

# CORNELL HR REVIEW

## CHANGING DEMANDS: THE WORKFORCE OF YESTERDAY, TODAY, AND TOMORROW

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Human resource departments have been chartered with the responsibility of protecting the intangible assets of their companies. It is the knowledge and skills of the workers that establish the true strategic advantage in any firm. In order to retain intangible assets of human capital, HR managers must respond to both the employee's personal and professional needs. Since the mid-1900s workers have been faced with the challenge of work/life balance. Most HR departments have responded to this demand by creating flexible staffing schedules when the position's tasks allowed. The goal of this paper is to present the ways HR has served as a strategic partner in retaining employees through transitional periods of their lives while increasing productivity and innovation across the entire organization. This is seen through the implementation of flexible policies and how these policies can be expanded to further meet current business needs.

Today, HR departments are faced with the retirement of Baby Boomers, the mindset of Millennials, and the economic pressures to reduce costs. After analyzing research done in the field of HR and current business trends, we believe the next strategic step for HR is the implementation of internal contingent workforce pools to ease the generational transition from Baby Boomers to Millennials.

### **I. Introduction**

Our research highlights the emergence of work and family balance issues throughout the United States beginning in the 1960s and the importance of the work/life balance in today's workplace. We have examined four areas: the history of work and family balance, the changing requirements of the current and future employees, new challenges companies are facing, and programs companies have implemented to deal with these challenges. Technological innovation has provided a more informed and efficient way to do business, but these changes have also produced a new generation of remote workers. Like technology, companies also have to be creative when designing policies and procedures for this work style. We chose to research flexible work schedules, remote workforces, and contingency workers because of the growing need for companies to implement these practices. Aligning flexible staffing policies to employees can immensely affect the strategic objectives of the organization.

### **II. History**

Starting in the 1960s the emergence of two-income earning households presented the need for a change from the traditional 9-5 workplace to a more flexible work schedule

that allowed employees to address both their home and professional needs. As the rate of women entering the professional workforce increased, and with the economic crash in 1971, personnel managers started creating policies that allowed for flexible work schedules in terms of the hours worked. The creation of a flexible work schedule allowed for the creation of a new work style and redefined “work/life” balance, ensuring that later generations focus not only on the growth of their careers but also on the important roles they play within the family. The following quote summarizes how the present workforce differs from that of the mid-1970s and how these changes have only increased the need for a flexible workforce:

*Since 1975 to present, the labor force participation of U.S. women with children under 18 years of age has increased from 47 percent to 78 percent. Nearly 40 percent of all professionals and managers who work at major U.S. companies are now women, many who simultaneously juggle caregiving. The U.S. Census Bureau reports that 83 percent of U.S. families are dual earners or single parents with children under 18 years at home. A third of all workers (equally men and women) provide elder care. Fifty percent of all children will live in a single parent family before reaching 18 years. Fathers play a greater role in caregiving and value flexibility more than those of previous generations.<sup>1</sup>*

As the data shows there is a need for flexible work conditions to serve the home/work balance of today’s society with its increasing number of single parents, new roles of fathers as caregivers, and the expectations of Millennials and employers for a line between work and home.

The dot com boom of the 1990s presented new technology which made telecommuting possible; as a result more companies began offering the ability to work from home. Cisco Systems, Inc., along with other technology companies, have found that using a remote workforce not only allows people to better manage their work and family balance, but it also drives innovation and creates a harmonized work environment. Cisco Systems—whose tagline is “The Human Network” – has had 70 percent of their workforce telecommuting since 2007.<sup>2</sup>

Citrix Systems, Inc. has a “Work Better, Live Better” philosophy, which encourages a remote workforce. Mark B. Templeton, Citrix System’s CEO, explained the benefit of a flexible workforce stating: “At Citrix, we help people work better. That’s what we do, but it’s not why we do it. We do it because as work gets better, life gets better. As people’s work life improves, their personal life improves, and as their personal life improves, their community improves, and the effect continues to ripple outward. The tie between work and well-being has always been at the core of our company.”<sup>3</sup>

In order to further understand the work environment at Citrix, we interviewed Nichole Rhodes, an HRIS Analyst at Citrix Systems, about her experience with the company’s flexible work polices and the ability to work remotely. She summarized her experience in this way:

*Working from home is part of the Citrix culture. We refer to it as “remote.” The company has an established policy for this. The policy is for people that primarily work from home. It outlines work equipment, company expenses, home office, expectations, etc. The nice thing about Citrix is office employees can also take advantage of remote access on a casual basis with their manager's approval. If I have a doctor's appointment or want to work from home for any reason all I have to do is clear it with my manager. Our VP of HR lives in Idaho and works remotely. She visits the office about once per quarter. All members of my specific department (HRIS) have at least 1 day a week where they can work from home. Work/Life balance is an important part of our culture. I would say the number one reason for remote work is the products we sell. Our products promote and enable remote access. So we practice what we preach! I also think allowing employees to work remote promotes higher productivity. Management trusts their employees to get the job done, regardless of where or when. We have higher expectations than companies who force a '9-5' office environment. It's a rewarding and fun work environment - work hard, play hard.<sup>4</sup>*

The progress made in the last half of the century will only be developed further as changes in business demands dictate the need for a more flexible and mobile workforce. The Bureau of Labor Statistics (“BLS”) forecasts that in the next ten years the ratio of traditional workers to contingent workers will shift from the 90-10 ratio of the 1990s and move towards a 60-40 ratio.<sup>5</sup>

### **III. Outcomes of Flexible Workforce Programs**

The implementation of flexible work policies has successfully contributed to the performance of organizations. Outcomes include, but are not limited to, increased employee engagement, productivity, and job satisfaction. Firms are realizing that in order to remain competitive in the market it is essential that they implement a flexible work environment.

A recent survey by SHRM (see Figure 1) demonstrates the reasons why 330 medium sized companies decided to incorporate flexible work arrangements.<sup>6</sup> The United States Department of Labor also recently recommended that flexible work arrangements be made for all government employees who would be eligible (i.e. this would not include educators, road crews, military, or construction workers). Congress agreed with these suggestions and passed the H.R. 1722 Telework Enhancement Act which President Obama signed into law on December 9, 2010. This will make roughly 1.2 million government employees eligible for telecommuting by June 2011, according to the Office of Personnel Management's estimates.<sup>7</sup>

Research has shown that when employees are allowed to select their own hours and/or work environments the employees are more satisfied with both their positions and employers. The flexible setting allows employees to work during their “peak” hours of

performance while minimizing domestic stressors that often distract employees on a fixed schedule. Flexible scheduling also enables employees to set their work around their clients' needs. As businesses are becoming more globally centered, this scheduling can accommodate multiple time zone differences.

Employees who engage in flexible scheduling feel that they are trusted by their employer to complete their tasks. Employees who work from home tend to concentrate more on value-adding activities during the workday, as their employer does not sense their physical presence in the office making the results more important than the process and the employee is performing in an environment with fewer distractions. Employees who are able to telecommute often report feeling more productive and entrepreneurial than when they were working on-site. Allowing employees to work from home enables the employee to construct an environment that is conducive to their particular work needs and style. The connection between productivity, flexibility, and work environment was first demonstrated by Google, Inc. who found that their employees needed to have games, different color schemes, and even different office furniture to work at their highest potential. Google went on to create "zone" working environments for employees on-site and allotted funds for "zone" environments at home.

A recent SHRM article stated that exempt employees enjoy better mental and physical health than their counterparts.<sup>8</sup> While the article did not express the reasoning behind this finding, it can be inferred that flexible employees have more time for their physical health if they do not have to commute to work and if they can accommodate activities to better fit around their work schedules. Psychologically, employees enjoy being able to adjust their work schedules without feeling like they have to report to management. For some employees, altering their schedule can be mentally stimulating, while other employees may simply enjoy the freedom of not having to stress if something goes wrong on their way to work as they know they can easily make up the time at the end of the day. Employees are also provided with more autonomy in setting their own schedules—selecting when and how they work—which in turn empowers employees and makes them feel more accountable.

Through the advocacy of flexible work policies, the field of human resources has been able to address the societal demands for a work/life balance while strategically addressing the needs of businesses to increase employee satisfaction, motivation, and productivity. Over the past forty years, the idea of a flexible work environment has come to be one of the main factors that both attracts and retains employees throughout the entire organization. Jill Evans-Silman, Vice President of Meador Staffing Services, stated: "...Organizations are seeking to attract a quality workforce, engage our best and brightest employees, and retain our workforce. There is no argument that flexible work arrangements are a distinct advantage for the savvy employers that have created such employee-friendly practices."<sup>9</sup>

#### IV. New Challenges

The top challenges facing organizations today are the down economy and rising operational costs. As businesses are competing on a global platform—and as the U.S. is continuing to invest in service-based industries—companies are forced to cut costs. Approximately 60 percent of all costs incurred by a company are tied to human capital. In addition, the aging workforce—particularly the Baby Boomer generation—poses a threat to companies in terms of knowledge and leadership loss.

The Baby Boomer generation (“BBG”) is also threatened by the economic fallout. With the recent crash of the stock market, increased life expectancy, depletion of Social Security, and increased dependents (children staying home longer and approximately one-third of all BBG’s report caring for their parents<sup>10</sup>), most BBG’s do not feel that they can or should retire. According to the Bureau of Labor Statistics, 77 million BBGs will be reaching retirement age in the next decade and by 2012, 20 percent of the U.S. workforce will be fifty-five or older. Of these Baby Boomers, 8 in 10 say they expect to work into retirement. Of this 80 percent, two-thirds of those surveyed say they would like to work in a different field/industry than they are currently in.<sup>11</sup>

There are numerous options available to the Baby Boomers when they look to continue their employment. Some independent companies, such as YourEncore, are hiring high-skilled workers (i.e. engineers, architects, and scientific researchers) on a contingency basis. These companies then sell this labor pool back to companies such as General Electric, Boeing, General Mills, Eli Lilly, and Procter & Gamble on an as-needed basis. Retirees are also returning to college to obtain educational certificates/licenses that will enable them to teach at the collegiate level. Another popular option for retirees is to work for temporary agencies, such as Aerotek and Kelly Services or to simply take up part-time jobs in their community. Still other professional retirees become independent contractors often providing consulting services to firms. Unless firms explore different employment options for BBGs, a tremendous amount of experience could be lost or transferred to competitors.

HR professionals are able to lead their organizations by merging the needs of both the company and the BBGs through the creation of internal contingent labor pools. Currently 1.8 percent of the entire American workforce (approximately 2.5 million workers) volunteer to work on an as-needed basis for their employer.<sup>12</sup> For the purposes of this paper, we are only focusing on individuals who have extensive experience working for their company and volunteer to be in the contingent workforce pool within that organization. We are not looking at external temporary agencies or companies that recruit in the labor market to fill the internal contingent workforce pool.

The movement towards creating internal contingent labor pools has been slowly gaining momentum in the U.S. The Staffing Industry Analysts Group, who supports flexible staffing departments, currently provides technical and professional support to nearly 1,000 staffing companies in the United States: “Including more than 70 percent of all U.S. staffing firms with \$100 million or more in annual revenue, and hundreds of

independent, owner-operated companies.”<sup>13</sup> Out of these companies, the most notable contingent labor pool we found is that of Hallmark Cards, Inc. On April 15, 2011 we interviewed Susan Chamberlain, the current Flexible Staffing Manager for Hallmark, regarding the operations of the pool, impact of the pool on employment relations, and the strategic advantages that Hallmark has gained since its creation from a company perspective.<sup>14</sup>

## **V. Contingent Workforce Illustration**

In the early 1970s, Hallmark noticed a need to establish a contingent workforce policy. Individual departments and/or plants would keep in contact with workers from their units who chose to leave the labor force and when there was a need they would call on those individuals. The issue with this system was that filling a position for another department was based on word of mouth. For example, if Accounting had someone on maternity leave and did not have a recent Accounting person enter their pool, then the department would either have to go to other departments (such as Finance) to find temporary labor or look outside the company.

In the 1990s, Hallmark overhauled their contingent labor program and centralized the operations within the Flexible Staffing Department. Professional, administrative, and other corporate positions are grouped into one flexible labor pool that can be dispersed to any Hallmark location. Currently there are approximately eighty active contingent workers serving the corporate/administrative needs. Plants within Hallmark still maintain their own pools for manufacturing positions as these require a higher level of familiarity and a specialized skill set. Approximately 200 contingent workers are under the individual plants’ staffing pools. Out of the approximate 300 total employees, 200 are retirees and the rest of the pool consists mainly of parents who desire the flexible schedules and the ability to stay in the workforce while raising their families. To be part of the flexible labor pool, an individual has to have worked for Hallmark in the past and must be considered a “top-performer” (determined by looking at past performance evaluations). If the pool is lacking a specific type of skill, the HR department may recruit from outside current employees, but again the candidate has to have past Hallmark work experience. This guideline provides Hallmark’s flexible labor pool a strategic advantage over searching for temporary workers in the labor market or using an outside placement agency. Any flexible worker at Hallmark knows the culture of the company, the structure of the company, and has been trained in the “Hallmark-way” of doing things. It is also costly to train and on-board individuals for temporary assignments, so by utilizing former employees, Hallmark’s HR leaders are able to attain a higher return-on-investment per training dollar.

Employees enjoy being in the pool because it allows them to establish a more favorable work/balance, keeps them up to date in their field, and they can easily transition back into Hallmark as full time staff if they so choose. Currently most members of the flexible staff have been in the pool for at least five years and some have been members since the early 1990s. The employees are compensated based on their past pay levels. The employees also receive a limited benefit package that mainly consists of a stock option plan (granted

to any employee who works 1,000 hours in a year) and non-retirees can invest in the company's matching 401(k) plan after they have completed 31 days at Hallmark. Fringe benefits include a store discount, on-site gym membership for those working out of the corporate headquarters, and Hallmark-provided office equipment (including laptops) which employees can use to work from home.

The HR department treats flexible employees the same as traditional employees in terms of employment policies. The flexible work staff is evaluated annually by the flexible staffing management teams and on a project basis by the managers the individual temporarily works for. Temporary employees must work at least one assignment in a six-month period to remain an active member of the pool. There currently is not a limit on the number of individuals allowed in the labor pool as it costs Hallmark very little to maintain pool membership. As Hallmark only pays flexible employees when work needs to be done, the cost of maintaining the pool is offset by the savings from not having to recruit, on-board new staff, or lose productivity while waiting for a position to be filled. The use of flexible labor has also prompted cultural changes within Hallmark. Managers are now looking at work for all employees in terms of what can and cannot be done at home and flexible working arrangements are becoming more and more common for all staff levels.

As Hallmark demonstrates, companies—along with employees—value the benefits of contingent workforce labor. The primary benefit to both parties is that with the creation of workforce pools employees are able to stay with their current employer through transitional periods in their lives. Employees benefit from this relationship by being able to stay abreast to changes in their field, develop workforce skills, and maintain current business relationships while bringing in a supplemental income. Employers benefit by being able to reduce labor costs until the employees are needed for a specific project, retain top talent (both in terms of knowledge and leadership skills), and address changing business needs while not increasing permanent headcount.

The Baby Boomer generation now makes up a majority of mid-level and executive management positions in the majority of corporations throughout the United States. Losing that level of experience and knowledge could be detrimental to the success of any organization. The BBG's not only want to be active members within the workforce, but are also seeking new challenges and desire to gain new skills. The BLS reports that approximately 40.7 million Baby Boomers want to change the type of work/industry that they are currently in.<sup>15</sup> As HR leaders, designing a contingent work process aligns not only with the organizational goals but also with the employees' needs which is necessary to ensure that the BBG's knowledge is kept within the firm for as long as possible. Allowing the BBG's to work in a different field will present a new challenge for the employee while also stimulating new perspectives on the work process in that specific area. It provides the organization with a new viewpoint on the department and new ideas on how to improve shortcomings. This arrangement allows BBGs to continue to make valuable contributions to their organization while exploring new projects and developing new skill sets.

## VI. Summary

The HR leaders of yesterday saw the challenges employees faced with work/life balance. They implemented the policies and processes that provided greater scheduling flexibility for workers to successfully balance the challenges of home and work. These methods have since been modified and redesigned to offer the employees a greater range of options. With the increased use of technology and the ease of communication, many companies allow employees to work remotely from home or from an offsite office location. These tactics allow both the firm and the employee to adapt to business demands and changing societal demands. Technology not only makes communication more efficient but it allows any worker to telecommute globally. The HR policies on flexible scheduling have evolved since the 1960s to serve the changing demands of not only the American society but also cultures around the world.

As history has shown, proactively seeking out new alternatives to allow employees to have greater flexibility with work/life balance is necessary in succeeding in the changing business climate. Employees are able to work during their peak hours of productivity and in an atmosphere in which they feel more comfortable and perform with more efficiency. The major issue that will soon affect most businesses is retaining top talent/leadership. Allowing flexible schedules, telecommuting, and implementing a contingent workforce process will demonstrate an understanding by the organization of the challenges we all face with work/life balance. Employees at firms that offer greater flexibility will create an environment in which they are satisfied and willing to work to help the organization succeed—thus ensuring talent/leadership is kept in-house and not lost to a competitor.

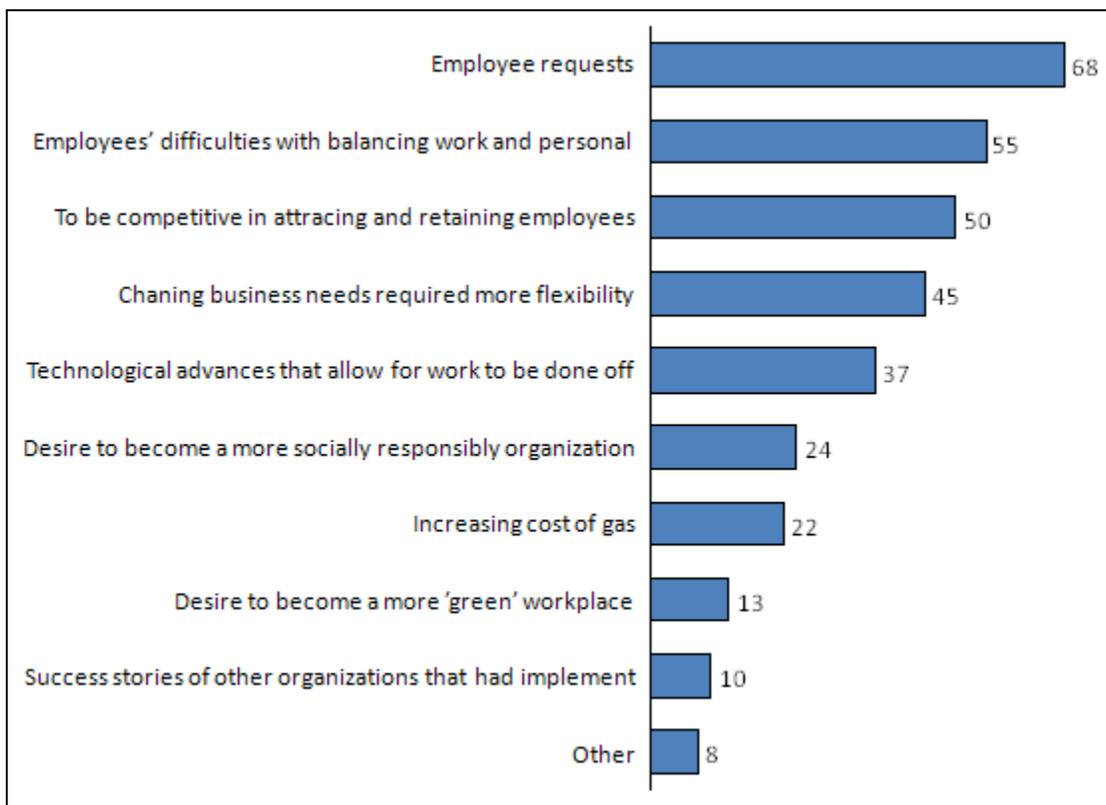
Designing and redesigning policies/processes to manage remote workforces, along with the ever-changing use of technology, is a focus for many HR professionals. Ensuring that employees have the option to work remotely and managing the remote workers appropriately will add tremendous value to the strategic goals of the organization. Reinventing these remote worker procedures will help keep the more talented employees satisfied and challenged. A contingent workforce system, which allows the BBG's to remain with their current employers while serving in a new capacity will add value to the corporation by strategically transitioning the knowledge and leadership qualities from the previous generations to the new generation of organizational leaders. It also provides employees with the flexibility and work life balance they desire as they transition out of the workforce and into fulltime retirement. HR has the responsibility of strategically aligning the flexible workforce with the goals of the organization. The flexible scheduling of yesterday established the foundation for the telecommuting of today and is the groundwork that will continue to change tomorrow's meaning of the words: "workday," "office," and "retirement". ✎

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**Figure 1.**  
Reasons that Prompted Organizations to Offer Formal Flexible Work Arrangements (Percentages)



Source: SHRM (2009). Workplace Flexibility in the 21<sup>st</sup> Century.

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