of such work/life balance options as telecommuting, flextime, job-sharing and on-site day care services. Those respondents who had taken advantage of these types of options indicated that they were much more satisfied with their jobs and twice as loyal to their companies. The catch: Three quarters of all respondents (66% to 81%) said these options were not available to them.

THE WORKFORCE CONTRACTS

While the U.S. labor force has grown by 50% since 1980, Harvard University Economist David T. Ellwood anticipates that the heaviest growth is behind us. In a recent article in *BusinessWeek*, Ellwood estimated that growth between 2002 and 2020 will slow to 16%. Among the causes: a decline in the number of younger workers, coupled with an enormous number of Baby Boomers edging towards retirement. Last year alone, the number of Baby Boomers who became eligible for early retirement topped 6.5 million. Given that the oldest Baby Boomers have just hit their mid-fifties, that number is but the beginning of a cascade of retiring workers. In contrast, the number of workers between 35 and 44 will decline 15% over the next 15 years.

WHY HASN'T BUSINESS CHANGED?

Despite the re-engineering fervor that has swept through so many organizations, collapsing hierarchies and eliminating the silos, many older organizations have simply recreated themselves in their original image.

“All organizations have histories, and those histories can profoundly shape their workforce culture, style and expectations,” notes Jim Halling, senior vice president of Spherion® Workforce Assessment Consulting. “Although they’ve restructured, downsized and stripped away layers, they may have inadvertently become smaller versions of their former selves.”

Spherion experts estimate that more than half of American corporations still fall into the traditional camp. “The reason that management styles have not evolved at the same pace as the workforce is that managers are still holding onto their roots about how the corporation is supposed to work,” suggests Morgan, “They’re finding it difficult to let go and to give employees a say.”

Wahby has found this particularly evident in his work with clients. “It’s not uncommon for us to study a client organization and discover a company with an Emergent Workforce but a more traditionally minded management team,” she says. “The primary driver is habit. Everyone has their comfort zone. Companies, just like people, have habits. Someone in senior management needs to be the change agent; otherwise there are only incremental changes.”

EVEN IN A DOWNTURN, CHANGE IS NECESSARY

During the last two years, many organizations have been focused on expense control, earnings and their stock price. As a result, some have cut employee programs aggressively—and many of those programs supported employee development and retention, as well as workplace flexibility. The survey data reveals, however, that these cuts may be quite shortsighted and companies may soon find it imperative to balance short-term financial objectives with the long-term interests of their workforce.

“The current downturn has caused many executives to focus on their balance sheets and stock prices. But some also are positioning for the inevitable turn around,” Wahby notes. “They are planning ahead so they don’t go through this roller-coaster cycle of hiring and downsizing again. They have found that it is simply too hard on people and too hard on management. They are seeking options that provide much more flexibility and variability in their expense structures.”

Employers have a significant opportunity to start asking questions about turnover. According to the Spherion study, the continued migration of traditional employees into the Emergent Worker camp puts traditionally managed organizations in danger of experiencing 40% more turnover among their ever-increasing numbers of Emergent Workers.

The impact of rising turnover rates goes well beyond the disruption that it creates. The costs of recruiting, hiring and training replacement employees must be added to the loss of productivity when a position is vacant and while a new employee is brought up to speed. As a result, the cost of replacing lost Emergent Workers could range from *\$1 million for a company with 100 employees to a phenomenal \$128 million for an organization employing 10,000 people.

And that’s assuming the steadfastly traditional company is even able to fill those positions, given that workers appear to be moving decidedly in an emergent direction, with nearly 80% of current employees either emergent or migrating. This means that organizations that continue to be defined as traditional employers will be able to successfully recruit from only 8% of the available workforce by 2007. This problem is sure to be compounded in the future as the number of available workers begins to shrink.

“If employers are not creating a more emergent workplace, they could face a real talent exodus when the economy improves,” Wahby notes. “There’s strong evidence that Emergent Workers who feel stuck in an unfulfilling work environment will leave their jobs at the first chance they get.”

TRUTH IN NUMBERS: OTHER RELEVANT STATISTICS

- 36% of the average company's operating expenses is comprised of labor costs.

- Saratoga® Institute

- Companies employing HR best practices showed 60% higher return on sales, 20% higher return on investment and assets and 13% higher return on equity.

- University of Southern California

- An organization's imprudent use of human resources can have a 33.9% negative impact on its market value.

- Watson Wyatt

- The cost of hiring increased 33% to \$2,482 per hire in 2001 compared with 2000 – one of the largest increases seen in close to a decade.

- Saratoga Institute

- Of the 100 companies counted among Working Mother magazine's top employers, 100 offer flexible scheduling, 100 allow employees to work from home, 95 permit compressed work weeks and 94 have job sharing.

- Working Mother

- 72.4% of workers reported that working at home slightly or greatly increased their productivity.

- Telework America Survey, 2001

- Companies whose workforces are at least 10% temporary realize better financial and share-price growth.

- study by Lehigh University/University of Oklahoma

A SOLID BUSINESS DECISION

It's clear that companies preparing to compete in the post-recessionary age will need to adapt more emergent management practices. They will need to create more opportunities for creativity, innovation and learning on the job. They will have to become more proficient at managing a diverse employee population that contains not only traditional but emergent and migrating employees as well. They will need to address work/life balance in meaningful ways through workplace policies and structures. These changes in how organizations approach their workforces are not based on goodwill or altruism; they're driven by the need to be competitive in the marketplace for talent.

For example, organizations do not have an obligation to offer outplacement services for laid-off employees. But how an organization exits people can have a profound impact on the employees left behind. In addition, the faster displaced workers find new jobs, the more favorably they view an organization and the better the reputation that organization will gain for its "employee brand."

"Protect your employee brand, and you'll mitigate your costs," comments Robert Morgan. "It is analogous to a bad customer experience. If you have a bad experience, you will probably tell 25 people. If you have a good experience, you'll probably mention it to two or three."

HOW TO GET STARTED

An organization can get started by examining its turnover trends. Are key individuals and high-performance employees leaving? Are critical skill sets being lost to the competition? Why?

Based on the study findings, to be an employer of choice, an organization will need to examine a variety of factors including compensation, benefits, work structure and stimulating work assignments for employees.

“What has been optional until now is becoming mandatory, for example, career development tools, one-off contracts with employees, flexible choices of benefits, flextime and sabbaticals,” Morgan relates. “It is comparable to the way dental insurance was a nice but optional benefit 15 years ago. Now an organization is not competitive if dental insurance isn’t offered. What was once cutting-edge is now mainstream. It will be the same with other programs and benefits as well.”

Attracting, hiring and retaining employees will require far more than flextime and benefits in the future. Much of the change in employee expectations will require career development, manifested by a sense of inclusion in the organization. Organizations will need to ask: How inclusive are we as an employer? Do we invite people into task forces and strategic planning for the company? Do we have formal or informal mentoring programs? Do we let people fly blind or do we make sure they interact with leaders of the organization who can teach unwritten rules and tricks of the trade?

MISSION-CRITICAL VS. MISSION-SUPPORTIVE

A new trend is developing in emergent organizations. These organizations are increasingly examining their business models and determining which are core and non-core functions of their businesses. For example, software development is a core or mission-critical activity for a high-technology company, but recruiting and staffing are non-core or mission-supportive.

Once mission-critical and mission-supportive activities have been identified, emergent organizations are then able to focus on programs for “employed” talent in mission-critical functions while working with an outside expert for “supplied” mission-supportive talent. The benefits can be quite tangible and drop right to the bottom line.

“Most companies have already squeezed the excess out of tangible assets such as real estate,” notes Wahby. “The next wave of profitability and major productivity gains will come from companies that learn to manage human assets for the peaks and valleys of economic cycles.”

This approach requires upfront work to integrate the goals and respective accountabilities between employed workers and supplied workers. But a major benefit is that it allows an organization to choose its battles in the ongoing war for talent. It allows the company to channel more energy into attracting, developing and retaining talent in core functions, while its partners focus on bringing in the best employees to handle non-core tasks. It allows the company to focus on adopting more emergent management practices, and thereby to compete more effectively for emergent talent. In addition, this flexible non-core workforce can help protect the core mission-critical workforce from the inevitable ups and downs of a cyclical economy, allowing the overall organization to build trust and loyalty with its core employees.

SUCCESSFUL WORKFORCE STRATEGIES

- 1) Determine which skills and functions are “mission-critical” to an organization’s success, and focus company employment strategies in these areas.
- 2) Adopt emergent management practices to effectively recruit and retain “employed” talent for mission-critical functions.
- 3) Become skillful at acquiring “supplied” talent within non-core, or mission-supportive, functions.

4) Create more flexibility in overhead structures, including the workforce, to increase responsiveness to market changes.

ABOUT THIS SURVEY

The 2003 Spherion® Emerging Workforce® Study was conducted by Harris Interactive, a world-renowned market research firm, on behalf of Spherion Corporation. A statistically valid sample of 3,278 full-time working adults in the U.S. (18 years of age or older and employed 30 or more hours a week) was surveyed by telephone and online between September 16 and October 7, 2002.

The study, which updates and expands on previous workforce research published by Spherion (formerly Interim Services) in 1997 and 1999, is the third in a series of surveys designed to provide a comprehensive portrait of changes in the American workforce in the context of on-going social and economic events. The determination of whether a respondent was an emergent, migrating, or traditional employee was made on the basis of answers to a battery of specific questions.