

# Generational Shift: What We Saw at the Workplace Revolution

By Bruce Tulgan & RainmakerThinking, Inc.®

## EXECUTIVE SUMMARY:

Key Findings of Our Ten Year Workplace Study (1993-2003)

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## OVERVIEW: THE GENERATIONAL SHIFT

Between 1993 and 2003, a profound revolution has taken place in the values and norms of the American workplace; the impact has been felt throughout the world. During this ten-year period, we at RainmakerThinking, Inc.® have been conducting extensive research on the employer-employee relationship. Our research is ongoing. As of September 17, 2003, we have identified six key findings:

#1. WORK HAS BECOME MORE DEMANDING ON EMPLOYEES.

#2. EMPLOYER-EMPLOYEE RELATIONSHIPS HAVE BECOME LESS HIERARCHICAL AND MORE TRANSACTIONAL.

#3. EMPLOYERS ARE MOVING AWAY FROM LONG-TERM EMPLOYMENT RELATIONSHIPS.

#4. EMPLOYEES HAVE LESS CONFIDENCE IN LONG-TERM REWARDS AND GREATER EXPECTATIONS FOR SHORT-TERM REWARDS.

#5. IMMEDIATE SUPERVISORS ARE NOW THE MOST IMPORTANT PEOPLE IN THE WORKPLACE.

#6. SUPERVISING EMPLOYEES NOW REQUIRES MORE TIME AND SKILL ON THE PART OF MANAGERS.

Together these findings and the trends they reflect amount to the most important change in the employer-employee relationship since the period immediately following World War II.

We call this change, “the Generational Shift.” Why?

In the early- and mid-1990s, we first observed these trends only among the youngest people in the workforce. Back then, these trends were decried as aberrations---driven by the “free agent” inclinations of Generation X (those born 1965-1977). Many analysts expected these trends to abate following the dot-com crash and the economic downturn that has persisted since early 2001. Instead, these trends have both intensified and also spread among workers of all ages.

The changes in the employer-employee relationship derive from historic macro-economic factors, not from short-term aberrations. Over the last ten years, globalization and technology have created a business environment of high risk, erratic markets, and unpredictable resource-needs. To remain viable, employers have been forced to adopt extremely flexible and efficient staffing practices. In turn, employees have adjusted by adopting more aggressive attitudes, expectations, and behaviors. Average employees feel challenged to take care of themselves and their families; they struggle to balance desires for long-term security with short-term needs for opportunities, work-conditions, recognition, and rewards.

The downturn in the economy has further entrenched these responses, not weakened them. As a result, the values and norms that first appeared among Generation X are steadily supplanting more traditional workplace values and norms.

Now there are powerful demographic forces underway that will cement the Generational Shift: First, those of the Silent Generation (born before 1946) are gradually exiting the workforce; by 2006, two experienced workers will leave the workforce for every one who enters the workforce. Second, the Baby Boomers (born 1946-1964) are becoming the aging workforce; every day 10,000 Baby Boomers turn 55 years of age. Third, the prime-age workforce will be made up increasingly of Generation X and Generation Y (born 1978-1986).

As Generation X and Generation Y come to dominate the prime-age workforce, they will usher out the last vestiges of the old-fashioned workplace values and norms and finish the workplace revolution.

Welcome to ***the real new economy: where employers must be ruthless to survive and individuals must be very aggressive to succeed.***

## **FINDING #1. WORK HAS BECOME MORE DEMANDING ON EMPLOYEES.**

TREND: Productivity (output per labor hour) improvements are coming, not only from new technology, but also from increased human effort and effectiveness.

TREND: Employees are working harder and facing increasing pressure to work longer and/or smarter and/or faster and/or better.

TREND: Employers are reducing tolerance for employee error, waste, and inefficiency.

TREND: Employees must learn and utilize new technologies, processes, practices, skills and knowledge.

TREND: Employees must adjust to ongoing organizational changes, such as downsizing, restructuring, and reengineering.

TREND: Employees receive less management guidance and support.

TREND: Employees work in smaller teams with greater productivity requirements.

TREND: Employees experience less "down time."

TREND: Employees experience greater fear of imminent job loss.

TREND: Employees manifest increased workplace stress and related problems (including anger, interpersonal conflict, and "burnout"); employees express greater need for work-life balance.

## **FINDING #2. EMPLOYER-EMPLOYEE RELATIONSHIPS HAVE BECOME LESS HIERARCHICAL AND MORE TRANSACTIONAL.**

TREND: Traditional sources of authority are being supplanted by new sources: Seniority, age, rank, and rules are diminishing. On the rise are control of resources, control of rewards and control of work conditions.

TREND: Organization charts are flatter; layers of management have been removed.

TREND: Reporting relationships are more temporary; more employees are being managed by short-term project-leaders, instead of "organization-chart" managers.

TREND: Employees' are less likely to agree with employers' stated missions, policies, and decisions.

TREND: Employees are less obedient to employers' rules and supervisor's instructions.

TREND: Employees are more likely to question or challenge employment conditions and established reward structures.

TREND: Employees are more likely to make individual requests regarding desired employment conditions and rewards.

TREND: Employees are more likely to accept employers' stated missions, policies, and decisions, when employers promise a specific quid pro quo.

TREND: Employees are more obedient to employers' rules and supervisor's instructions, when employers promise a specific quid pro quo.

TREND: Employees demonstrate higher productivity, quality, and morale when employers promise a specific quid pro quo.

TREND: Employees are less likely to define "success" in relation to rank or seniority in an organization chart, and more likely to define success in highly personal terms.

## **FINDING #3. EMPLOYERS ARE MOVING AWAY FROM LONG-TERM EMPLOYMENT RELATIONSHIPS.**

TREND: Employers are more likely to undertake major business changes that eliminate jobs regardless of employees' length of service; such changes include mergers, acquisitions, spin-offs, restructuring and liquidations.

TREND: Employers are more likely to implement new technologies that eliminate jobs due to reengineering.

TREND: Employers are hiring fewer "employees" (full-time, exclusive workers), while hiring more contingent workers; and employers' staffing strategies for the future reflect this change.

TREND: "Employees" are diminishing as a percentage of the overall workforce, while the percentage of contingent workers is increasing.

TREND: Employers are less likely to award status, prestige, authority, flexibility, and rewards on the basis of seniority; and employers are more likely to award status, prestige, authority, flexibility, and rewards on the basis of short-term measurable goals.

TREND: Employers are reducing long-term fixed pay as a percentage of overall employee compensation, while increasing the percentage of variable performance-based pay; and employers' compensation strategies for the future reflect this change.

TREND: Employers are reducing the percentage of employee "benefits" (paid for by the company for full-time, exclusive workers) in relation to overall compensation, while increasing the percentage of "employee services" (paid for by the worker on a pre-tax basis); such services include health insurance and retirement savings.

TREND: Employers are less likely to make formal or informal guarantees about continued employment and job security.

## **FINDING #4. EMPLOYEES HAVE LESS CONFIDENCE IN LONG-TERM REWARDS AND GREATER EXPECTATIONS FOR SHORT-TERM REWARDS.**

TREND: Employees are more likely to worry that their prospects for receiving long-term rewards are vulnerable to outside forces, events, or circumstances; these include monetary policy, politics, diplomacy, war, terrorism, and natural disasters.

TREND: Employees are more likely to worry that their prospects for receiving long-term rewards are vulnerable to business factors beyond their control; these include global market shifts, changes in particular industries, and organizational changes.

TREND: Employees are more likely to worry that their prospects for receiving long-term rewards are vulnerable because the future of the organization employing them is not secure.

TREND: Employees are more likely to worry that their prospects for receiving long-term rewards are vulnerable because the continued employment of their immediate supervisors (or other leaders) is not secure.

TREND: Employees are more likely to worry that their prospects for receiving long-term rewards are vulnerable because their own continued employment is not secure.

TREND: Employees are investing a lower percentage of savings in long-term vesting retirement plans and pensions, while investing a greater percentage in self-managed cash balance plans.

TREND: Employees are less willing to make immediate sacrifices in return for long-term promises. Thus, given the choice, employees are more likely to prefer short-term over long-term incentives.

TREND: Employees are more likely to make specific requests for immediate increases in pay, benefits, and work conditions, than long-term.

TRENDS: Short-term incentives are more successful than long-term for maintaining high levels of employee productivity, quality, morale and retention.

## **FINDING #5. SUPERVISORS ARE NOW THE MOST IMPORTANT PEOPLE IN THE WORKPLACE.**

TREND: Employees think of their immediate supervisors as the primary representatives of their employers' missions, policies, systems, and practices.

TREND: Employees rely on immediate supervisors more than any other individuals for assignment of tasks, responsibilities, and special projects.

TREND: Employees rely on immediate supervisors more than any other individuals for resource planning, obtaining necessary resources, and filling resource gaps as they occur.

TREND: Employees rely on immediate supervisors more than any other individuals for planning to avoid problems, identifying problems, and solving problems as they occur.

TREND: Employees rely on immediate supervisors more than any other individuals for training opportunities; this includes informal on-the-job training as well as recommending and/or approving formal training.

TREND: Employees rely on immediate supervisors more than any other individuals for the consideration and approval of desired work conditions; these include scheduling, work-location, working with or avoiding specific co-workers, control of work environment, and "special requests."

TREND: Employees rely on immediate supervisors more than any other individuals for the resolution of disputes with subordinates, coworkers, customers, vendors, other managers and corporate policy or administration.

TREND: Employees rely on immediate supervisors more than any other individuals for task related guidance, coaching, and performance evaluation; this includes daily feedback as well as formal reviews.

TREND: Employees rely on immediate supervisors more than any other individuals for considering, recommending, advocating, and conveying to employees recognition, raises, promotions, and other rewards.

TREND: The day to day communication between supervisory managers and direct reports has more impact than any other single factor on employee productivity, quality, morale, and retention.

## **FINDING #6. SUPERVISING EMPLOYEES NOW REQUIRES MORE TIME AND SKILL.**

TREND: Supervisors are under increasing pressure from senior executives to increase productivity and quality; that means getting more work and better work out of fewer employees, while utilizing fewer resources.

TREND: Average spans of control (the number of employees officially reporting to each supervisor) are increasing; in addition, supervisors are given more responsibility for staffing, recruiting, selection, orientation, training, performance management, and retention; supervisors are also required to deal with more bureaucratic red tape.

TREND: Supervisors must learn to deal with and accommodate the needs and expectations of an increasingly diverse workforce.

TREND: Employees are more likely to make special requests (or demands) of supervisors regarding assignments, work conditions, benefits, rewards, or other special needs.

TREND: Employees need, expect and request more coaching and guidance than they currently receive from supervisors.

TREND: Supervisors report increasing frustration and difficulty in their efforts to deliver special rewards for high performers.

TREND: Supervisors report increasing frustration and difficulty in their efforts to hold employees accountable for overall performance standards, as well as meeting daily goals and deadlines.

TREND: Supervisors report increasing frustration and difficulty in their efforts to implement effective performance improvement plans with low performers; and increasing frustration and difficulty in their efforts to terminate recalcitrant low performers.

TREND: Supervisors who spend less time engaged in managing employees spend more time rectifying employee errors, salvaging lost resources, mediating conflicts among coworkers, resolving complaints from vendors and customers, and solving other problems; these supervisors also spend more time on lower level tasks.

TREND: Supervisors who learn, practice and implement proven management techniques generate higher productivity, quality, morale, and retention; these supervisors also spend more time on high level tasks.

## **ABOUT OUR TEN YEAR WORKPLACE STUDY (1993-2003)**

The research on which this report is based has not concluded. The research is ongoing. Thus far, we have included data from the following sources:

**RAINMAKERTHINKING® PRIMARY INTERVIEWS:** We have conducted qualitative interviews with more than 10,000 individuals. Several hundred of these interviews have been longitudinal. Based on our interviews, we have developed hundreds of individual case studies and composite case studies. Our interviews have followed many different question formats and have been conducted by various individuals using various means, including in-person, via telephone, and via email.

**RAINMAKERTHINKING® MANAGEMENT PRACTICES QUESTIONNAIRES:** We have collected detailed management practices questionnaires completed by senior executives from more than 700 different organizations. We started collecting these questionnaires in 1997.

**RAINMAKERTHINKING® INTERACTIVE SEMINARS:** We have led more than 1,000 interactive seminars, logging more than ten thousand hours with hundreds of thousands of participants.

**RAINMAKERTHINKING® FOCUS GROUPS:** We have conducted in-person focus groups including hundreds of respondents each year. Our focus groups have followed many different question formats and have been conducted by various individuals.

**RAINMAKERTHINKING® SURVEYS:** We have conducted surveys including thousands of respondents each year. Our surveys have followed many different question formats and have been conducted by various individuals using various means, including in-person, via telephone, via email, and via our web-site.

**RAINMAKERTHINKING® SPECIAL ACCESS TO PROPRIETARY DATA:** We have reviewed internal survey data from more than 300 individual client organizations; and more than forty benchmarking surveys. This data was collected by our clients and/or by other research firms. We have been given special access to this data as part of our work with client organizations and in connection with our contributions to benchmarking surveys. This data, collectively, represents nearly one million respondents.

**RAINMAKERTHINKING® REVIEW OF PUBLICLY AVAILABLE DATA:** We consistently review available published data, including leading academic research.

**Our research has been the source of fifteen books and hundreds of articles by Bruce Tulgan, Dr. Carolyn Martin, and others from RainmakerThinking, Inc.®, as well as 101 issues of our monthly newsletter. In addition, our research has been cited in dozens of books by outside experts and in articles by more than 1,000 business journalists.**