Three Key Trends for The Future of HR Management

Presented by Society for Human Resource Management

HR: Leading People, Leading Organizations
Today’s Agenda

• Importance of planning ahead
• SHRM® 2006-2007 Workplace Forecast
• Scenario planning
• Competencies necessary to respond to emerging trends
• How SHRM can help

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Why plan ahead?

According to Jim O’Toole and Ed Lawler:

“…national productivity is determined by the efforts, initiative and skills of employees.

If workers are not committed, motivated, engaged, trained, and appropriately supervised, they will under-perform… with disastrous consequences for a nation’s global competitiveness.”


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“It’s not enough to be busy. The question is, what are we busy about?”

- Henry David Thoreau
HR: Not without detractors….

August 2005 issue of Fast Company magazine

HR: Leading People, Leading Organizations
On the flip side…

BEST JOBS IN AMERICA

No. 4: HUMAN-RESOURCES MANAGER

**AVERAGE SALARY**

$73,500

**10-YEAR GROWTH**

23%

**AVERAGE ANNUAL JOB OPENINGS**

32,300

B A B A A

STRESS FLEXIBILITY CREATIVITY EASE OF ENTRY

Source: MONEY Magazine and Salary.com

**HR: Leading People, Leading Organizations**
On the flip side…

BEST JOBS IN AMERICA

Why it’s great: “…HR is no longer about benefits administration and the employee newsletter. Those tasks are increasingly outsourced, and directors and vp’s are considered strategic planners.

Even lower-level managers are expected to design employee programs that benefit the bottom line.

International HR and compliance are especially hot. There's a wide variety of work, from self-employed benefits specialists to corporate recruiters and HR generalists.”

Source: MONEY Magazine and Salary.com

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On the flip side…

BEST JOBS IN AMERICA

What's Cool: The mission to make work more rewarding for workers. You help shape corporate culture and strategy.

What's Not Cool: Fighting the "fluffy HR" stereotype; firing people.

Top-paying job: Senior HR directors make around $285,000; at the C-suite level $1 million-plus.

Education: Bachelor's degree, often followed by master's level work or professional certification.

Source: MONEY Magazine and Salary.com
Adding Value

5 competencies through which HR adds value:

- Strategic contribution
- Business acumen
- Personal credibility
- HR delivery
- HR technology

Anticipating and managing change is crucial to all five competencies!

(Source: Competencies for the New HR, Univ. of Michigan, RBL Group and SHRM.)
Adding Value

Strategic Contribution:

- Accounts for 43% of HR’s total impact on business performance
- Means “anticipating change and putting systems in place to rapidly align employee behaviors with evolving organizational needs.

(Source: Competencies for the New HR, Univ. of Michigan, RBL Group and SHRM.)
2006 SHRM® Workplace Forecast

www.shrm.org/trends

HR: Leading People, Leading Organizations
2006 SHRM® Workplace Forecast


Three overarching themes:
• Demographic changes
• Rising cost of health care
• Increased global competitiveness
Theme #1: Demographics

• More childless couples, same sex couples, and single-parent households. Unmarried adults head close to half of American households.

• Stay-at-home moms, workers with disabilities or semi-retired workers teleworking.

• Hispanic population nearly doubled since 1990.

• Growth in number of employees for whom English is a second language.

• More religious diversity.

Sources: Census Bureau and Bureau of Labor Statistics

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Theme #1: Demographics

Aging of the workforce

44% of HR professionals say major impact

- Workers aged 55+ may increase by half between 2002 and 2012.
- Insufficient saving means working into retirement
- Baby Boomer retirement, loss of executives
- Impact on pension plans, retiree health costs
- Employees stretched with care of children/parents

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Theme #1: Demographics

Preparation for potential labor shortage due to baby boomer retirement

- 30% of employees may retire over next 10 years
- Only 11% of companies have implemented specific changes
- 38% just becoming aware of the issue
- 51% in the process of addressing the issue

**Figure 1**

<table>
<thead>
<tr>
<th>Phase</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Just becoming aware of the issue</td>
<td>38%</td>
</tr>
<tr>
<td>Beginning to examine internal policies and management practices</td>
<td>30%</td>
</tr>
<tr>
<td>Have proposed specific policy and management practice changes</td>
<td>7%</td>
</tr>
<tr>
<td>Have agreed internally on a plan to change policies and management practices</td>
<td>5%</td>
</tr>
<tr>
<td>Have implemented specific policies and management practices</td>
<td>11%</td>
</tr>
</tbody>
</table>

Source: 2005 Future of the U.S. Labor Pool Survey Report
Theme #1: Demographics

Retention: 80% of workers say they are “very likely” or “somewhat likely” to step up job search as the job market improves.

Source: SHRM 2005 U.S. Job Recovery and Retention Poll

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Theme #1: Demographics

Sandwich Generation

13% of Americans aged 41-59 are sandwiched between caring for their young children and aging parents at the same time.

(Source: Pew Research Center 2005 Survey)
Theme #1: Demographics

Reasons for Unscheduled Absenteeism

- 35% - Personal Illness
- 65% - Other

Source: CCH 2006 Unscheduled Absence Survey
Theme #2: Health Care Costs

Health care cost cutting vs. employee retention

Table 10: Comparison of “Very Important” Aspects of Employee Job Satisfaction

<table>
<thead>
<tr>
<th>Aspect</th>
<th>2002</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation/pay</td>
<td>59%</td>
<td>63%</td>
<td>61%</td>
<td>70%</td>
</tr>
<tr>
<td>Benefits</td>
<td>64%</td>
<td>68%</td>
<td>63%</td>
<td>66%</td>
</tr>
<tr>
<td>Job security</td>
<td>65%</td>
<td>60%</td>
<td>59%</td>
<td>64%</td>
</tr>
<tr>
<td>Flexibility to balance work/life issues</td>
<td>62%</td>
<td>57%</td>
<td>60%</td>
<td>58%</td>
</tr>
<tr>
<td>Feeling safe in the work environment</td>
<td>36%</td>
<td>62%</td>
<td>55%</td>
<td>57%</td>
</tr>
</tbody>
</table>

Source: SHRM 2006 Job Satisfaction Survey Report
Theme #2: Health Care Costs

2006 health care expenses for U.S. companies are estimated to cost an average of more than 

$8,400 per employee

(Source: 2006 Health Care Cost Survey, Towers Perrin)
Costs untenable for many employers because:

- Companies spending more unproductive time designing and redesigning healthcare programs to reduce costs
- Healthcare benefits have become the major sticking issue in union/management relations
- Rising costs creating ethical dilemmas for executives
- Executives making major decisions about jobs and outsourcing based on analyses of healthcare costs
- American exports are at a competitive disadvantage
- Older companies with many retirees face bankruptcy.

Source: O’Toole, J. and Lawler, E., The New American Workplace
Theme #2: Health Care Costs

Some employer options:

- Limiting or eliminating coverage
- Higher co-pays
- Spousal surcharge
- Wellness and disease management programs
Perdue Farm’s Health Improvement Program initiative focuses on improving employee health in five areas:
- blood pressure
- cholesterol
- tobacco use
- weight control
- exercise

75% reduction in number of employees with high blood pressure!
Wellness programs:
• Number 1 cost-control strategy of large employers
• Increase in # of companies with wellness programs: 57% in 2004 to 67% in 2005 (source: Mercer 2005 survey)

Consumer-driven health plans (CDHPs):
• First-time CDHP participants had 8% decrease in medical costs (source: 2006 CIGNA Health Care Analysis)
• 35% of CDHP participants delayed or avoided needed health care vs. 17% with comprehensive plans (source: Employee Benefit Research Institute)
Theme #2: Health Care Costs

State legislative initiatives:

• 400 bills on prescription drugs considered in 2006.

• MD—Employers with 10,000+ employees must spend at least 8% of payroll on health benefits—or put money into state health program. 30 states considering similar bills.

• VT – Mandatory employer contributions for each full-time employee without health care coverage. Effective 4/07.

• MA—Employers with 11+ full-time employees not offering coverage pays $295 annually per-employee. Effective 10/06.
Theme #2: Health Care Costs

HR professionals should:

- Pay close attention to the trends
- Research the options
- Be specific about goals
- Closely monitor and measure programs
- Communicate with employees about wellness, careful use of health care resources, and the full investment the organization is making
Theme #3: Globalization

- **37%** of HR professionals say global expansion is likely to have a major impact on the workplace.

- **36%** say their organizations are planning to expand into the global marketplace.

Source: SHRM 2005 Offshoring Survey Report
Theme #3: Globalization

Top 5 most attractive offshoring destination countries in 2005:

• India
• China
• Malaysia
• Philippines
• Singapore

Source: A.T. Kearney 2005 Global Services Location Index
Theme #3: Globalization

Nearly 3 in 10 U.S. companies offshore one or more business functions.

<table>
<thead>
<tr>
<th>Reasons to Offshore</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Lower labor costs</td>
<td>54%</td>
</tr>
<tr>
<td>New business opportunities</td>
<td>41%</td>
</tr>
<tr>
<td>Access to technical skills</td>
<td>26%</td>
</tr>
<tr>
<td>Lower health care costs</td>
<td>5%</td>
</tr>
<tr>
<td>Regulatory environment</td>
<td>2%</td>
</tr>
</tbody>
</table>

Source: SHRM 2005 Offshoring Survey Report

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Theme #3: Globalization

Offshoring Issues for HR to consider:

• Impact on employee morale
• Country-specific cultural issues
• Impact of different corporate culture
• Possible investor/customer backlash
• Security risks
• Natural disasters in certain regions
• Does offshoring fit into an organization’s strategic direction?

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Whatever the pros and cons, HR must help organizations make the BEST decisions, not necessarily the most popular one!
Theme #3: Globalization

Other global trends identified as high impact by SHRM Workplace Forecast respondents:

- Stricter cross-border policies – 35%
- Increased security for expatriates – 24%
- Decline in number of HB-1 visas – 18%
- Increasing anti-Americanism – 16%

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Which trend will affect you most?

- Changing demographics, especially aging of the workforce?
- Rising costs of health care?
- Global competitiveness, including offshoring?
Scenario Planning

2015: Scenarios for the Future of HR Mgmt.

What don’t we know that could fundamentally change the environment in which we work?

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Scenario Planning

1. Develop credible scenarios.

2. Identify key success factors and competencies for your organization to flourish in each scenario.

3. Focus resources on initiatives that promote these competencies.
Scenario Planning

Competencies common to the scenarios identified by Scenarios report:

- Strategic thinking
- Talent management
- Business acumen
- Technical skills
- An international or global perspective
- Finance capability
- The ability to be flexible and adaptable
- Change management skills
- Innovation and creativity

Source: SHRM 2006 Workplace Forecast
Scenario Planning

Royal Dutch Shell

Used scenario planning to prepare for the 1974 oil crisis.

Avoided catastrophe and grew from the 11th largest oil company to the 4th largest.
Scenario Planning

Royal Dutch Shell

Uses scenario planning to build HR competencies.

- Online HR Functional Excellence tools to assist HR staff in managing short, medium and long-term goals.

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"In a rapidly changing world, the winners may not be those companies that can produce and distribute a specific product, but those that can deploy their core capabilities across all possible futures they encounter."

– Dr. Roch Parayre, Wharton Business School
“Winning requires knowing what is going on around you, having good back-up plans, and making proper adjustments as circumstances change.”

- Expert participants in SHRM’s 2005 Symposium on the Future of Strategic HR
For More Information

SHRM Workplace Trends and Forecasting Program

www.shrm.org/trends

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