

THE NEED TO FIND A 'NEW' WORKFORCE

MAJOR SOCIAL AND
TECHNOLOGICAL SHIFTS
ACROSS THE GLOBE
MEAN THAT WORKFORCE
VIRTUALIZATION IS NOT ONLY
POSSIBLE, BUT NECESSARY.

ROLF E. KLEINER



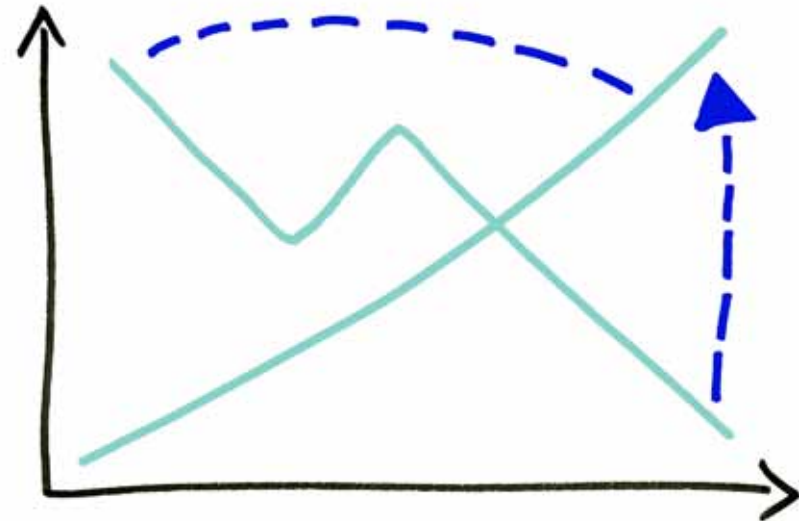
THE TRADITIONALLY STRONG CORRELATION

between labor, work and location is beginning to break down.

With obvious exceptions, such as frontline workers in mining, construction or manufacturing, there is a whole slew of work that can now be 'virtualized', or moved to where the talent is. In a growing knowledge economy, there are fewer limits on the breadth and scale to which you can globalize some functions.

We may know that new technologies have made workforce virtualization possible, and even relatively simple, but here are two reasons why it is also becoming necessary:

- **psychographic changes** across generations means the next workforce has different expectations of work, and
- **demographic shifts** mean that talent pools are not where they used to be.



FLEXIBILITY IS NEEDED TO MEET TALENT SHORTAGES.

Finding and holding on to the right people is a growing challenge for most organizations. The trend towards more flexible working arrangements is, at least in part, both a driver and a solution for this challenge.

Close to half (44%) of the active workforce in the United States now consider themselves **'free agents'**, compared to 26% in 2008. This means they are not employed by one organization on a permanent basis, but instead engage in freelance, consulting, temporary or contract work, or have their own business.

The growth in free agents is partly due to the economic climate and the need to drive efficiency and productivity. But even without this, the data shows that there is a significant increase in the percentage of workers across all generations who are now classifying themselves as free agents.

Compared to traditional employees free agents:

- **Are better educated**, with more than a third of free agents possessing a Master's degree or higher
- **possess a technical** or professional skill set

Being able to access this pool of highly qualified and experienced talent is becoming paramount when we consider that:

- **Maintaining competitive advantage** is becoming more difficult. Sourcing just-in-time talent provides a cost-effective employment model
- **The most talented** and experienced workers can also be the most expensive.

Adding them to a permanent payroll is costly, particularly as their skills may only be needed for specific projects or timeframes

- **Workers across** all generations are seeking greater flexibility. Retention strategies now need to include telecommuting and flexi work arrangements to hold on to talented individuals

- **Productivity gains** and the injection of new ideas are what many organizations recognize they need more of

Accessing a new pool of talented workers is now easier than it ever has been thanks to common technologies that are built to facilitate this virtual working style.



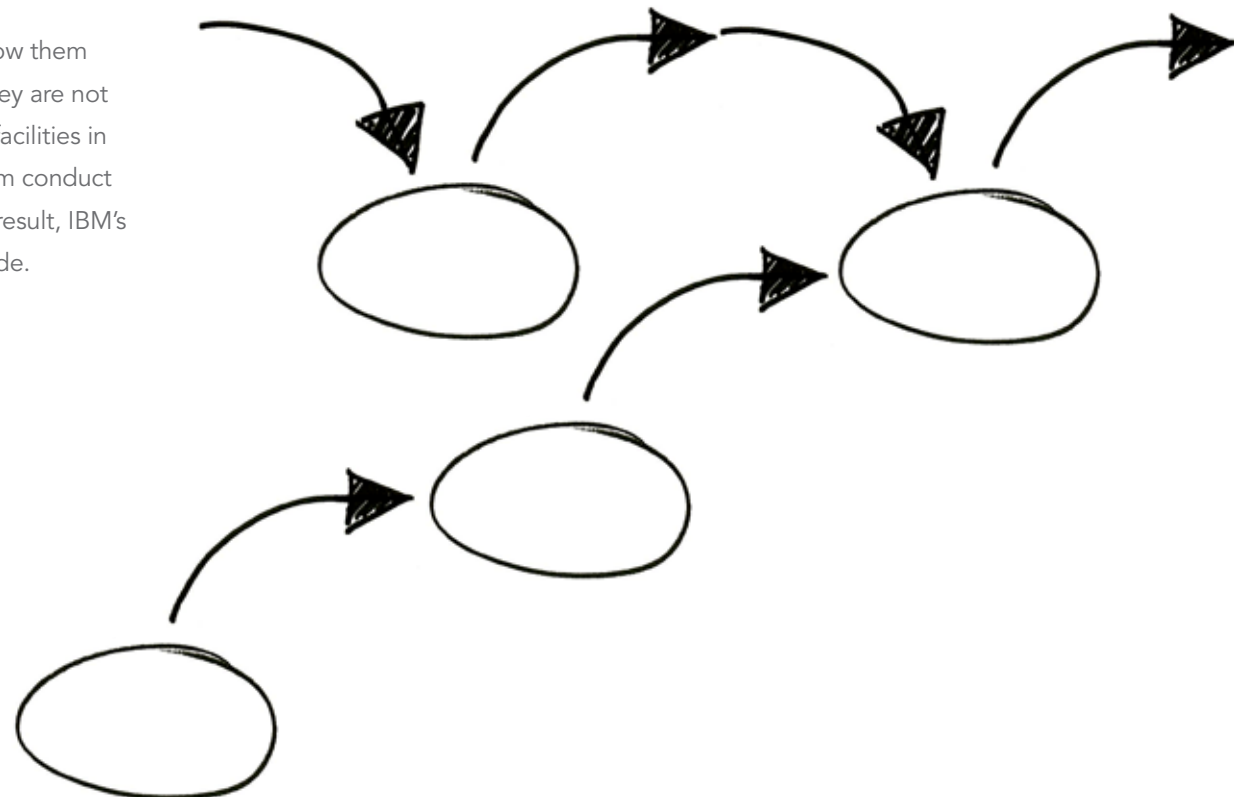
CLOUD COMPUTING REVOLUTION IS ALREADY HERE.

The evidence that cloud computing and virtualization has grown rapidly is everywhere we look —data shows that job advertisements for cloud computing/virtualization professionals increased by 344% in between 2009 and 2010.

Every large, global tech company seems to have cloud computing and virtualization solutions as part of their product suite. The fact that they themselves use these to mobilize their own workforce should be a good indication that their benefits are real.

IBM is an example of a workforce that has virtualized over the past decade as it has made the transition from manufacturing to services.

Today, IBM employees' badges allow them access to numerous locations so they are not anchored to a specific facility. The facilities in each location are there to help them conduct business on a nomadic basis. As a result, IBM's workforce is already in a virtual mode.



DEMOGRAPHIC SHIFTS MEAN TALENT ISN'T WHERE IT USED TO BE.

Employees' desires for more flexibility at work, as well as the economic benefits of that approach are now clear. Yet, there is another, perhaps ultimately more powerful imperative to look seriously at work virtualization as a key to business sustainability.

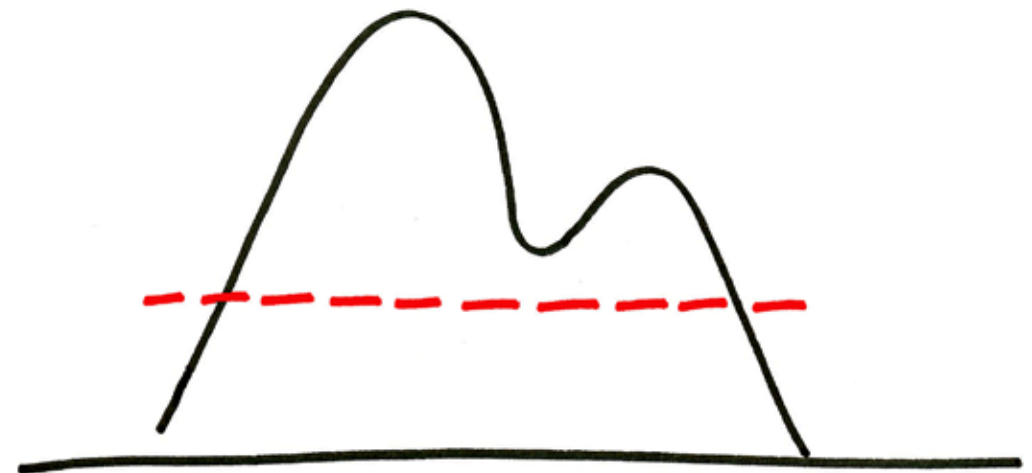
When we examine the global trends emerging in workforce demographics, the news is not good. The changes are rapid and the impact is not clearly understood. What is understood is that these demographic changes will provide significant challenges with respect to accessing talent and executing in the marketplace.

In 2000, GeoLabour data showed that across Europe, more people were entering the workforce than are leaving it. Individual countries such as Italy and Germany bucked the trend and were already at below replacement rate, but on the whole, Europe had a sustainable workforce.

Skip forward to today and the trend of reducing workforces has spread out widely across Europe. Central and Eastern Europe remain the only real sectors of positive workforce growth in the region.

Looking at the projections for 2020, the situation is indeed dire right across Europe. Turkey remains the only significant region with a positively expanding workforce.

And it is this unstoppable workforce evolution that is the driver for HR outsourcing. No longer just a cost-reduction tool, HR outsourcing has emerged as a core strategy for major companies operating in this new workforce reality.



UNDERSTANDING HOW AND WHY GENERATIONS ARE DIFFERENT. Twenty-plus years ago, when you asked someone what they did for a living, they told you where they worked. Today, they tell you what they do.



The next generation of employee is wired, connected, plugged in and empowered, and this psychographic change across a generation has significant implications for recruitment. For younger generations –Gen X and much more so for Gen Y or Millennials:

- **the attachment of skills** to employers is weakening
- **gaining knowledge** and broad experience is more important than salary and security
- **company culture** must support bottom-up decision-making power

Generation Xers talk about work-life balance. Millennials see work and life as one thing—the line is blurred and if company culture does not enable this meeting of two worlds, the Gen Y/Millennial employee will leave and go to the next opportunity—quickly. When we consider that Millennials will make up around 40% of new hires by 2015, something has to give if the right talent to run an organization is to be secured.

You want what? When discussing the impact of these psychographic changes across the generations, it is easy to focus on the negatives.

Employee-employer loyalty is waning, and it can be tempting for Baby Boomers and even Gen Xers to see younger employees as demanding and fickle.

For older generations of managers who've lived repeatedly through restructures, outsourcing and downsizing, it can feel as though less experienced Gen Y's/Millennials 'expect' rather than 'earn' the freedom, autonomy and influence they demand.

But the burning debate here must not be about whether access to Facebook at work will damage productivity, it must center around turning the Millennials' mindset of

continuous connection and conversation into an opportunity. Younger generations see technology use as something that defines who they are, not just as products they use. To harness the power of these always-multi-tasking employees, who see work and life as one interconnected way of being, company culture must adapt.

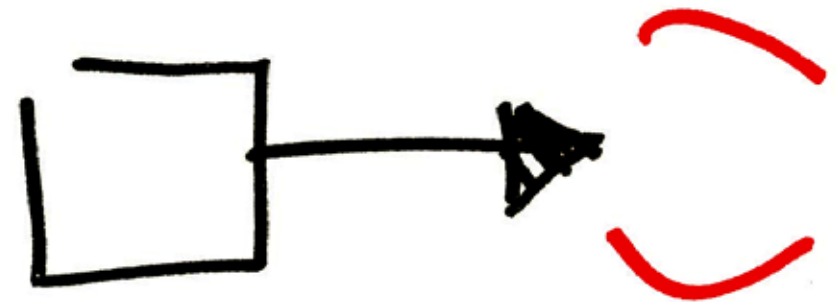
A NEW APPROACH TO DECISION-MAKING.

Perhaps one of the greatest opportunities that the new generational psyche brings to the workplace, is that of distributed decision-making.

Even the largest of global businesses are today exploring heavily with models to operate as a 'distributed idea engine', where leadership emerges organically, unfettered by central command.

Pepsico is fully engaged in its digital and social recruiting strategies. A short visit to their pepsicoblogs.com site shows that they are intent on connecting and engaging with their current and future workforce on the Millennials' terms – open, two-way dialogue.

The Pepsico's of the world know that when today's college graduates assess you as a potential employer, they want to see how they will fit into your company's culture. Demonstrating flexibility, collaboration and distributed decision-making will make or break the ability to attract and retain this new workforce.



"IF YOU LIVE AMONG WOLVES, YOU NEED TO HOWL LIKE A WOLF"

RUSSIAN PROVERB

THIS IS **PART 4** OF *LIVING AMONG WOLVES*, A WHITEPAPER SERIES EXPLORING THE FOUR FORCES DRIVING THE UPTAKE OF HR OUTSOURCING.

ABOUT THE AUTHOR

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