

The Changing Nature of Employment: What Will Be the Successful Organization of the Future?

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“We have an effective recruiting apparatus that gives us a significant presence on college and university campuses. We are known for our fast-track program, so we get a very large number of applicants and we put them through this meticulous screening process. After we hire them, we invest a huge amount in them right away over the course of the first year because we truly believe they are the future of the company. Still, by the end of the second year, half of them are gone. Most of them leave to go work for another firm, and the competition is happy to have them precisely because they’ve been through our program. It’s so frustrating. It seems that no matter what we do, we just can’t keep them.”

That’s what a senior executive at a large financial services firm recently told me. In fact, I have heard different versions of this story from leaders and managers in every industry. These leaders and managers are very worried about the high turnover levels for Millennials—and they are right to be worried. In most organizations, the turnover rate among new employees has been rising ever so slightly but steadily for the past two decades. And the turnover is by far the highest among employees with zero to two years’ tenure. Is this partly a reflection of youth and the unsettled nature of early career positions? Yes, of course. But is it

also a reflection of the overall labor trend toward shorter periods of employment? You bet it is.

A LOOK AT THE EMPLOYMENT TRENDS

Based on our model at RainmakerThinking, as of 2017, there are six different generations working side by side in business—but just barely.¹ **Exhibit 1** gives a breakdown of employment in 2017 by generation.

In just the past year alone, millions of first-wave Boomers and pre-Boomers left the North American workforce, while millions of second-wave Millennials joined it, as **Exhibit 2** shows.

As you can see, the long-dominant Boomers are on the wane, while the second-wave Millennials are on the rise. By 2020, the first-wave Boomers will constitute well under 6 percent of the workforce, and those who do remain will continue trending

	2017
Pre-BB (pre-1946)	<1%
BB First Wave (1946-1954)	11%
BB Second Wave (1955-1964)	16%
Generation X (1965-1977)	27%
Millennials First Wave (1978-1989)	27%
Millennials Second Wave (1990-2000)	17%
Post-Millennial	>1%

Exhibit 1. Breakdown of Generations in the North American Workforce in 2017

	2016	2017
Pre-BB (pre-1946)	1%	<1%
BB First Wave (1946-1954)	13%	11%
BB Second Wave (1955-1964)	17%	16%
Generation X (1965-1977)	27%	27%
Millennials First Wave (1978-1989)	28%	27%
Millennials Second Wave (1990-2000)	14%	17%
Post-Millennial	0%	>1%

Exhibit 2. *Shift in Generations Represented in the North American Workforce 2016–2017*

heavily toward “reinventing” retirement and late-career pre-retirement: working less than full time, often partially telecommuting, and often working for more than one employer at a time. Concurrently, and for the foreseeable future, the second-wave Millennials (and soon the post-Millennials) will make up the fastest growing segment of the workforce. Indeed, by 2020, those born in 1990 and later will represent more than 28 percent of the total workforce (including post-Millennials), as shown in **Exhibit 3**.

By 2020, the first-wave Boomers will constitute well under 6 percent of the workforce, and those who do remain will continue trending heavily toward “reinventing” retirement and late-career pre-retirement: working less than full time, often partially telecommuting, and often working for more than one employer at a time.

	2017	2020
Pre-BB (pre-1946)	<1%	0%
BB First Wave (1946-1954)	11%	<6%
BB Second Wave (1955-1964)	16%	13%
Generation X (1965-1977)	27%	26%
Millennials First Wave (1978-1989)	27%	27%
Millennials Second Wave (1990-2000)	17%	24%
Post-Millennial	>1%	>4%

Exhibit 3. *Shift in Generations by 2020*

THE GENERATIONAL SHIFT

Why is this current generation gap different from those of the past? Throughout most of history, in most societies, each new generation has come along with new attitudes and expectations that differ—at least in part—from those of previous generations. That’s why every new generation prompts a “generation gap” of sorts.

Today’s generation gap, however, reflects much more than a clash of styles and preferences; it is much more than the creative energy of youth challenging the cautious wisdom of experience, and it’s more than just the new butting up against the old. Today’s unfolding “generational shift” is of historic significance, defined by a confluence of macro forces driving change of an extraordinary magnitude, at an extraordinary pace.

The second-wave Millennials, those born between 1990 and 2000, who are coming of age today have been shaped by those same forces of change. Thus, the current generation gap is not only an important diversity issue but also coincides with a qualitative transformation in the norms of life and work and society.

Everything is changing so much, so fast, that the youngest, least experienced people bring to the table a unique wisdom that derives from their being in sync with the immediate and intermediate future. Older, more experience people lack that sync; that’s why these generational differences can be a powerful lens through which to see and understand the trajectory of today’s changing world. In some ways, these new people are the canaries in the coal mine—they will alert us to the failures in our

thinking and the expirations among our methods.

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THE FORCES OF DYNAMIC CHANGE

Our business efforts need to remain focused on understanding today's changing workforce, workplace, nature of employment, and even the very nature of work itself. To that end, consider the six profound historical forces of change that have been in plain sight for more than two decades:

1. Globalization
2. Technology
3. Institutional insecurity
4. The information environment
5. Human diversity
6. Virtual reality

Let's consider each of these:

Globalization. We are all now capable of connecting with many others around the world and traveling across many borders to work and do business. Unlike any other time in history, we see ahead to a lifetime of interdependency and competition, with a rising global youth tide filling every corner of this ever smaller world.

Technology. The rapid pace of technological advance today is unprecedented. Information, computing, communication, food, transportation, commerce, warfare, entertainment,

medicine—in every aspect of life, some idea or product can become obsolete in a moment. Entrepreneurial possibilities appear and disappear swiftly or often change without warning.

Institutional insecurity. Our world is a precarious one, threatened by possible terrorism and environmental cataclysm. Our economy can fluctuate wildly from boom to bust and back to boom again. Governments sometimes shut down or run out of money. Great corporations conquer markets or fail, merge, downsize, or restructure and reengineer. Institutions in every domain have adopted disruptive policies so as to survive and succeed in this constantly changing world. We have learned not to rely on institutions as the anchors of our success and economic security.

The information environment. We now think, learn, and communicate in an ever expanding ocean of information. The information environment is defined by a wireless ubiquity, wholesale technological integration, and immediacy. Maximizing this environment requires adaptability and imagination.

Human diversity. The peoples of the world are both more diverse and more integrated. That's true in terms of ethnic or geographic origin, abilities or disabilities, age, language, lifestyle preference, sexual orientation, and other factors. Every individual is a unique combination of background, traits, and characteristics, with each one able to make a unique contribution.

Virtual reality. The Internet introduced a new world—that of virtual reality, with its abstract stream of content and continuous dialogue. We function in this new cyber

world through the social media, creating and sharing information, knowledge, and opinion, mostly in a move to understand and establish our selfhood. This virtual world supplements our everyday world of facts and physical experiences; to successfully move into the future, we need to utilize and own this montage of information, knowledge, and meaning.

Can there be any doubt that these six major forces driving change will continue to accelerate and even more define every aspect of life and work? Employers in 2017 are scrambling to adjust to this rapid pace of change and the varying face of uncertainty. Indeed, that scramble has been accelerating with every year since 1993, when we began tracking the "Great Generational Shift."

THE EMPLOYMENT PICTURE

The global business world is marked by perpetual high risk, constrained resources, and fierce competition. That situation puts constant pressure on employers to remain lean, flexible, and high performing. It is essential, therefore, to attract, motivate, and retain the best young talent, especially in the science, technology, engineering, and math (STEM) fields. Yet workers in these fields are seeking greater flexibility in their work conditions and career paths. This leaves business leaders asking how they can square their business needs with these workforce expectations (nay, demands). But let's take a look at five contemporary forces complicating the employment situation today:

1. *First-wave Baby Boomers will continue to exit the workforce.* These aging workers take with them skills, knowledge, wisdom, institutional memory, professional relationships, and the last vestiges of the standard work ethic. Organizations with significant "age bubbles" must dedicate substantial resources to transfer knowledge and "wisdom" gained from experience, as well as develop a means for flexible retention, succession planning, and leadership development.
2. *The global youth tide will continue to rise.* Organizations that rely disproportionately on young workers will have a high-maintenance workforce in which employees will not hesitate to make suggestions, requests, and demands—in particular, those related to rewards and flexible work conditions. Employers will have to dedicate substantial resources to staffing strategy, attracting and selecting employees, and providing onboarding and training, as well as develop methods for performance management, accountability, differential rewards, and retention.
3. *Employers will face perpetual staffing shortages.* The pressure to get more and more work out of fewer and fewer employees translates into staying lean-staffed—always. At the same time, the rising demand for high-skilled labor, especially in the STEM fields, presages ongoing staffing shortages and technical skill gaps. Employers in every industry will be competing to attract, motivate, and retain the best talent.
4. *Many organizations will face the "development investment paradox."* That is, the more you train, the more you empower the employee. Employers must invest in developing their new young employees, but the more those employers invest in training, the more negotiating power they grant those very same employees. In a short-term transactional labor market, with

the employer's development investment in hand, the trained employees can sell that expertise to another employer or negotiate increased rewards.

5. *Today's young employees demand more, sooner.* What appears as high-maintenance behavior in an employee is actually the power to ask for more—and those young employees do ask for more, sooner. Thus, opportunities to earn more money and gain flexibility will go to the employees who consistently deliver the most value. Employers will need to pay high premiums with lush benefits, supply lavish work conditions, and offer lots of flexibility for in-demand talent—what we call “dream jobs for superstars.” Additionally, more of the lesser stars will be asking for at least some of those “dream job factors.”

FROM THE EMPLOYEE'S PERSPECTIVE

The workplace of the past was based on a one-size-fits-all, long-term hierarchical employment structure in which employees worked full time, on-site, exclusively for one employer in exchange for job security and long-term vesting rewards like pensions. Nowadays, the workplace revolves around short-term transactional employment relationships. And there is no going back. Because organizations need to continually increase productivity, quality, and cost effectiveness, the employment relationships will be ever more short term, transactional, and variable.

The workplace of today and into the future is lean, high-performing, and incredibly flexible. Any work that can be streamlined is done with highly efficient (read: churned and squeezed labor) production methods—with part-timers, short-termers, consultants, and vendors—that can be staffed-up quickly and

staffed-down just as quickly. Therefore, there are significantly fewer long-term, traditional employees. Many more people will flow in and out of the organization, functioning in variable roles and flexible arrangements.

In fact, job security has been a dead issue for some time now for employees. That long-term hierarchical employment structure of the

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past has been replaced by a new presumptive career path built on growing a portfolio of short-term transactional employment relationships of varying scope and duration. Without credible, long-term promises from their employers, today's employees of all generations will no longer labor quietly and obediently. Rather, they will work anxiously to take care of themselves and their families and get what they can from their employers—one day at a time. They are “free agents” because they have no other choice.

Never forget that most employees work because they must. They work to support themselves and their families. Most are pursuing some kind of intermediate and longer-term security, but today that plan is rarely contingent on a long-term relationship with one particular employer. Very few of today's employees look at one employer as a primary source of their long-term career security, much less their long-term economic security.

Additionally, employees of all ages are much less likely to believe the employer's promises, especially about long-term rewards. Yet while many employees may doubt the

sincerity of long-term promises, those are not their biggest concern. Far more employees worry that their prospects for receiving those long-term rewards are vulnerable because of external and internal forces that could shorten the life of the organization itself. That is, workers now see beyond the workplace to events or circumstances that have little or nothing to do with the business, such as politics, diplomacy, war, terrorism, and natural disasters. They worry about broad business-climate factors, including monetary policy, global market shifts, developments in particular industries, and organizational shifts. Indeed, they worry a great deal about the continued employment of their immediate supervisors and other leaders who know them best.

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Thus, employer promises (implied or even explicit) of long-term vesting rewards are no longer enough to get employees to perform today. Employees are less willing to follow orders, work harder, and contribute their best today in exchange for vague promises about what they *might* get in 5 years or 10 years. Who knows where they'll be in 5 or 10 years? There is simply too much uncertainty.

THE ORGANIZATION OF THE NEAR FUTURE

The question today's leaders and managers should be asking is this: Given the great generational shift, what kind of organization do we need to create to make sure we can continue to be known for our "great people"? What kind of workplace do we need to create

to bring out the very best work in the very best people on a consistent and sustainable basis?

Here's the answer: The successful organization of the near future will have one or more core groups of critical talent, but it will also rely on a fluid, flexible talent pool. The organization of the near future will have a wide repertoire of ways to employ people and leverage talent—full-time, part-time, flex-time, on-site, off-site, and telecommuting. They will work as consultants, temps, partners, vendors, franchisors, and franchisees. Successful organizations will be able to get people on board and up to speed, into meaningful roles very quickly. The ongoing training and development will stay one step ahead of constantly changing needs for new skills and expanded knowledge.

Successful organizations will continue to cut waste to the bone, improve efficiency, implement new technologies to streamline operations, drive employee productivity, and get more and more work out of fewer and fewer people. They will also pay high premiums with lush benefits and offer lavish work conditions for the in-demand talent—the short-, long-, and medium-term dream jobs for the superstars. The employer will want to retain at least some of these "dream job factors" for any "employee" for any significant period of time.

In short, the successful organization will have as many different career paths as it has people.

NOTE

1. Demographers differ about the exact parameters of each generation. Because both the Baby Boomers and the Millennials are such large generations, our model splits them both into "first wave" and "second wave" cohorts.

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