



The Growing Workforce Challenge

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

This document is confidential and is intended solely for the use and information of the client to whom it is addressed.

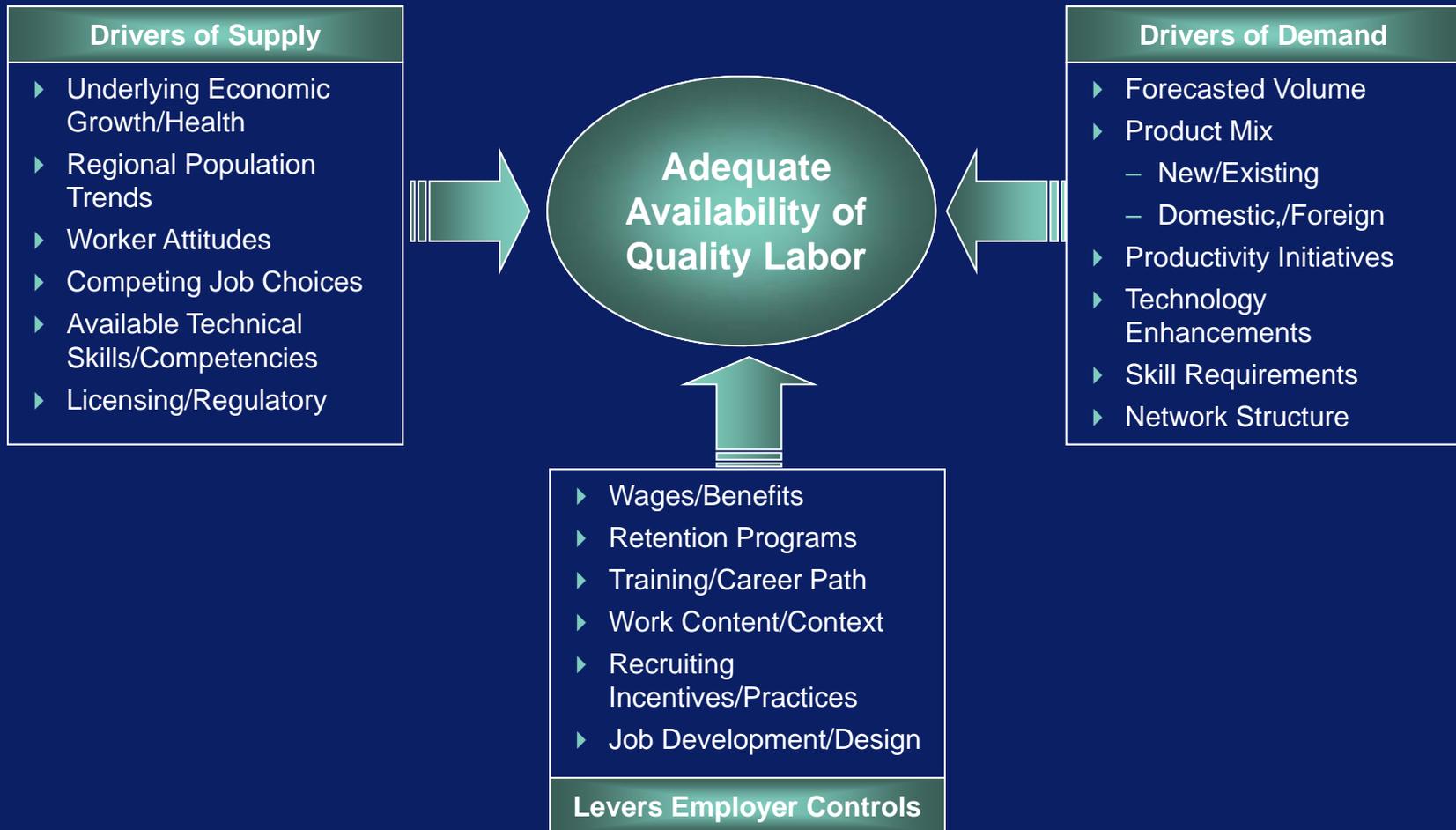
Today's Topic: Tomorrow's Workforce Challenge

- ▶ 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

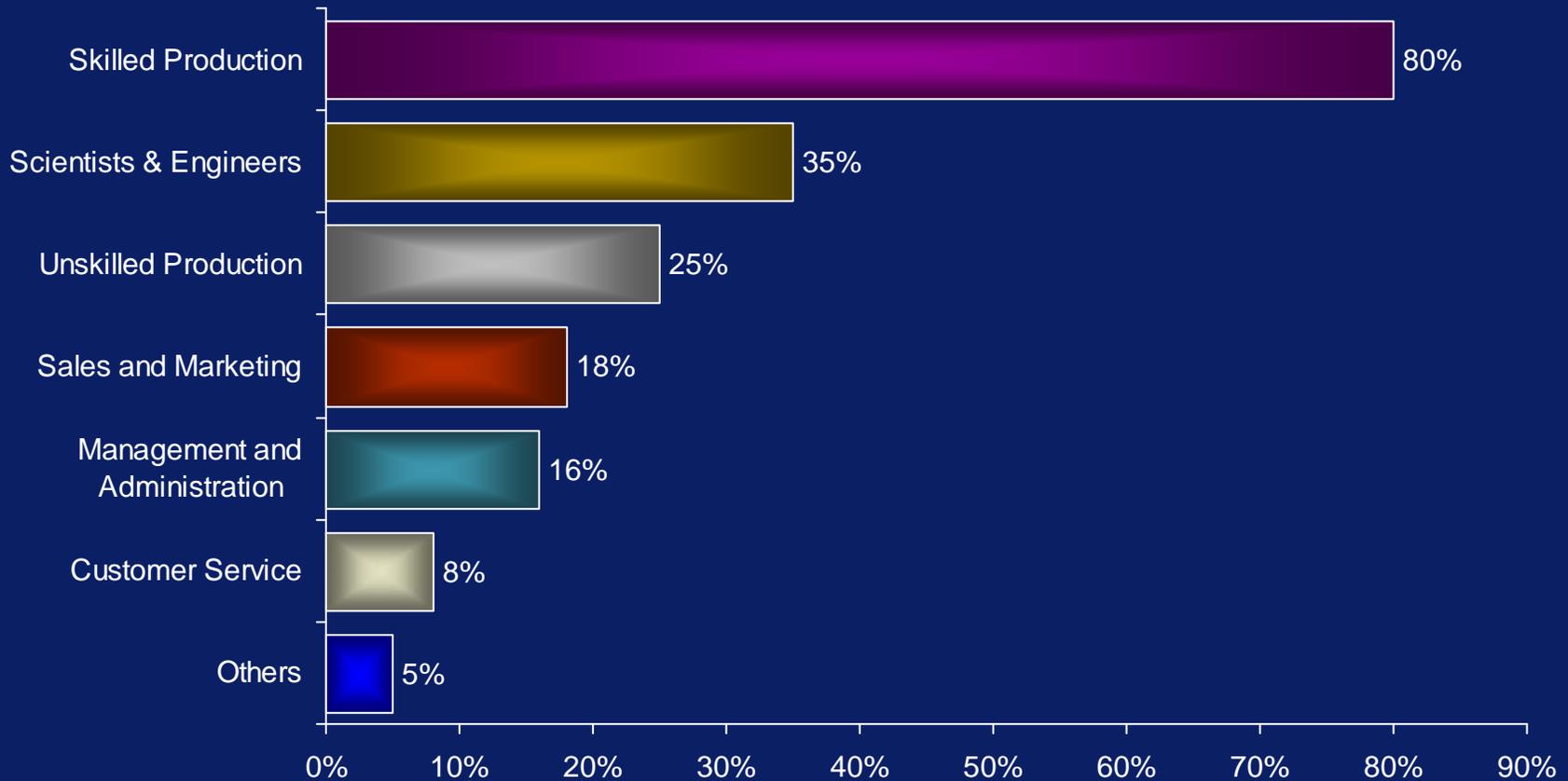
Sector	Nature of Challenge
Express	<ul style="list-style-type: none">▶ High turnover among hourly labor▶ Perceived lower quality of new hires▶ Increased retirement among semi skilled / technical workforce
Rail	<ul style="list-style-type: none">▶ Increased retirement of very experienced employees (locomotive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

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

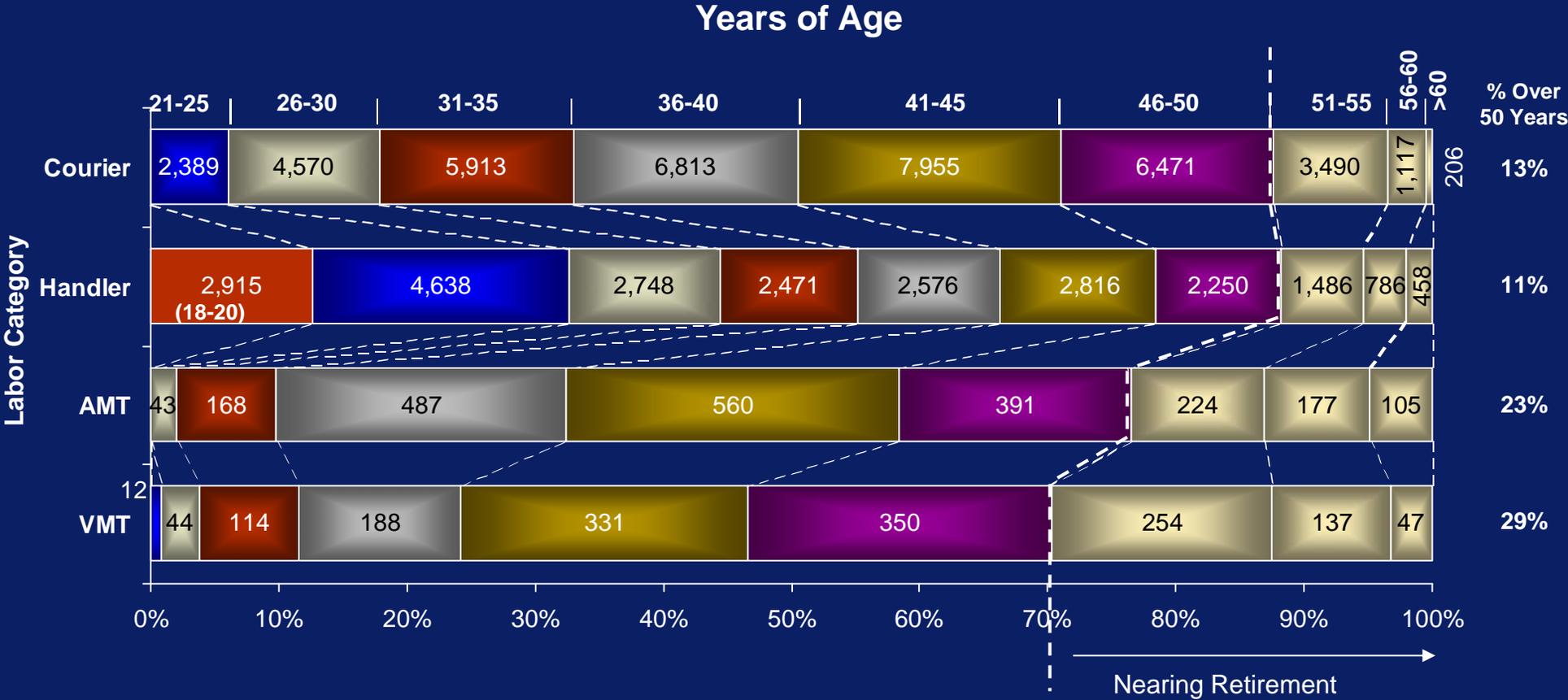
Impact of changing structure of organizations

- ▶ 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

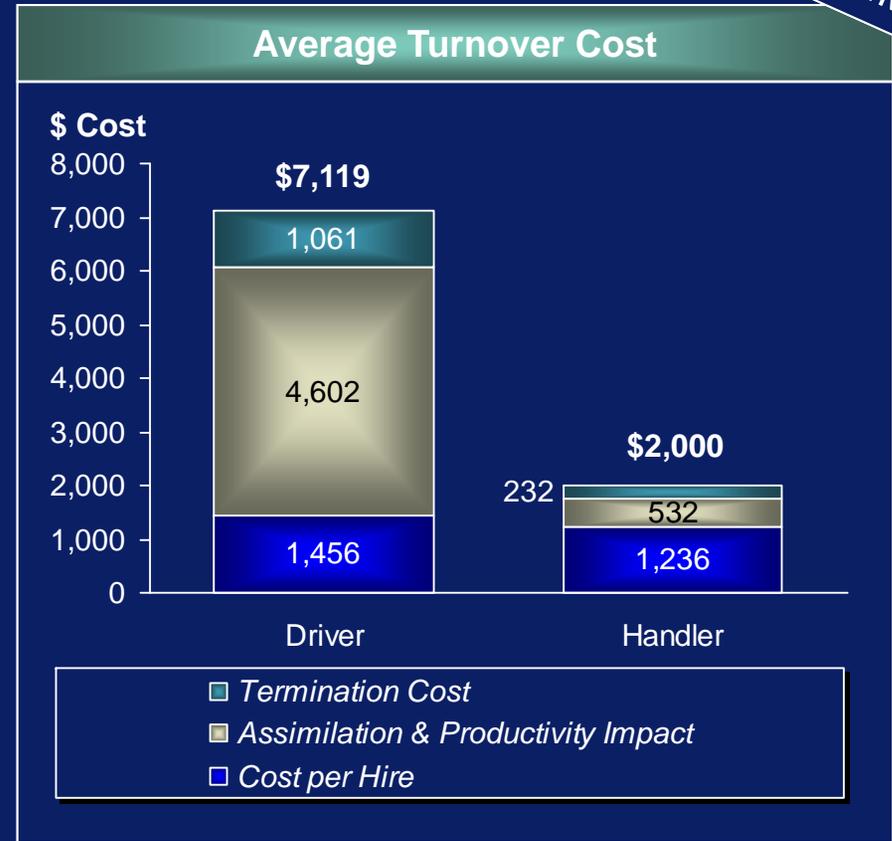
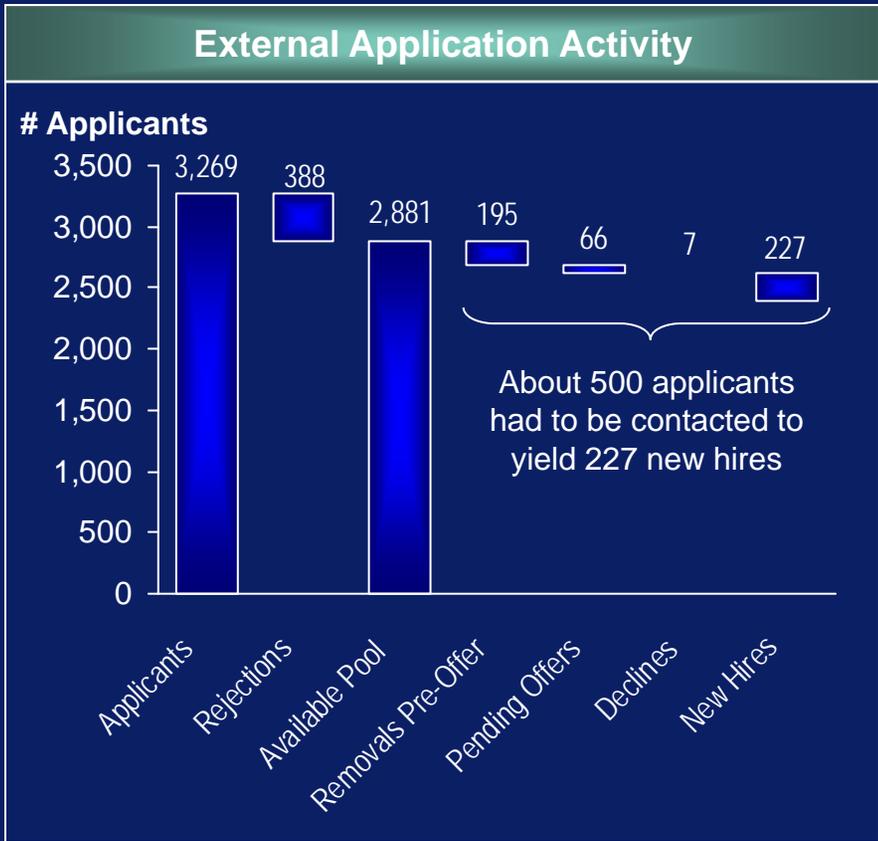
ILLUSTRATIVE



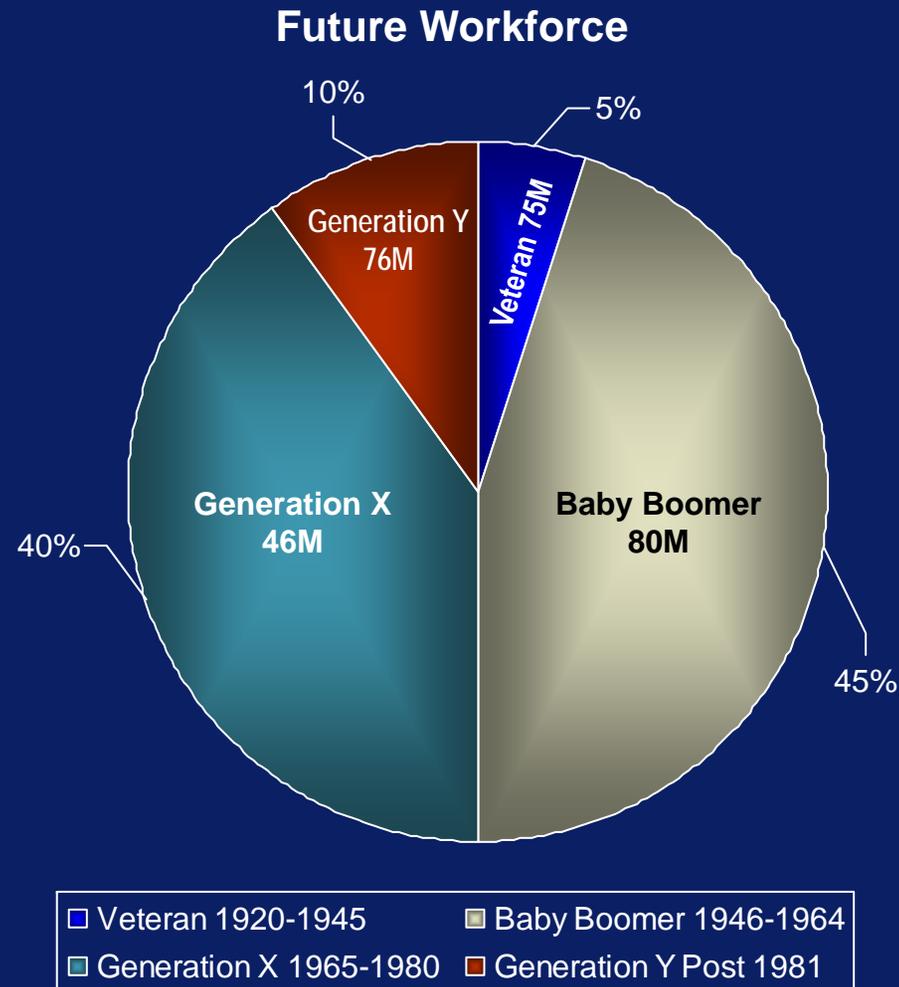
- ### Typical Hiring Tests
- ▶ Citizenship
 - ▶ Drugs
 - ▶ Physical skill
 - ▶ Criminal background
 - ▶ References
 - ▶ Financial history
 - ▶ Attitude
 - ▶ Communication
 - ▶ Technical

Often imposing our own hurdles and costs

ILLUSTRATIVE



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
Veteran (Prior to 1946)	“Support me in shifting the balance”	“Satisfaction of job well done”	“Job changing has stigma”	“No news is good news”
Baby Boomer (1946 – 1964)	“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”
Generation X (1965 - 1980)	“Give me balance now, not when I’m sixty-five”	“Freedom!”	“Job changing is necessary”	“Sorry to interrupt, but how am I doing?”
Generation Y (Post 1981)	“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