

The 21st Century Workplace: Preparing for Tomorrow's Employment Trends Today

Bill Number:

Hearing Date: May 26, 2005, 10:00 am

Location: SD430

Witness:

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Testimony

Executive Summary

The business challenge of the 21st Century is using the skills and capabilities of our workforce effectively. This will require new and more flexible approaches to the “deal” between employers and employees and new and more “democratic” forms of corporate organizations. Most importantly, it involves new assumptions about work and workers.

On the positive side, a rich pool of talent will be available. Although it won't be the type of workforce we've come to rely on – unlimited numbers of eager youth – many highly skilled individuals will have the energy and desire to “work.” This century will usher in a new life stage: for the first time in human history, we will have a significant stage of non-child-rearing, productive adult life. Already today, by the time their children leave home, most adults will have 25 years more of active, healthy life. How we as a society choose to invest this unprecedented pool of energy and capability will have a major impact on our productivity as a nation in this century.

On the negative side, corporations as we know them today are not well aligned with the values of many individuals within this century's workforce. Hierarchical structures, rigid job designs, unilateral employment relationships, and cascading decision-making are at odds with the idealistic values of the Baby Boomer cohort and the independence of cohorts to follow. Our business organizations and employment policies face significant challenge to adapt to the needs and values of the new workforce.

At the core, reshaping the relationship between employees and employers is critically important. Today's workforce already experiences alarmingly low levels of engagement in work. Improving engagement – finding ways to encourage individuals to invest more psychic energy in work – is the single most powerful lever that most corporations have to improve productivity. After decades of downsizing, rightsizing, and re-engineering, most corporations have virtually exhausted their ability to squeeze increased productivity out of the system through top-down pressure. The opportunity today is to raise our engagement with work – to tap into the creativity and passion of the American workforce.

Creating higher engagement levels is all about recognizing individual strengths, needs, preferences, and values. Companies need to shift the human resource paradigm from a focus on “equality” played out by treating everyone the same, to “fair, but customized” reflecting different arrangements suited to individual needs and preferences.

Our landmark research has identified six archetypal relationships between employees and employers. Individuals reflected by these six segments differ in terms of the role that work plays in their lives and the type of work experience that is most likely to create high levels of engagement.

The Changing Workforce

The 21st Century workforce will be significantly different than the workforce of the past century.

- Chronologically older – Individuals over 55 will represent progressively larger proportions of the workforce. We've just passed an important crossover point. After a steady decline in the proportion of older workers through the 1990s, the percent is now on the rise. The proportion of over-55 workers declined from 18% in 1970 to 11% in 2000. By 2015, this group will have rebounded to represent 20%. Fueled by ever-longer life spans and lower birth rates, older workers will continue to grow as a portion of the available labor pool throughout the century. We can't afford not to leverage this talent – our businesses will need both the numbers and, more importantly, the skills represented in this growing cohort. And, as our research shows, most mature employees are more satisfied and engaged, happier on the job and better adjusted to the workplace than average younger workers.
- Limited in availability – The workforce will grow slowly or decline in size in most developed markets. In the U.S., the workforce is forecast to grow by only a fraction of a percentage point a year for most of the first half of the century. The total working age population will grow at 2-3% per decade from now through 2030 and then increase to 3-4% per decade through 2050 – still only a fraction of a percent per year. By comparison, the rates have been 12-15% per decade for most of the second half of the 20th Century. Industrial growth will be constrained by the availability of labor if we continue to operate in a 20th Century model.
- Lacking key skills required to align with business needs – The workforce will not have the optimum mix of talent needed by our industries. There will be shortages of many key skill sets, and excesses of other less-strategic capabilities. Many high skill areas, such as engineering disciplines, are already approaching critical shortages. For example, the average age of petroleum engineers in the U.S. is approaching 54, while many of the oil companies still have lucrative early retirement programs that will allow these scarce resources to leave the workforce at 55. We are on the brink of critical shortages in a number of key skill areas, assuming retirement approaches remain unchanged.
- Global – In part as a result of labor and talent shortages and in part to take advantage of cost arbitrage or market-based opportunities, off shoring or “smart shoring” of work will continue to grow. By mid-century, most corporations will operate as connected communities, with amorphous corporate boundaries encompassing a wide variety of partners and contractor relationships. Regional “hot spots” will form around the world –

nodes of connectivity, talent, and infrastructure.

- Physically dispersed – Even within one geographic location, work will increasingly be done anywhere, anytime, rather than in fixed locations on 9 to 5 schedules. Managing the workforce will become more and more analogous to the challenge of managing customers – developing relationships and maintaining active connections will be key.
- Wrestling with complex lives – Away from work, nearly half of employees today wrestle with parenting responsibilities, and more than one-fourth struggle with report personal or family health issues. Two-thirds say they are coping with financial crises or trying to reduce their debt. As life spans increase, the complexity of individual lives will only increase. Balancing the needs of multiple generations and competing priorities will continue to grow as a challenge.
- Inventing a new life stage – As a result of increasing health and longevity, most individuals will experience a new life stage – a prolonged period of time after primary parenting duties are fulfilled but before they will look, feel, or act “old.” This 20-30 year period, unprecedented in history, will offer exciting opportunities for creation and contribution.
- Highly diverse – The U.S. workforce in the 21st Century will be diverse in virtually every conventional dimension – race, gender, age, religion and cultural identity. However, our research has found no significant differences by these conventional measures of diversity in terms of overall job satisfaction, satisfaction with one’s immediate manager, or engagement level. Nor are there any significant differences in how people relate to work or the workplace conditions that bring out the best in employees. Yet the workforce is populated by individuals with widely differing values and assumptions about work itself. These divergent attitudes toward work will be the most important forms of workplace diversity this century, challenging employers to find innovative ways to understand and respond to disparate needs.
- Profoundly disengaged from “work” – Many employees today are searching for “more” than they are able to draw from their work experience. Mid-life’s pivotal point today is more-often-than-not a reflection on the impact of one’s life on the world. As employees reach whatever milestone triggers a sense of middle age, more and more are reprioritizing to live up to the idealistic values formed as youth. Increasingly, employees are asking whether the paths they have taken are indeed consistent with the values they formed earlier in life. Coupled with a general disillusionment with corporate life, many workers are emotionally pulling away – detaching from work, and depriving businesses of immeasurable energy, innovation, and drive. Our research indicates that only 20% of the U.S. workforce is currently significantly engaged in work.

These workforce trends represent a major challenge for U.S. corporations – and a major opportunity. Our research provides compelling evidence that meeting the evolving needs of employees effectively will result in significantly higher engagement and, as a result, higher productivity and bottom-line financial results.

Technology, Corporations and the Nature of Work

While the characteristics of the workforce are changing, so too are significant advances in technology driving the way our businesses operate. These advances will both reinforce and enable the desires of individual workers, allowing greater personal flexibility, autonomy and participation and, as a result, increased corporate productivity.

- Free and instant coordination – Technologies including service-oriented web architecture, radio frequency identification chips, and sensor nodes will provide extraordinary opportunities for coordination and collaboration. Soon, smart objects, intelligent sensors and ubiquitous connectivity will be everywhere, on everything, and “always on.” Instead of processing data, businesses will be based on processing information about events in real time. Instead of waiting for operator input, sensor networks will respond directly to their environment.
- Highly efficient markets – The pressure on corporations for increased levels of productivity will be unrelenting. The easy availability of inexpensive coordination technology will make the relationship between business and consumers much more efficient. More efficient markets will threaten any firm whose business model embraces inefficiencies. Consumers will find it easier to collect information, compare prices, and select multiple providers based on the core competencies of each.
- True participative decision-making – Technology will allow organizations to conduct their governance processes in fundamentally different ways – ways that are more compatible with the values and preferences of this century’s workforce. Over the next several decades, hierarchy will give way to lateral communication among relatively autonomous, entrepreneurial groups. As it becomes both economically and logistically feasible to obtain input from a large number of people, opinion polling and even democratic elections will come into the workplace. Market-based mechanisms allowing individuals to make their own mutual agreements, as contractors and freelancers around specific projects, will be commonplace within several decades.
- A plethora of small, highly focused firms – Networked technology facilitates the unbundling of integrated corporations, leading to more focused companies. Smaller firms, specialized around core competencies, will proliferate this century. Coordination-intensive, networked organizational structures will allow firms to adjust continuously to changing requirements for different combinations of skills and resources.
- Strategies based on agile experimentation – Top-down direction and annual strategic planning cycles will be replaced by rapid waves of near-term experimental initiatives, brought into focus by a shared view of a company’s long-term strategic direction. Growth will emerge from the creativity and innovation that comes from a shift in control: top down to bottoms up – driven by engaged employees, partners, and even customers. The nature of work in this century will be both driven by and responsive to the desires of the evolving workforce. Smaller organizations and more flexible, participative processes reflect core values and preferences of the coming cohorts of employees. At the same time, the need to create a highly engaged network of diverse talent will become critically important to meeting the agile operating styles required for the 21st Century corporation.

The New Relationship Between Corporations and Employees

As a result of changes in the people who comprise our workforce and of the technology that enables our work, the nature of the relationship between individuals, the work they do, and the companies that they form will change substantially during this century.

- The end of “retirement” as we know it – Retirement is a modern social experiment and our parents were the guinea pigs. For almost all of history, until the early 1900s, people worked until they died. Today, the average American retires at 62 – and, with rising life expectancies, can expect twenty or more years of active life. Over this century, we will retire the concept of “retirement” as we know it today – to be replaced by a more flexible view of work, intermingled with periods of leisure throughout all of adulthood. Already, 34% of all U.S. workers say they never plan to retire. Our research shows that the better educated the employee, the more likely he or she is to want to work in retirement.

- Bell-shaped-curve career paths – Rather than the cliff-shaped career paths of the past century – individuals on an ever-upward path toward ever-greater “success” – 21st Century careers will be bell-shaped. A career deceleration phase in one’s 50’s through 80’s will parallel the career development phase of one’s 20’s through 40’s. After achieving peak levels of responsibility in one’s mid-career, individuals will be able to continue to contribute to businesses in legitimate, respected, although less intense ways.

- Counterintuitive hiring options – Individuals will enter into new careers at multiple points throughout their lives. Older workers will accept “entry” level jobs, as ways into new lines of work or flexible options suited to a preferred lifestyle.

- Flexible work arrangements – Going forward, more flexible work arrangements are both necessary and possible. Corporations will provide personal variability around how individuals are compensated, managed, and matched with different types of tasks.

- Cyclical or project-based – Project-based work will become the norm – many workers will operate as “intellectual mercenaries” assembled by project over the Web, as needed. Already, 49% of U.S. workers who plan to work during traditional retirement years say that they would prefer cyclical arrangements – periods of full-time work interspersed with periods of no work – over more conventional part-time.

- Small firm employment – Those employees who do affiliate with a single corporation will be increasingly likely to be employed by small firms. Small firms will become more prevalent over the century based on changes in technology. They also tend to be more attractive to employees. Today, small firms on average have two-and-a-half times more highly engaged workers than do large corporations (32% versus 13%). Although large employers offer significantly more benefits, they get less engagement in return.

- Virtual work – More workers will work from home or other flexible locations as technology continues to enable remote and mobile work and workers who are accustomed to interacting through technology become a dominant presence in the workforce. Today, almost three-quarters of the U.S. workforce still work at a fixed location. However, this percent will decline over the century as a confluence of technological enablement, employee preference, and corporate cost pressures drive organizations to seek ways to shift away from “bricks and mortar” and associated overhead.

- Personal technology – Young workers entering the workforce today “own” their own technology – it is as much a part of their personal being as wallets are to their parents. Soon the concept of corporations supplying computers or cell phones will be as outdated as the clothing allowances of the 1950s or company calculators of the 1970s. All tomorrow’s employees will ask is that business “beams them in.” Security will be replaced by selection as a core concern, since hiring ethical individuals will be more effective than trying to control access in an increasingly ubiquitous world.

- Job sharing and other accommodations to blended lives – Each for somewhat different reasons, today’s worker cohorts are less willing to devote all of their life’s passion to “work.” Baby Boomers want to devote a part of their energies to idealistic goals. Younger cohorts have an inherent reluctance for institutional affiliation, and a tendency to prefer independent relationships. Workers in this century will be increasingly articulate in demanding work relationships with corporations that allow them to retain the degree of control and flexibility required to pursue other activities equally successfully.

- Growing expectations for broad-based participation – The new workforce will increasingly expect to participate in the business in new ways, including democratic or market-based decision-making processes and hands-on ability to experiment with new strategies and the creation of products and services.

- Fundamentally different patterns of personal learning and corporate growth – The manner in which today’s younger workers have learned to learn is radically different from their parents’ approach. Rather than linear learning from authoritative sources, younger workers tend to learn through a process termed “bricolage” – pulling pieces of information from a variety of sources and piecing them together. This experimental learning approach, coupled with technology’s increasing micro-interactions and perfect recall – will carry over into the way work gets done. Workers will move from episodic interactions to persistent experiences.

- Health as a core value – Health will continue to be a growing touchstone for decisions in the home, workplace and community. In the U.S., health care benefits will be the single unifying desire of the 21st Century workforce. Among more detailed elements of the deal, health care coverage is employees’ top priority today by far, with half again the preference accorded any other element. Our work identified individuals who are working today only to receive health care benefits.

- Fair, but not equal – Customized “deals” will be the norm – fair, but not equal. Many human resource practices over the past decades have been aimed at ensuring that all employees are treated “equally.” In fact, as our research convincingly demonstrates, although fairness is important, people don’t want to be treated the same. The reasons people work, their sources of pleasure or satisfaction, and the returns that they most appreciate differ quite significantly. Understanding and responding to these differences is at the heart of creating an engaged workforce.

The key to productivity is going forward is recognizing the variety of reasons that people work – the different roles of work in our lives – and shaping the employee/employer relationship in ways that appropriately reflect this diversity.

Our work has identified six fundamentally different archetypes of the relationship with work found within the workforce. The six segments have distinct traits and preferences regarding work and its role in their lives. There are significant differences in the levels of engagement within each segment. And there is a significant correlation between the extent to which employee preferences are met and their engagement levels. Understanding and responding to these segments represents the foundation for improving engagement.

The Employer/Employee Equation Segmentation Model

Today's workforce is made up of six employee segments, each with a different set of drivers – ranging from the straightforward and immediate need for money, to the longer-term desire to build a lasting legacy for the future. Our proprietary segmentation model recognizes the different role that work plays in people's lives. Employees in each of these segments want different things from their work experience and are engaged by a different set of employee "deal" elements.

Importantly, our work has shown that average engagement levels vary from segment to segment. For example, in general, people who view work solely or primarily as a source of money have the lowest levels of engagement. Those who view the role of work in their lives as a mechanism for meeting social needs or creating a lasting legacy, have significantly higher levels of engagement. One bottom-line conclusion from our research is that more money does not, by itself, produce higher engagement levels. Even more significantly, our work has found that the reasons why people are more or less engaged vary by segment and has identified which factors are most important to each type of employee.

These results are significant and very encouraging. Just as with the segmentation of consumer markets, employers can understand the segment distribution in their workforces. They can target segments that are best suited to the nature of the work within their business and shape powerful employer brands to attract the desired talent. They can then adjust work situations and elements of the employment deal to meet the needs and expectations of key segments so as to bring out the best in terms of engagement and therefore performance.

The six segments are introduced below, starting with the group with the highest average engagement level and ending with the lowest.

Self-Empowered Innovators represent individuals for whom work is about building something with lasting value. Workers in this segment are entrepreneurial, hard-working, creative, well-educated and self-empowered. They are an organization's most engaged group of employees. They consider themselves leaders and have frequently assumed the role of senior-level manager, with many self-employed or heading their own companies. For them, work is a source of great personal satisfaction. They are the most likely to

define success as being true to themselves, and agree that a good deal of their pride comes from their work and careers. They are the most likely of all employees to say they are impassioned and energized by their work, and that time passes quickly on the job. Half say they will never retire. Individuals in this segment are not highly motivated by traditional rewards, such as additional compensation, vacation time, or even a better benefits package. Instead, they are looking for work that continues to empower and stimulate them, enables them to continue to learn and grow, and has a greater social purpose.

For Fair & Square Traditionalists work is about the American dream – a steady, predictable path to success. These individuals are highly reliable and loyal workers seeking traditional rewards. They got where they are by putting their noses to the grindstone, working hard, and being team players. In return, they want to be fairly rewarded for their efforts through concrete, traditional compensation like good benefits and a solid retirement package. The group is slightly below average in terms of education but above average in household income. They are pleased with their success, and often describe themselves as family men and women, high achievers, and leaders among their peers. They have less interest in “softer” work benefits like stimulating work, enjoyable workplaces, work that is worthwhile to society, or even flexible work arrangements. And they are the least drawn to riskier compensation like stock or bonuses. They seek stable and secure environments, have the longest average tenure with their employers, and have the second highest engagement level among the six segments.

Accomplished Contributors view work as an opportunity to be part of a winning team. These individuals are engaged by their work and by contributing to the organization’s success. They take pride in what they do, are willing to put in extra effort, value teamwork, and seek an atmosphere that is cooperative and stimulating. To them, “contribution” is the name of the game, and they like to do work that is worthwhile to society. This group is loyal, hard-working, reliable, capable, and typically very experienced. They place less value than most others do on individualistic rewards such as more money or vacation, and express less need for flexible work arrangements. Instead, they place strong emphasis on work that is personally stimulating, work environments that are congenial and fun, colleagues who cooperate, and employers who provide stability and job security.

Maverick Morphers seek lives filled with change and adventure – work is one of multiple opportunities to achieve these goals. These individuals tend to be well-educated, successful, and restless. They thrive on exciting work and personal success. They’re not afraid to take chances, try new things, and shape the rules to fit their lifestyles. Frequently working for smaller organizations or self-employed, they are often senior-level managers, despite their relative youth. Growth and opportunity and variety are what drive them, and they value organizations where they can work with other bright people and do work that is inherently worthwhile. They own their careers and pioneer new ways of working. They are the most likely to want flexible workplaces and work schedules that enable them to work on their own terms and pursue their own interests. Confident in their abilities, they are the most likely to seek out bonus compensation and stock to reward their

accomplishments. Organizations need to work hard to retain them, as they actively explore their career options and their tenures with employers on average are brief.

For Stalled Survivors, work is a source of livelihood but not yet (or not currently) a very satisfying part of their lives. For a variety of possible reasons, work for these individuals is largely “on hold.” The youngest workforce segment, many are just starting off in their careers, getting married, having children, or pursuing interests outside of work. They are busy trying to balance their lives – personally, financially, and emotionally. They tend to feel that they are pulled in too many directions, and often describe themselves as stressed out from their many obligations. At this time in their careers, they are looking for employers who can make it a little easier to cope. They frequently seek out an improved work/life balance through more flexible work arrangements, and they value additional pay and vacation and family benefits such as childcare and maternity/paternity leave. They also value employers who offer environments that are more congenial and fun. They likely view their current challenges as a temporary phase, and many are seeking new roles and positions at work that will enable them to get more in control of both their careers and lives.

Demanding Disconnects view work as generally frustrating and see its value largely in terms of near-term economic gain. They derive the least satisfaction from their employment and return the least commitment to their employers. Although they wish for stability, security, and greater recognition and reward, many are frustrated by the nature of their work, lack of opportunity, or perceived unfairness in their employment arrangements. Some are simply disgruntled. Many feel dead-ended – that they have gotten as much as possible out of their current positions and want to move on. They admit they are not high achievers or leaders. Most feel that their organizations do not bring out the best in them. Some are struggling with low income, more focused on making ends meet than on deriving personal fulfillment from their work. They expect a lot in return for their labor and place high value on traditional compensation and benefits packages, while expressing less interest than other segments in work that is enjoyable, personally stimulating, or worthwhile to society. We believe some could be more highly engaged with different work designs.

This groundbreaking segmentation offers specific insight into how best to engage each group in the evolving workforce. There’s simply too much potential energy, commitment, and productivity going to waste not to consider a fundamentally new relationship between employees and employers.

Why Engagement Matters

Informed by our comprehensive body of research, several things are clear about engagement in the 21st Century workplace:

- Engaged workers are more productive and contribute positively to financial success. For many companies, improving engagement is undoubtedly one of the single most powerful levers available to improve productivity.
- Today, low engagement represents a major opportunity for improvement across

corporate America. If not addressed, low engagement will be a growing limitation for most corporations – hindering a business’ ability to operate effectively in 21st Century conditions.

- Different people are “engaged” by different things. Not everyone wants the same things from work.
- Customization of the employee experience broadly – including the nature of the work itself, management style, as well as components of compensation – is possible, practical, and the key to improving engagement.

A truly engaged employee expends discretionary effort to help accomplish the goals of the enterprise. The engaged employee is excited by the work, spreads that excitement to others, and is committed to both personal accomplishment and group success. The engaged employee is motivated to go “above and beyond” what the job requires.

Engagement is above and beyond simple satisfaction with the employment arrangements or basic loyalty to the employer – characteristics that most companies have measured for many years. Although satisfaction and engagement often trend together, they’re different phenomena arising from different sources. Satisfaction is about sufficiency – enough pay, benefits, and flexibility to work and live, and no major problems or sense of unfair treatment to sour one’s attitude toward the employer. Satisfaction is the cost of entry into the business environment of the future.

Engagement, in contrast, is about passion and commitment – the willingness to invest oneself and expend one’s discretionary effort to help the employer succeed. For engaged employees, time passes quickly; they identify with the task at hand, resist distractions, spread their enthusiasm to others, and care deeply about the result.

Today, neither satisfaction nor engagement levels are high among American workers. A slight majority of employees tell us that they’re somewhat satisfied with their jobs. But only 20% are really engaged. The components of engagement present a dismaying pattern American workers feeling disengaged from their work.

A growing body of research unequivocally demonstrates the strong correlation between employee engagement and tangible results, including customer satisfaction, productivity, profitability, and shareholder return. Engaged employees are simply good for business. The costs of low engagement are difficult to calculate but must be enormous. They add up day-by-day and employee-by-employee as people do the minimum necessary to get by and withhold the discretionary behaviors – insight, originality, judgment, humor, leadership, friendship – that can make for a high-performance organization.

Making Work More Engaging

Why are employees not enjoying their work more? Why are only 20% genuinely engaged in their work and committed to their employers? Why do well under 50% say that their work includes collaboration with bright and experienced people, provides opportunities to learn and grow, or that it is worthwhile to society? Why do fewer than 50% say their workplace is congenial and fun, that employees cooperate and teamwork is the rule, or that people are respected for their abilities and given ample chance to exercise them? Why are one in five looking for a major career change, and one in five looking for a new job? Why do 42% say they experience feelings of burnout? Why do more employees (33%) feel that they’re at dead ends in their jobs than say they’re working on exciting new projects or assignments (28%)?

Low engagement levels demonstrate that for most employees the current “deal” isn’t working well. Our research shows that employers place too much emphasis on compensation and benefits and the tangible elements of the employment relationship, and too little emphasis on the heart of the deal – the human relationships, values, and work design itself and what the integrated experience of all these factors does for the heart and soul of the employee. Is the employee experience inherently stimulating and meaningful?

Employers chronically underestimate the fundamental importance to employees of stimulating work, and very few employers have a realistic sense of how many employees feel dead-ended and why. In fact, employees place extremely high value on work and workplace. When our nationwide survey had employees state their relative preference for ten basic elements of the employment deal, the security items – comprehensive benefits package and comprehensive retirement package – topped the list. But the next three items were all about work and workplace: work that enables me to learn, grow and try new things; workplace that is enjoyable; and work that is personally stimulating. The most innovative and accomplished and already-engaged employees value work and workplace the highest, often above the security items.

A successful employee experience starts with the job itself – work that is inherently meaningful and interesting to each employee, work that enables individuals to exercise their personal capabilities and strengths. People who love their work invest more of themselves in their jobs, perform better, improve more, and stay longer. Putting aside specific skills and educational accomplishment, the best employees – those that businesses most want to keep – are those who enjoy performing. They like to accomplish their work, and along the way they like to learn, teach, improve, invent and serve.

Unfortunately, work seems more likely to be enervating, rather than energizing, for most workers today. Driven by the quest for cost control and efficiency, many employers still err on the side of designing work processes too much around the output and too little around the worker. Employers err on the side of demanding scripted or repetitive action by workers, rather than asking workers to engage their energies and their brains. And the result is robotic performance and high turnover. Some people will stay in jobs despite the inherently uninteresting and unenjoyable work. They may be dependent on the compensation and benefits, unconfident in their chances of finding better work elsewhere, or just hanging on until retirement. Such people may stay with an employer, but they’re not engaged, not giving their all, and so the organization performs below potential.

Most of us probably know from experience or can imagine what unexciting work feels like – repetitive, tedious, no variety, no learning, no visible result, no connection to what you do best. We also know that exciting work has the opposite characteristics. Nevertheless, does everyone want work to be highly stimulating, variable, challenging? To some degree, yes. Granted, people vary greatly in their preference or tolerance for

pace, pressure, ambiguity, and variation from the norm. Many people prefer routine and many jobs provide it, but “routine” doesn’t have to mean boring, unvarying, or unchallenging.

Good work design has the right mix of human skill and flexible options with automation and standardization, bringing out the best in both. It’s far better to enrich jobs and enable people to use their skills than to render work routine and treat people as cogs in the wheel of automation. Enriching work is how you engage people’s intellect, energy, effort, and commitment. The fundamental idea of this century is not to take people out of the equation, but rather to get more out of technology and more out of people. Unlike the late 1980s and early 1990s, when the people side of process redesign went largely ignored in the headlong rush toward computer systems installation and corporate downsizing (which often backfired when too few people were left to do the same old work), today there is an opportunity to combine flexible technology with engaged employees and create the work of the future.

The quality of management – the ability of managers to connect with individual employees in meaningful ways – is a critically important element of the employee experience. Unfortunately, the performance of managers today is perceived as poor: only 36% of employees say they are satisfied with the support and guidance received from their direct managers. Opinions of top management are lower still, and most employees do not trust the top management of their organizations. Only 17% strongly agree that “top management displays integrity and morality” and only 13% believe that “top management is committed to advancing the skills of our employees.” Previous research has found a strong correlation between engagement and “good” management. Our hypothesis is that the inherent definition of “good” reflected in these studies is the ability of one individual to understand and relate effectively to the unique needs and preferences of another.

Customization counts. It is unequivocally clear that different people want different things in return for their work. Paradoxically, corporations that offer everything to everyone – typically our largest firms – are also the ones that tend to have the lowest levels of engagement. By creating more focused and individually-specific “deals” – ways of compensating employees for the work they do, companies can heighten engagement – and potentially save money, as well. Compensation approaches need to blend the appropriate mix for the firm’s targeted segments, ranging from tangible economic returns to psychosocial benefits such as a sense of building something meaningful or simply fun or adventure, and from long-term rewards such as pensions and a lasting legacy to short-term necessities of salary and health care benefits.

Finally, the overall values of the corporation – the philosophy of senior management and the messages they send – must be internally consistent with the other elements of work, and clearly communicated to current and prospective employees.

Our work found a number of very encouraging examples of firms with high levels of employee engagement. Interestingly however, there was almost no consistency among these firms around specific practices – each firm seemed to have very different human resource approaches. What these firms did have in common was alignment – every element of their employees’ experience was internally consistent and aligned one with the

other – and geared to appeal to a specific slice(s) of the workforce.
Bottom line, what must U.S. companies do for success in this century? Focus on people.

Going forward, companies must put the same energy into optimizing the relationships with and within the workforce as they have invested in optimizing processes and technologies in the 20th Century. By all means, companies must continue to employ technology to its fullest potential, ensuring that every member of the corporation, from the Board of Directors to entry-level employees, has the skill to employ technology comfortably and appropriately. But this century will be about something fundamentally different – rather than standardizing work and work relationships, the 21st Century will both require and allow greater variation. Having people do what each individual is good at – collaborating, understanding variable and complex information, and putting their intelligence, creativity and social skills to work, is now the key. Aligning all the elements of the employee experience – everything that touches or influences the workforce, including the style of management, the nature of the job, forms of compensation, and even the fundamental messages and philosophies of the firm’s leadership team – with each other and with the preferences of targeted employees, is at the core of creating a highly engaged and productive workforce.

That is – or should be – the promise of the 21st Century workplace.

Our Underlying Research: A Comprehensive Study of the Workforce

Our conclusions are based on three major research studies related to the evolving workforce, stretching over a three-year period. These projects encompassed hundreds of individual interviews and focus groups, as well as a comprehensive and statistically-valid survey of the U.S. workforce. This work has yielded an unprecedented understanding of what employees want from work and how corporations can create the “ideal deal.” Our initial project, *Demography is De\$tiny*, examined the impact of demographic trends on the workforce and assessed the key values that each generational cohort brings to the workplace. One of the major conclusions of this research was that low engagement is a major – and growing – issue facing corporations, especially among the Baby Boom generation, who, as they enter their 40s and 50s, are increasingly beginning to question the role of work in their lives. This work also found that the workforce is increasingly diverse – not only in terms of gender and ethnicity, but also in age and generation, background and experience, lifestage and lifestyle, and what people need and want in the employment relationship.

Excelling at Employee Engagement identified leading practices for increasing engagement from dozens of firms in the U.S., Canada and Europe. A principal conclusion from that research was that customization of the workplace experience for each individual lies at the heart of engagement success. This research also revealed the link between engagement and various measures of business success; anecdotal evidence, for example, suggests that there is a powerful link between engagement and productivity. We also found influences on many “softer” performance variables, such as innovation and resilience.

The New Employee/Employer Equation (Project EEE) is a groundbreaking research effort undertaken jointly by The Concours Group and Age Wave, with the assistance of Harris Interactive, to develop a deeper understanding and superior segmentation of the American workforce. It was conducted in 2004 and sponsored by a consortium of 24 major organizations. This work developed a powerful proprietary approach to segmentation of the workforce. Our research confirmed the importance of employee “fit” and how the right employee “deal” can enhance engagement for each segment. The nationwide survey of employees at the heart of Project EEE was one of the most ambitious attempts ever to understand the American workforce. Our scope included (1) the psycho-demographic characteristics of each individual, (2) current levels of engagement, and (3) preference and satisfaction with elements of the employment deal. Interviews were conducted online June 2-16, 2004, with 7,718 adult employees who work 30 hours per week or more for a primary employer. Results were weighted to ensure that the data accurately represent the U.S. adult workforce (those working 30+ hours per week). Figures for age, sex, race, education and income were weighted where necessary to bring them into line with their actual proportions in the working population. “Propensity score” weighting was also used to adjust for respondents’ propensity to be online.

Although specific projections are my own, this testimony is based on extensive collaboration with numerous colleagues at The Concours Group, particularly Robert F. Morison, Executive Vice President and our firm’s Director of Research, as well as with Ken Dychtwald, PhD, one of the world’s leading demographers and founder of the firm Age Wave. The research was sponsored by 24 of the world’s leading corporations.

Respectfully submitted,

Tamara J. Erickson

May 26, 2005

Tamara J. Erickson is an Executive Officer and member of the Board of Directors of The Concours Group. She and her co-authors are the recipients of the 2004 McKinsey Prize for the award-winning Harvard Business Review article, “It’s Time to Retire Retirement,” March 2004. She is co-author of the book *Retire Retirement, Rekindle Careers, Retain Talent* to be published by Harvard Business School Press in 2006 and was a lead contributor to the multi-year research initiatives: *Demography is De\$tiny*, exploring the implications of current demographic changes on human resource practices, and *The New Employee/Employer Equation*, developing new and powerful approaches to increasing employee engagement through segmentation. She is also a respected authority on technology and its implications for business and coauthor of the book *Third Generation R&D: Managing the Link to Corporate Strategy*, a widely accepted guide to making technology investments and managing innovative organizations, published in 1991. Mrs. Erickson consults on issues of corporate strategy and organizational effectiveness and oversees intellectual capital development at The Concours Group. She is a member of the Board of Directors of PerkinElmer, Inc., a Fortune 500 company competing in advanced technology markets, a member of the Audit and Governance Committees, and a former member of the Board of Allergan, Inc.