

Surviving and thriving in the future world of work



Ceridian's

# future of work predictions:

## By 2020...

- 75% of organisations will be outsourcing their HR function: HRO will move from functional to full-service, covering process end-to-end
- Eldercare will overtake childcare as the big work/life issue
- The cost of absenteeism due to stress is likely to triple
- Business leaders will be younger and their profile more diverse
- Technology will deliver a death-blow to presenteeism: there will be an increase in virtual working and outputs will count
- Top-end professional jobs of the future will be knowledge and intellectual capital based, creating a two-tier workforce: workers will either be creator-innovators or implementers
- The way we work will be fundamentally overhauled: multiple main sources of income, the demise of the permanent contract
- There will be a significant increase in individual negotiation for reward and recognition programmes
- Employers will increase their focus on strategies designed to retain older workers; there will be a greater war for talent at the top end of the youth market
- Businesses will be radically redesigning work to unlock productivity: replacing reliance on long-hours with the European model of empowerment through training and development and capitalizing on technology capabilities

# Surviving and thriving in the future world of work

What was that old “dot com” idea about people having fun at work? Today the table football has been put away. Men are back in suits. That brief flourishing of naïve optimism at the end of the last decade seems so, well, last century.

Today commuters struggle in to work worrying about terrorism, globalisation, thrusting new competitors, and whether that person in reception has come to take their job (or worse, whether some unseen person in a different time zone is about to take their job). They worry about whether they are being good parents. They worry about their own parents, who need help and attention too.

Problems are coming at you and your staff from all angles, like some sadistic form of 360 degree appraisal. And it is in these conditions that we are supposed to be boosting our productivity and raising our performance? Welcome to the new fun factory.

It’s a daunting prospect. But if we are going to establish any sort of mastery over our future, we need first to think clearly about the present, where future trends are already discernible. That is the only “thought leadership” that makes practical sense: identifying the action today which will prepare for tomorrow.

There are two basic responses to the challenge of today’s world of work: positive steps, or despair. Managers have to choose the former, and this paper is designed to help. What follows is a brief analysis of some of the biggest challenges which will confront businesses and organisations over the coming years, with some suggested ways forward.

These are revolutionary times. But there is not just one but two revolutions to face up to: the dramatic changes in the workforce, and the no less dramatic developments in the workplace.

Clearly our workforces are changing. We are living longer, many want or need to retire later; yet we also face new caring responsibilities as children and older parents make

simultaneous demands. This is discussed below in the section on the “sandwich generation”.

Meanwhile, at the other end of the age spectrum, the war for talent continues – in spite of falling birth rates – and generations X and Y present their own particular concerns, which can only intensify. This is considered in the section on Gen X and Y.

The workplace is coming under increasing pressure too. We struggle to raise productivity and find “smarter not harder” ways of doing things. Part of the answer will lie in outsourcing, but only outsourcing that is intelligent, strategic and well managed. This is discussed further below.

And still we dream of better technological solutions to make some of this efficiency and greater productivity possible. Are they finally within reach? We consider some future possibilities.

This cocktail of change presents HR professionals with a particular difficulty: can they make this new deal with their people work? Can we embrace change and make it work for us? Can we carry our staff with us on this arduous journey in to the future world of work? And do HR professionals have the skills required to engage with these strategic questions, and provide the leadership their businesses and organisations need?

It is always risky to make predictions, “especially about the future”, as the baseball coach Yogi Berra memorably observed. But business leaders don’t have the luxury of ignoring the future or wishing it away.

Hidden amidst the gloom and anxiety there may be some good news too. The future may not be quite as grim it used to be. It should be possible to build a better and more effective workplace: one that is sane, productive, successful, sustainable, even – occasionally – fun.

# Outsourcing

## A strategic choice, not a short-term cut

2004 was the year everyone became fluent in management consultant speak. Suddenly we were all about to get outsourced and off-shored – or at least our jobs were. Outsourcing has become domestic item no.1 in the US Presidential election. Even as the economy gains momentum, voters fear that a “jobless recovery” is bad news for them, even if it is good news for the young professionals of Bangalore or Manila.

It would be a shame if the important and necessary debate about business efficiency got distorted into a fight between populist protectionists and savage “slash and burn” merchants. There is more to a serious analysis of the arguments for and against outsourcing than that.

Businesses have to work as efficiently and effectively as they can. If new technology has made it possible, for example, for one payroll manager to supervise 2000 employees’ pay and benefits rather than the 400 that used to be possible, it is wrong to pretend otherwise. And if that work can be carried out effectively off-shore, at an attractive cost and without harming the business, then it may well be good management to choose that option.

“Without harming the business” – those words need to be written in at the top of any proposal to outsource. “You have to be very clear about the messages you are sending to your staff,” says Bruce Thew, executive vice president of Ceridian Corporation. “If it becomes clear you are thinking solely about cost, you risk tearing up the psychological contract between you and your people. If jobs are going you have to be there to offer retraining and redeployment, otherwise inevitably people start wondering who is going to be next.”

For HR managers, these are particularly crucial questions. There is no doubt that many firms are already beginning to benefit from the outsourcing process. So much of the time-consuming administration connected not just with payroll but other benefits, IT, recruitment, training and development, even employee relations, can be done by other service providers.

If HR is going to rise to its greatest challenge, identified by Professor Dave Ulrich, of being a four-pronged business partner – a change agent, an employee champion, an administrative expert and a strategic player – then it has to get out from under the admin.

“The leading businesses of the future will have effective HR business partners at their heart,” says Thew. “The culture of the organisation will be shaped by their work. Employees will be genuinely engaged, because modern people management will be all about adding value through (and not in spite of) the people you employ, by understanding their needs as individuals.”

Outsourcing should make life better for everyone at work, not just the finance department. It is a strategic choice, not a short term cut. It should help build a more, not less motivated workforce.

Whatever the political noises and popular protests, there will inevitably be a great deal more outsourcing of “core” tasks in the future, not least from HR departments. “We think as many as three quarters of all businesses will be looking to outsource administrative HR functions,” says Ceridian’s Thew.

The choice for business will revolve around how, not if, they manage this process. Those who shy away from outsourcing will be losing competitive ground they will never make up.

## Did you know?

Two-thirds of senior HR professionals expect organisations to be more reliant on outsourcing in 2010.  
*The Demanding Society, Ceridian/HR magazine 2002*

Areas of HR in private sector most likely to be outsourced in the future are training and development (68%); recruitment (53%); welfare (44%) and payroll (32%).  
*HR Benchmarker report 2003*

35% of HR professionals believe the HR function in their organisation is currently too focused on operational issues.  
*CIPD 2003*

88% say business strategies and goals will be a very important driver of change in people management policies. This compares with 63% who see cost pressures as a very important driver.  
*CIPD 2003*

Only 10% of HR time is dedicated to strategic work.  
*IRS 2003*

In the United States, 41% of CFOs have outsourced human resources.  
*Hewitt 2002 (USA)*

Of those intending to outsource HR functions, 84% of CFOs cite the desire to improve organizational performance as one of the top drivers; 48% cited a focus on core business.  
*Hewitt 2002 (USA)*

Outsourcing is no longer simply about saving money – equal numbers (55%) said they outsource to save money and to increase their company's focus.  
*The Outsourcing Institute 2003 (USA)*

## Eldercare/sandwich generation

Many organisations have become fluent in the language of flexibility over the past decade. Some have even meant what they said. It has been a long haul, but the “war for talent” has at least encouraged some employers to make it possible to be a parent and a professional at the same time.

But flexibility has tended to be ghettoised as a “women’s issue”, because in practice what employers have been concerned about was “working mums with kids”. While childcare remained overwhelmingly a challenge for mothers rather than fathers – when was the last time you heard a senior male executive described as a “working father”? – the debate on flexibility got no further than the talk of crèches, job-share (for women) and term-time working (another one for the ladies there too).

Get ready for a different kind of debate. Caring responsibilities are now moving in two directions up and down the family tree – not only down to children but up to the ageing parents of working people. As people live longer, this new sandwich generation of workers is having new demands made on it by dependents at opposite ends of the life cycle.

There’s more. As people have chosen to have children later, they find these challenges arising at perhaps even more difficult moments in their careers, just when they have taken on greater responsibility. Funding students through college while making sure their grandparents are well looked after places enormous pressure on everyone’s time and resources.

This casts a whole new light on the familiar debate over the work/life balance. It could be that for many people eldercare will even replace childcare as the biggest work/life balance issue. “The sandwich generation will get squeezed hard, in particular as birth rates fall and relatively fewer young people enter the labour market, creating the wealth that will provide for an ageing population,” says Penny de Valk, managing director of Ceridian HR Consulting.

It takes someone who has lived through several business cycles, the management guru Peter Drucker, to confirm the seriousness of all this. In his essay “The Future has already happened”, Drucker urges managers to take the question of shifting demographic patterns more seriously.

“The dominant factor for business in the next two decades, absent war, pestilence, or collision with a comet, is not going to be economics or technology. It will be demographics,” Drucker writes. “The key factor for business will not be the overpopulation of the world... it will be the increasing underpopulation of the developed countries [such as] Japan and those in Europe and North America.”

You can’t bet against global demographic trends. (Betting against Drucker probably isn’t a very good idea either.) But one thing remains clear: the successful employers of the future will understand the individual needs of their employees. They will know that each colleague comes to work every day with a head full of domestic concerns.

“Winning employers won’t merely speak fluent “flexibility”, they will make it a reality for each individual worker,” says de Valk. “That will be a big step down the road to building an engaged and committed workforce.”

## Did you know?

Three-quarters of working parents put family friendly working hours ahead of other benefits.

*Working Families 2004*

56% of managers say that working long hours is confused with commitment.

*Whose Move is it Next? MT/Ceridian 2001*

74% of managers are suffering from work related stress.

*Roffey Park, Management Agenda 2004*

43% of managers say they would work more efficiently if they were able to work flexibly.

*Time to Choose: MT/Ceridian 2000*

By 2006, women are expected to make up 56% of the workforce.

*ONS 2003*

In the United States, 35% of workers, men and women alike, say they provided regular care for a parent or in-law over 65 in the past year

*Families and Work Institute 2002 (USA)*

By 2010, 40% of jobs are expected to be part time.

*ONS 2003*

One in five working parents has been part of the so-called 'sandwich generation' over the past year

*Families and Work Institute 1997(USA)*

# Technology

## It's a virtual reality

No-one ever declared on their death-bed that they wished they had spent more time in the office. In the future perhaps the thought won't even arise. It may be that the office as it was simply won't be there any more.

Technological advance has given us the Martini option: we can work anytime, anyplace, anywhere. The newest gizmos are already baffling to many people in their potential and complexity. But if the rate of change continues at anything like the current one, processing and communicative power will soon be simply enormous. Rather like today's BlackBerries, only cleverer, one little hand-held device will be a phone, PC, internet-access, video-link, remote control, dictation machine, you name it.

This brave new world of technological convergence is already within reach (and not just down the back of the sofa, with the other remote controls). As Richard Tomkins wrote recently in the Financial Times: "Sometimes I wonder if I am the only person left in the world not using his refrigerator to browse the web."

For managers this is all good and bad news. The good news is the genuine flexibility made possible by all this remote and virtual working. The bad news, for a certain type of manager, is that supervision (short of techno-assisted spying) becomes much harder. Traditional managers like to see their people in and at their desks. For them, work has always meant people actually showing up. Their suspicion will be that this new virtual reality makes life too easy for staff who are only virtually working.

Still, it could be that new technology will deliver a much-needed death-blow to the dreaded culture of "presenteeism" – the idea that being physically present, regardless of what you achieve, is sufficient. In this way new technology may help to smarten up performance management. When you can work anywhere it really will be outputs that count, wherever and however they are achieved.

Time for a reality check. "With all the technology I have at home I don't always have to come into the office," says Bruce Thew, executive vice president of Ceridian, "but I do. Why? I like the interaction, meeting and talking to people. That isn't going to change."

Work remains a social phenomenon. You can't have teamwork without teams – real as well as virtual ones. But it may be that HQs and other offices will inevitably shrink as the need for permanent desks diminishes, and the cost attraction of reducing office space proves irresistible. Good news for Starbucks and Caffè Nero. "Have you seen all the meetings and work that goes on in those places?" Mr Thew asks. "It can't just be the coffee that people go there for."

Not everything will change, and in this subject area some predictions turn out to be less well founded than others. Remember the "paperless office"? The "leisure revolution"? However, as far as new technology is concerned, it seems safe to say that we ain't seen nothing yet.

# Generation X, Y, and Zzzzzzz

## Bored, bored, bored

When young Stanley Windrush, played by Ian Carmichael, was being shown round the sweets factory in the classic film "I'm alright, Jack!", his future life seemed clear. School, university, career – it had all been mapped out. Even as recently as the 1980s, young people were still growing up with that post-war career model very much in mind.

But that world has now almost completely disappeared. There are few easy conveyor-belt career options to hop on to any more, just as there is no longer a Soviet Union, with "fields of waving corn and ballet in the evenings", as Fred Kite – played by Peter Sellers – claims in the same film.

Two generations of young people – they are loosely labelled X and Y – have now emerged from university to find that the deal they thought would be waiting for them on the table has been torn up. Some employers seem almost to celebrate the fact that there is "no job for life", that a firm cannot guarantee employment, and that people must look to themselves to manage their own learning and maintain their own employability.

And yet some bosses – often the same ones – complain that their staff don't seem to know the meaning of loyalty any more. The problem is that younger workers understand the new realities only too well. They are loyal, all right – to themselves. They back their own chances in the labour market, and don't hang around to be bullied or exploited when there are other jobs to be had. If they seem bored or unmotivated, they are only responding to the dull and repetitive work they are being asked to carry out.

Falling birth rates will only intensify the future war for talent. Young people will not emerge from college expecting a single career – they will be promiscuous in their choice of employer and line of work. They will seek individual recognition and reward for what they do, and will be impatient with bosses who won't adapt to meet their needs.

"Managers are already dealing with a very 'high maintenance' workforce today," says Penny de Valk, managing director of Ceridian. "They have seen what has happened to older generations – people being retired early or just downsized. It's not surprising if younger workers take a very critical look at the deal which being offered to them."

But of course managing Gen X and Gen Y is not primarily about money. It is about providing good work – which is stimulating, varied, enjoyable, and which doesn't conflict with their values. To win the engagement of younger workers there has to be something in it for them, beyond the pay cheque. Otherwise those blank, listless faces which greet you every morning will only get blanker – until the day when they aren't there any more.

As the number of graduates rises fast, and we head in the UK at least to the daunting target of 50% of school leavers entering higher education, a glut of qualified young workers is appearing on the horizon.

Motivating and getting high performance from this new intake will be a huge management challenge, but it is one that cannot be ducked.

## Did you know?

Employer-employee relationships have become less hierarchical and more transactional.

*Bruce Tulgan 2003*

57% of the class of 1999 graduating business students in 11 countries said achieving work/life balance is their top career goal.

*PWC 2000*

Employees have less confidence in long-term rewards and greater expectations for short term rewards.

*Bruce Tulgan 2003*

78% of college graduates list good benefits as job 'must haves'; 77% being treated well and 76% the opportunity to have fun at work.

*Families and Work Institute 2000 (USA)*

## End thought

With the current rate of change in business, and with new competitors arriving constantly on the scene, it may feel as though there is already too much to worry about. This short paper has raised a few more matters for attention. But this is not meant to be depressing. Rather, it is a spur to action.

The highly demanding future world of work is arriving at an office near you very soon. In fact, in some shape or form, it is probably already there.

How we face up to the challenge of staying sane and productive under these collective pressures is the biggest management challenge of our times. Businesses and organisations have to come up with practical answers to these challenges. And getting enough of the answers right will make the difference between survival and its unpleasant alternative.

The following quotes could be pulled out and highlighted within the report.

“The leading businesses of the future will have effective HR business partners at their heart.” Bruce Thew

“... modern people management will be all about adding value through (and not in spite of) the people you employ, by understanding their needs as individuals.” Bruce Thew

“Winning employers won’t merely speak fluent “flexibility”, they will make it a reality for each individual worker. That will be a big step down the road to building an engaged and committed workforce.” Penny de Valk

# A day in the life of...

## a consultant in the professional services industry

Jennifer is 38 and a consultant in the professional services industry. She is married with a two-year-old daughter and has a dependent elderly mother who lives with her.

In the workforce she is classed as a 'creator-innovator'. She has a post-graduate professional qualification and has placed a high level of importance on professional development. She works for two organisations, splitting her working week, which is approximately 45 hours and spans Monday to Sunday between the two.

She has been headhunted many times, but has stayed working for both organisations for five years as both give her the flexibility she needs without compromising her career ambitions and her ability to do quality work.

- Manages to do an hour of work before the rest of the family are awake. Both employers have financed her office space, which is a separate room within the house with all the technology she needs to file share and virtually communicate with all her colleagues at any time of the day or night.
- Takes daughter to crèche. Daily care help has called in sick so uses interactive employee assistance programme to locate a temporary replacement.
- First virtual meeting of the day. Colleagues from all over Europe join for monthly update. The technology allows everyone to see and hear everyone simultaneously – like a virtual boardroom.
- Calls the employer provided concierge service to arrange surprise birthday party for her husband. This saves her an hour, which she spends preparing figures for the finance director's board report.
- 'Meets' virtually with one of her four team members – as a team they work really productively and always exceed targets. She meets with her team all together and one-to-one every quarter.
- Calls one of her bosses to review the work she delivered for a key client last week
- Clicks on flashing 'pay day' icon to view new payslip and automatic projection of her cashflow for the forthcoming month. Spends surplus by clicking on the discounted holiday offer which was top of her wish-list
- Finishes her working day at 3pm, having worked for twelve hours the previous day and goes to the gym. On her return she and her mother prepare dinner for the family.
- At 9pm she has a teleconference with her US colleagues to review the latest research, and share best practice.

# A day in the life of...

## an HR Director

Mark is 37 and sits on the board. He started from a sales background, moved into marketing and then became a business partner, looking at the human capital requirements of the business to support rapid growth plans over a five-year period. He has worked for four companies over his career.

Mark has an MBA with a specialist thesis in human capital management and its impact on productivity.

Part of the department is outsourced and part of the department is devolved to the businesses themselves.

- Meets with the outsourced HR and payroll provider to review the impact of the service they are offering.
- Analyses the return on investment from the new recruitment performance management and employee engagement programmes.
- Attends the launch of an induction programme for 17 new client relationship managers – 50 per cent are over the age of 50.
- Meeting with the finance director about the human capital risk profile. They agree budget requirements.
- Videoconferences into the meeting of his six divisional business partners for a monthly update on HR performance against agreed client service levels.
- Writes email to head of people productivity division on desired objectives from the third annual employee/employer stress consultation forum. Outlines in email the desired parameters of the latest stress management and predictive stress profile modeller.
- Meets with divisional director to review strategy for tackling graduate intake loss after 18 months. Suggests implementing a scheme for the business leaders where they can receive bonuses for achieving specific people goals, for example, commitment, work/life balance, development, career satisfaction etc.
- Spends the last part of day preparing for presentation to global board around the pan-European employee commitment and business outcome linkage study. Recommendations for future developments to employee/employer proposition include guidelines for individual contract templates, individual benefit design and working environment framework.
- Leaves for two days of working at home to draft HR's three-year strategic plan for presentation to the business directors, having just received details of the acquisition strategy from the global group board.

## Did you know?

Productivity lost to care giving costs US businesses an estimated \$11.5 to \$29 billion a year; by 2010 those employees will cost between \$1,100 and \$2,500 each in lost productivity, lost work time and stress-related illness.

*MetLife Mature Market Institute (USA)*

Employers with good HR practices have increased shareholder value by more than 70% since 1997.

*CIPD 2002*

Workplace stress is now the fastest growing cause of absence from work, costing British companies £12 billion a year. More than 13 million working days are lost.

*Health and Safety Executive 2002*

47% of HR directors at FTSE 500 companies do not regularly measure levels of employee motivation, morale and engagement.

*Empower Group 2004*

Employers with good HR practices have increased shareholder value by more than 70% since 1997; compared with less than 35% among firms with average or poor HR

*Watson Wyatt HCI 2002*

Cost of labour turnover for managers in 2002 for UK is £6,807

*CIPD Labour Turnover Survey 2003*

Average cost of sickness absence across the economy is £522 per employee per year

*CIPD 2002*