



# The Growing Workforce Challenge

Business Advisory Council  
Northwestern University  
Evanston, Illinois  
October 4, 2006

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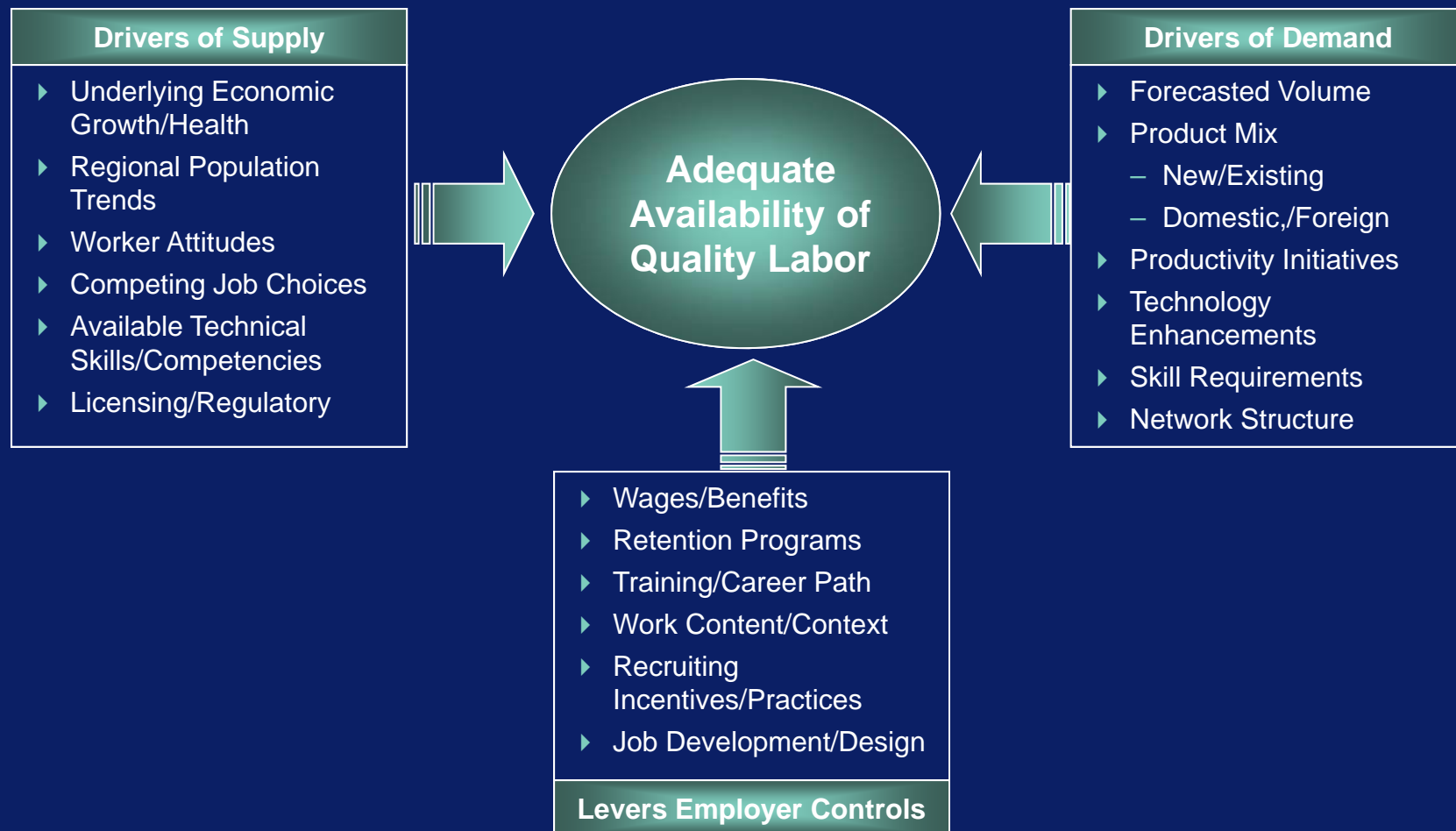
# Today's Topic: Tomorrow's Workforce Challenge

- ▶ Virtually all firms facing retirement crisis
- ▶ Departures hitting skilled and semi-skilled categories hard
- ▶ Replacing that workforce presents special challenges
- ▶ Nature of transportation imposes serious obstacles
- ▶ Next Generation will challenge us in many ways

# What do we know

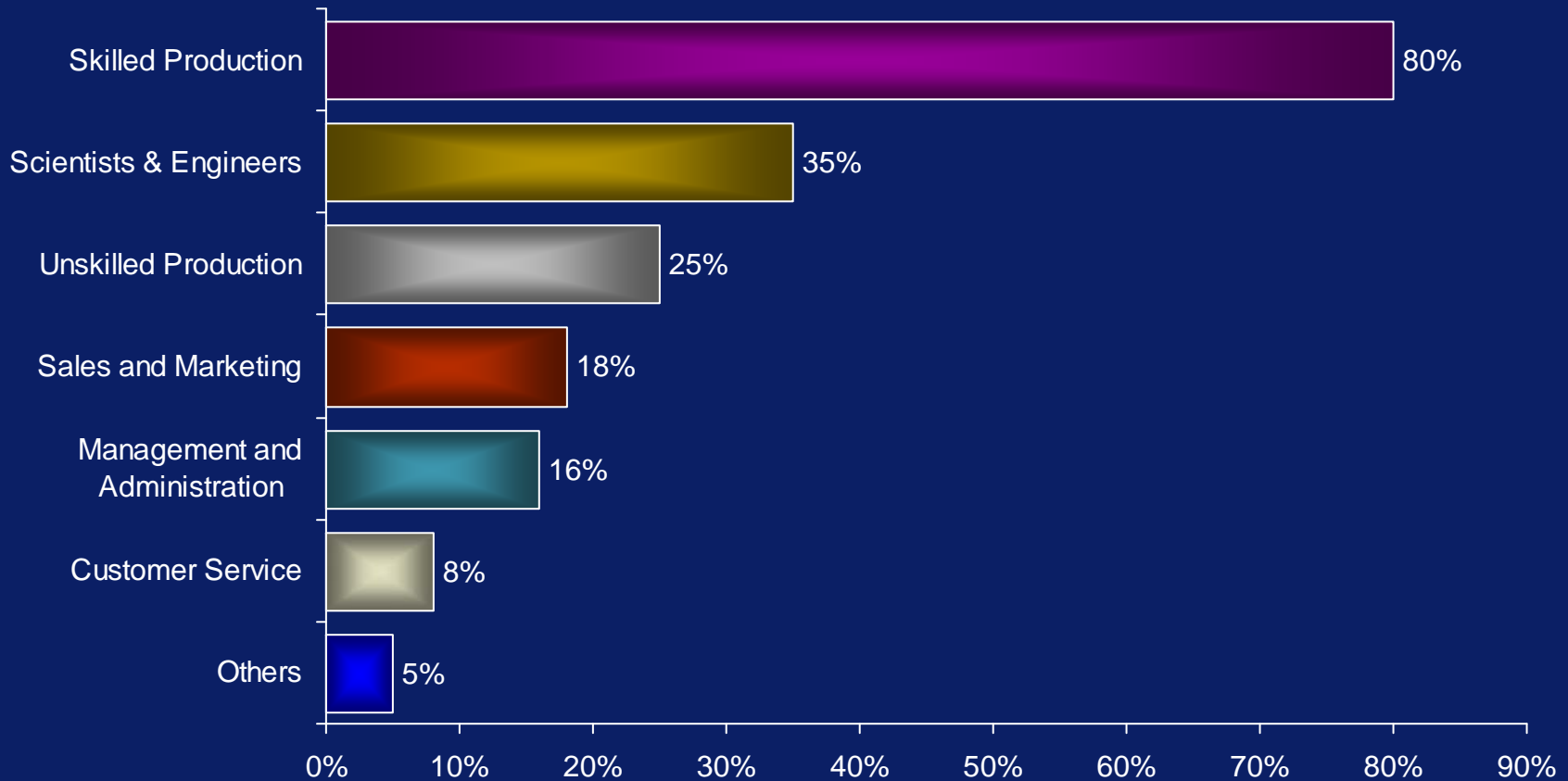
Sector	Nature of Challenge
<b>Express</b>	<ul style="list-style-type: none"><li>▶ High turnover among hourly labor</li><li>▶ Perceived lower quality of new hires</li><li>▶ Increased retirement among semi skilled / technical workforce</li></ul>
<b>Rail</b>	<ul style="list-style-type: none"><li>▶ Increased retirement of very experienced employees (locomotive engineers etc.)</li><li>▶ Need more people due to improved business climate</li></ul>
<b>Trucking</b>	<ul style="list-style-type: none"><li>▶ Shortage of truck drivers</li><li>▶ Lifestyle of long-distance truckers</li><li>▶ Changing hours of service</li></ul>
<b>Automotive</b>	<ul style="list-style-type: none"><li>▶ Shortage of vehicle technicians</li></ul>

# Key factors in labor supply



# Outlook going forward

## What Types of Employees are Expected to Be in Short Supply In the Next Three Years



## Baby Boom impending retirement: reduced growth in labor force

- ▶ Next 30 years: retirement eligible population will increase faster than growth in labor force participation
- ▶ In the US, lower fertility rates/rising life expectancies contributing to slower growth of the labor force
- ▶ As baby boomers exit workforce, projected growth of 55+ population will grow at 4 times rate of overall labor force
- ▶ Between 2005 – 2035, the US population aged 65 and older will increase from 12.4% to 20.3%

**Impacting All Occupations**

# Technology evolution: increased productivity, demand for skilled professionals

- ▶ Technology affects jobs, opportunities, and skills—higher skill levels needed to sustain productivity gains
  - *Occupations*: Growth in demand for scientists, engineers, computer specialists, biochemists, etc.; technology replacing humans, even in labor intensive industries like the service sector; technology creating new types of occupations or transforming existing ones
  - *Skills*: managing information work in different domains; managing just-in-time interactions
- ▶ Manufacturing executives : future success depends largely upon availability of highly skilled/performing workforce
- ▶ DOL estimates that 85% of future American jobs will require advanced training, an associate's degree or four-year college degree

## Impact of changing structure of organizations

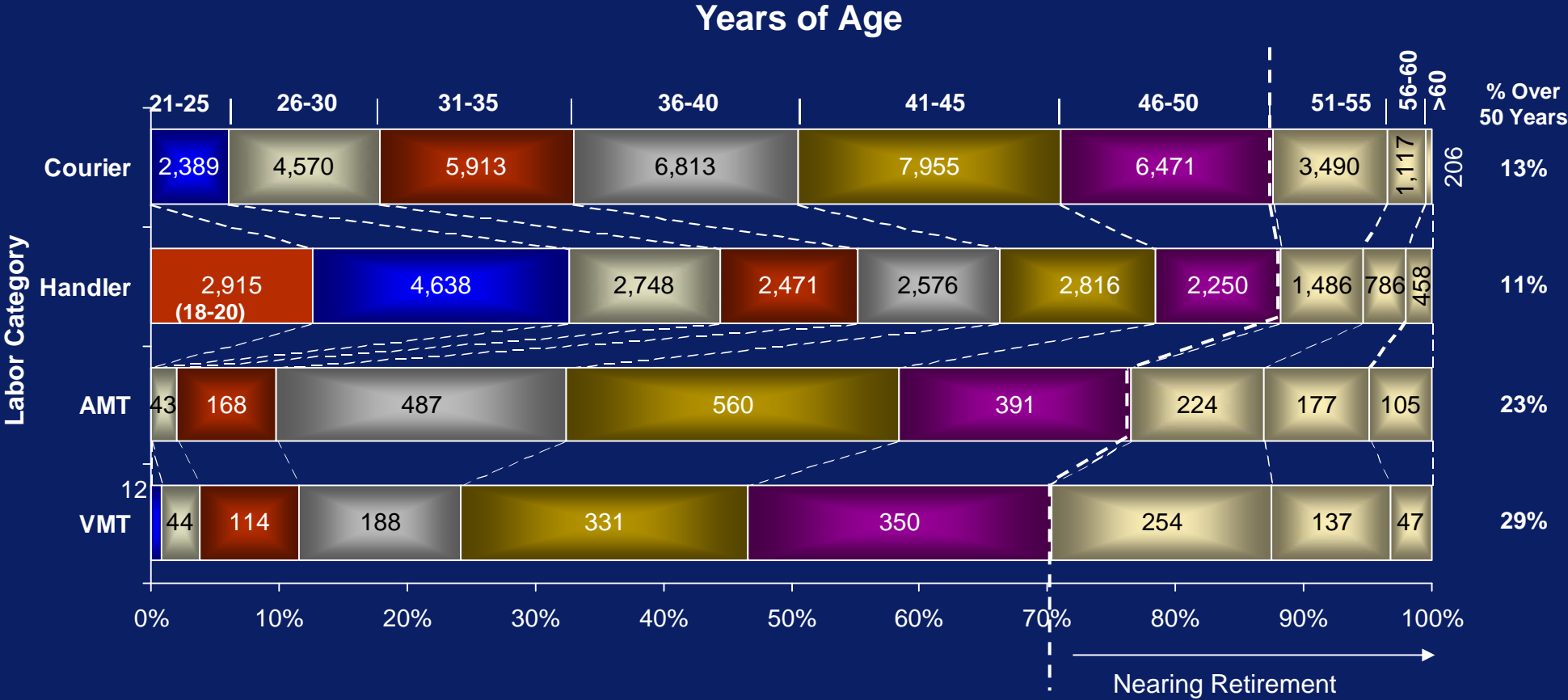
- ▶ Company structures will be flatter, less emphasis on hierarchy—“self-designing” organizations require employees to continuously adapt/grow
- ▶ Workers will form teams to address issues and manage work and individual achievement will be replaced by team focus
- ▶ There will be fewer one-job, one-employer careers; traditional career paths are changing resulting in increasing expectation that employees manage own careers
- ▶ Strong interpersonal skills a growing condition of employment; the focus will be on psychological success versus upward mobility
- ▶ Increasing interest in measuring applicants' soft skills: ethics, energy, motivation and interpersonal skills; continuous lifelong learning will be essential
- ▶ To stay competitive, attract the “best and the brightest” employees, Companies will provide professional development opportunities and learning assignments in place of job security



## Companies can expect to employ highly diverse workforce

- ▶ While baby boomers retirement will continue to be an issue, these workers aren't leaving en masse
- ▶ By 2010, average worker retirement age will be delayed well into their 70's
- ▶ There has been an influx of individuals re-entering the workforce as employees are leaving/retiring from the workforce and then returning to work for various reasons
- ▶ Older workers may be rehired to meet shortages of labor and expertise
- ▶ In addition, the increasing skill-intensity of employment will force people to stay in (or return to) school and thus intensify the competition for labor

# Many carriers face a “departure bubble”



\*Note: Nearing retirement = Employees more than 50 years old

# Population growing, but not where needed

- ▶ Overall U.S. population expected to grow 0.87% annually over next 10 years
- ▶ However, pool of talent traditionally used in transport only growing 0.47% annually
- ▶ Further, attrition rates are high in these categories relative to others—almost double

## Transportation Sector Challenged

- ▶ Physically-demanding work
- ▶ Out-of-the-way locales
- ▶ Non-standard hours

# We are making filling jobs much harder and time consuming

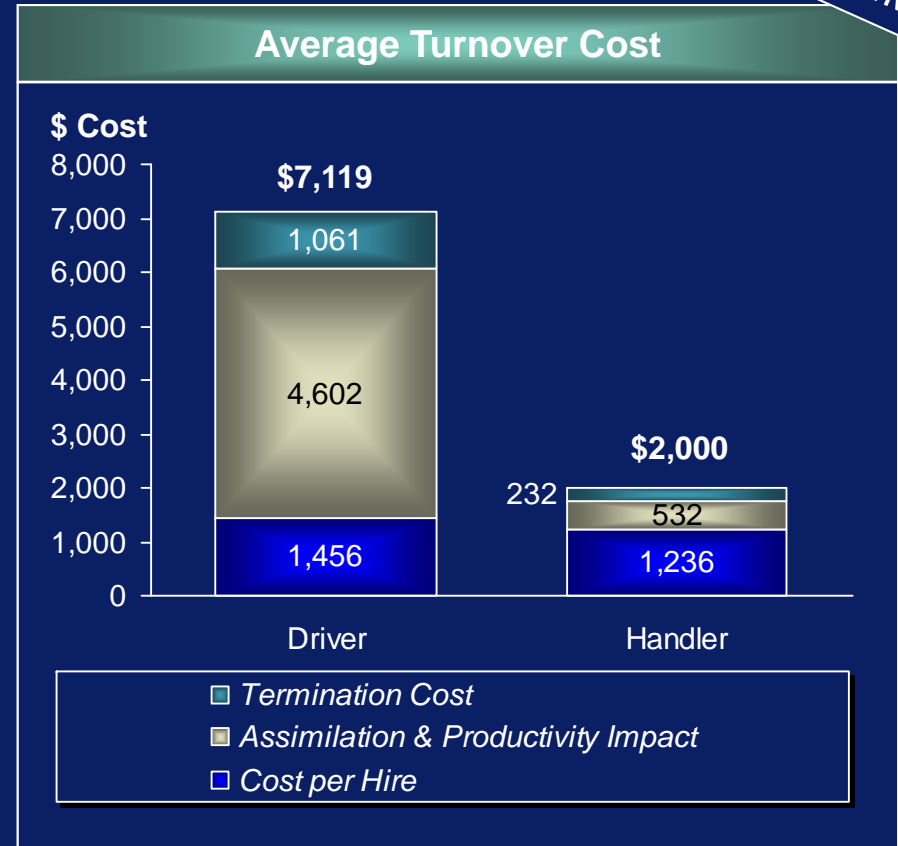
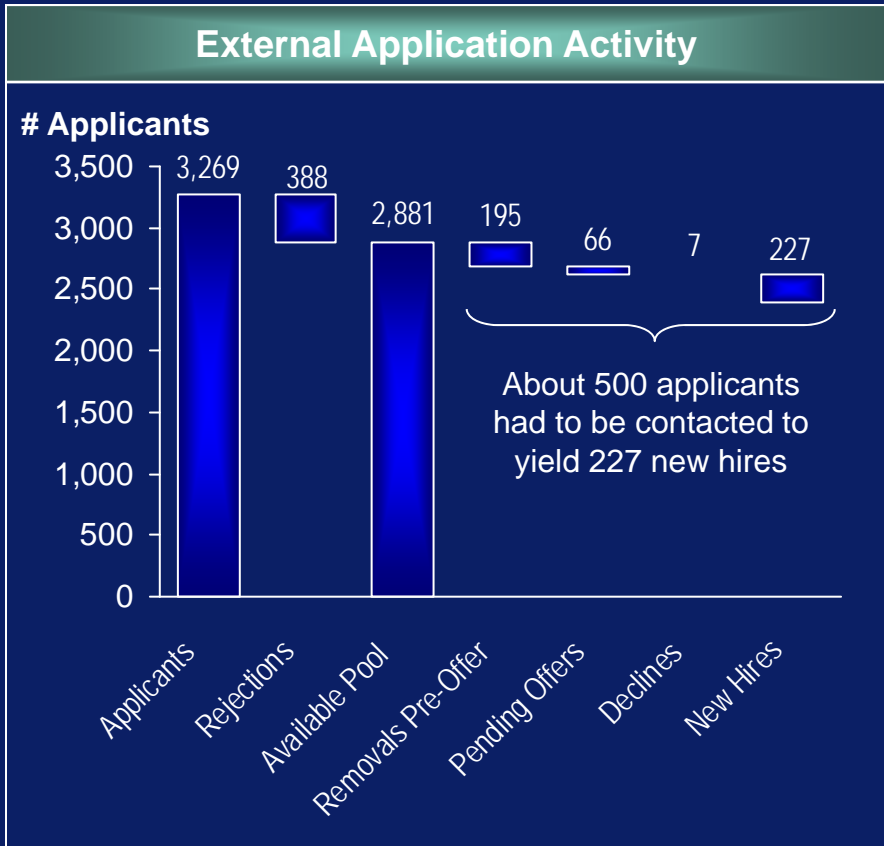
ILLUSTRATIVE



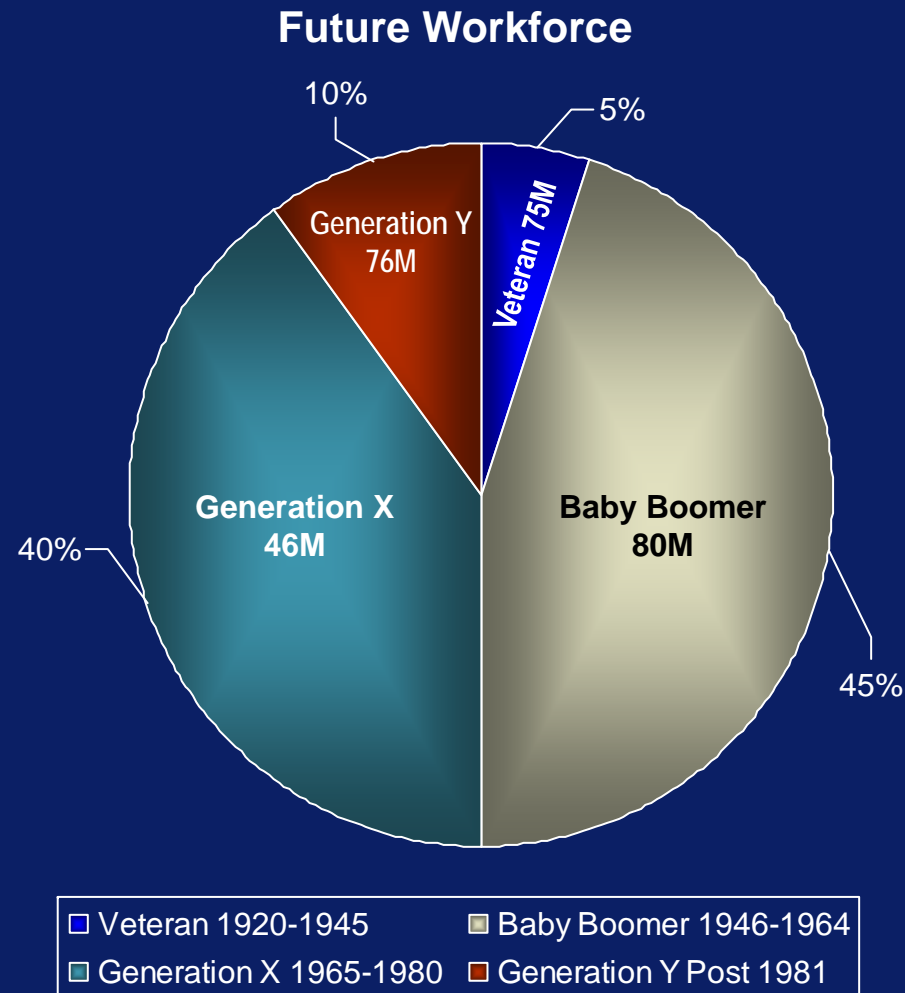
- ### Typical Hiring Tests
- ▶ Citizenship
  - ▶ Drugs
  - ▶ Physical skill
  - ▶ Criminal background
  - ▶ References
  - ▶ Financial history
  - ▶ Attitude
  - ▶ Communication
  - ▶ Technical

# Often imposing our own hurdles and costs

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# Organizations face the challenge of managing four generations



# Generational differences: vastly different socializing experiences

## Veteran Characteristics

- ▶ Fiscally conservative
  - Hold over 75% of financial assets
- ▶ Strong work ethic, but adverse to change
- ▶ Feel younger generations are uneducated and show little respect
- ▶ Retirement viewed as a great accomplishment
- ▶ Respect for authority and law
- ▶ Feel a sense of duty

## Baby Boomer Characteristics

- ▶ Not budget conscious
- ▶ Very optimistic, driven to succeed and team-oriented
- ▶ Patient in pursuit of climbing corporate ladder
- ▶ Transform career as opposed to retire
- ▶ “Me” Generation
- ▶ Willing to make sacrifices for career

# Generational differences: vastly different socializing experiences

## Generation X Characteristics

- ▶ Independent and desire flexibility
- ▶ Question decisions
- ▶ Skeptical
- ▶ Impatient with decision-making and climbing ladder
- ▶ Personal fulfillment over monetary rewards
- ▶ Want to work with latest technology
- ▶ Request constructive feedback
- ▶ Desire work-life balance

## Generation Y Characteristics

- ▶ Knowledgeable about investments and benefits
- ▶ Expect Diversity
- ▶ High expectation of self and employer
- ▶ Techno-Savvy group that questions everything
- ▶ Might not retire
- ▶ Strong need for supervision and structure with constant feedback
- ▶ Desire flexibility and fun work environment
- ▶ Learning and self-improvement more important than money



## Generations have very different attitudes about work

Generation	Balance	Reward	Career Path	Feedback
<b>Veteran (Prior to 1946)</b>	“Support me in shifting the balance”	“Satisfaction of job well done”	“Job changing has stigma”	“No news is good news”
<b>Baby Boomer (1946 – 1964)</b>	“Help me balance everyone else and find meaning myself”	“Money, title, recognition”	“Job changing puts you behind”	“Once a year whether needed or not, with lots of documentation”
<b>Generation X (1965 - 1980)</b>	“Give me balance now, not when I’m sixty-five”	“Freedom!”	“Job changing is necessary”	“Sorry to interrupt, but how am I doing?”
<b>Generation Y (Post 1981)</b>	“Work isn’t everything; flexibility to balance my activities is”	“Work that has meaning”	“Doesn’t need to be a straight line”	“Feedback whenever I want it at the touch of a button”

## Hourly workers represent nearly 60 percent of workforce

- ▶ Often the “face” of an organization, more than half of hourly workers are between ages 16 and 25
- ▶ Hourly workers have a turnover rate 4 times higher than that of salaried personnel
- ▶ This workforce is highly transient—firms often lose candidates to each other, sometimes leaving for higher wages as small as \$0.25
- ▶ Companies tend to focus more on issues (recruiting, retention, etc.) for salaried staff as opposed to hourly workers
- ▶ However, the value of hourly workers is increasing as organizations strive to stay competitive

## Hourly hiring is often emergency-driven by current need, not by a strategic plan

- ▶ Organizations face challenge of filling positions expeditiously/economically, while trying to attract the best workers
- ▶ Hourly workers often viewed as expendable, easy to replace, less costly to train
- ▶ Hourly workers feel that their future at an organization is temporary, bleak
- ▶ Competent, satisfied employees improve customer service, decrease absenteeism
- ▶ Retention strategies often fragmented—increased application of rewards and bonuses exist, but many companies still see company outings as a retention device

## Employers must consider how these findings will affect hourly workers

- ▶ Among the many differences between the Generation X and Y employees and their older counterparts is their unwillingness to stay with an employer
- ▶ The contrast with the long-term, consistent work ethic of previous generations could not be more apparent, and the challenges for employers are clear
- ▶ The changing nature of the workforce has direct implications for learning and training
- ▶ On the positive side, technology and strategies are already in place to effectively train Generation X and Y workers
- ▶ Organizations must understand the cost of increased attrition rates vs. the costs of providing benefits to retain quality employees

## In summary

### Major Issues in Workforce Planning

- ▶ Generation X and Y are less inclined to do physically hard work
- ▶ Increased share of foreign born workers in the target labor force
- ▶ Long lead times to hire and train engineers and conductors
- ▶ Significant failure and drop-out rate in training classes
- ▶ Challenges regarding the on-call nature of the work
- ▶ Recruitment and retention of frontline supervisors
- ▶ Retirement of the baby boomer generation

**In the past, the workforce adapted to the business – now companies may have to accommodate the different needs and priorities of a new generation of workers**