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Human Capital Management Report

## Developing and Retaining a Multigenerational Workforce

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The Lumina Foundation reports that if current trends continue, **the country will face a shortfall of 19.8 million college graduates by 2025.**<sup>2</sup>

## Introduction

Developing a capable and engaged workforce is a cornerstone of organizational effectiveness. In addition to increasing employee engagement and retention, development efforts help ensure you have top performers at all levels of your organization as well as the bench strength and flexibility to adapt as your business changes and skills gaps become more acute.

In a multigenerational workforce, employee development becomes even more challenging. For Millennials, ongoing personal development is part of what motivates them. Baby Boomers face the need to develop new skills in order to keep up with technology and the changing workplace, but they also have tremendous experience that can be repurposed into coaching and mentoring. Generation X is strongly focused on how they are growing and advancing in their careers, but also challenged to manage work-life obligations. And the newest member of the workforce, Generation Z, has a vastly different skillset, work style, and communication approach than previous generations, and their influence on the workplace is still largely unknown.

Organizations are looking for ways to connect employee development to their bottom line, and link these efforts to retention and their brand as an employer of choice. This paper will discuss how technology delivers data-driven insights and a standardized approach to help organizations nurture and develop the workforce more effectively, and in turn improve overall performance.

## The Acute Need for Employee Development

Combine a rapidly changing business environment with a diverse, multigenerational workforce and an increasingly competitive global economy, and the need for effective employee development has never been greater.

A recent study conducted by Georgetown University found that by 2020, 65 percent of jobs will require postsecondary education and training.<sup>1</sup> Among employers, there are increasing concerns that the U.S. is not producing enough two- and four-year college graduates to meet job requirements. The Lumina Foundation reports that if current trends continue, the country will face a shortfall of 19.8 million college graduates by 2025.<sup>2</sup>

Job vacancies in the STEM fields (science, technology, engineering, math) are also a rising concern for employers, as high-paying jobs in these fields continue to go unfilled in large numbers. A 2014 study found that there were more than four million job vacancies for computer workers and STEM positions were advertised twice as long as those in other fields.<sup>3</sup>

<sup>1</sup> Georgetown University, *Recovery: Job Growth and Education Through 2020*, found at [https://cew.georgetown.edu/wp-content/uploads/2014/11/Recovery2020.ES\\_Web\\_.pdf](https://cew.georgetown.edu/wp-content/uploads/2014/11/Recovery2020.ES_Web_.pdf), at 1.

<sup>2</sup> Allie Bidwell, *College Attainment Progress Won't Meet 2025 Goal* (April 9, 2015), found at <http://www.usnews.com/news/blogs/data-mine/2015/04/09/lumina-college-attainment-progress-wont-meet-2025-goal>.

<sup>3</sup> Jonathan Rothwell, *Short on STEM Talent*, U.S. News & World Report (September 15, 2014), found at <http://www.usnews.com/opinion/articles/2014/09/15/the-stem-worker-shortage-is-real>.

**Average direct learning expenditure per employee is \$1,208**, with large companies dedicating approximately 36 hours or 4.5 days of training to their employees.<sup>7</sup>

While companies struggle to find employees with sufficient skills and competencies, they're also facing the loss of existing skills with the exit of Baby Boomers from the workforce. Approximately 10,000 Baby Boomers become retirement-eligible every day, taking with them a wealth of knowledge, experience, and skills critical to an organization's success.<sup>4</sup> These challenges have created the opportunity — and necessity — for organizations to identify and cultivate critical skills in employees and work to develop and retain their multigenerational workforce.

## A Strategic Shift Toward Employee Development

A strong focus on employee development can pay dividends to the employee, manager, and organization. As organizations strive to be employers of choice and engage and retain top talent, development becomes a key initiative. Many candidates evaluate organizations based on their development offerings. Existing employees who feel valued, have opportunities for career growth, and can utilize ongoing learning will be more likely to stay with the organization. Additionally, organizations can nurture their top performers and draw from a strong bench, moving them into supervisory, managerial, and leadership positions.

Just 10 years ago, two-thirds of HR professionals surveyed by SHRM acknowledged that employee development was mostly an informal process in their organizations.<sup>5</sup> By 2013, businesses were increasing investment in employee development, with training budgets growing, on average, by 15 percent.<sup>6</sup> Average direct learning expenditure per employee is \$1,208, with large companies dedicating approximately 36 hours or 4.5 days of training to their employees.<sup>7</sup>

And it's not just employers who recognize the value of development. Employees are eager to advance their skills and career development, with 75 percent of those asked indicating that they would use their own time for learning and career development.<sup>8</sup> In looking at the Millennial generation specifically, 52 percent report that opportunities for career progression — a factor closely linked to development and retention — is the most desirable quality in the workplace.<sup>9</sup>

<sup>4</sup> Pew Research Center, *Baby Boomers Retire* (December 29, 2010), found at <http://www.pewresearch.org/daily-number/baby-boomers-retire/>.

<sup>5</sup> Evren Esen and Jessica Collison, *Employee Development Survey Report* (April 2005), found at <http://www.shrm.org/research/surveyfindings/documents/employee%20development%20survey%20report%20-%20%20a%20study%20by%20shrm%20and%20catalyst.pdf>, at 1x.

<sup>6</sup> Deloitte, *The Corporate Learning Factbook 2014* (January 2014), found at <http://www.bersin.com/uploadedFiles/012714WWBCLF.pdf>, at 1.

<sup>7</sup> Laurie Miller, 2014 *State of the Industry Report* (November 8, 2014), found at <https://www.td.org/Publications/Magazines/TD/TD-Archive/2014/11/2014-State-of-the-Industry-Report-Spending-on-Employee-Training-Remains-a-Priority>.

<sup>8</sup> Fuel 50, *Career Agility and Engagement*, found at <http://fuel50.com/get/agility/>.

<sup>9</sup> pwc, *Millennials at Work: Reshaping the Workforce*, found at <http://www.pwc.com/gx/en/issues/talent/future-of-work/millennials-survey.html>.

Managers and organizations must **create and nurture career advancement opportunities**

for Millennials if they intend to keep them

## Developing a Multigenerational Workforce

Generational differences present significant challenges for employers designing and implementing development programs and initiatives. Surveys indicate that Baby Boomers are least likely to think that workplace training provides an opportunity to learn new skills.<sup>10</sup> This resistance to formal training demonstrates that Boomers value experience and tenure, as most have worked their way up through the ranks.

In contrast, Millennials are far more likely to value development efforts, with 71 percent reporting that they are somewhat or very satisfied with their opportunities for career progression.<sup>11</sup> Considering the fact that 91 percent of Millennials report that they don't intend to stay in their current job for more than three years, managers and organizations must create and nurture career advancement opportunities for Millennials if they intend to keep them.<sup>12</sup>

Many Gen Xers are looking to take that next step in their career, potentially moving into senior leadership roles vacated by their predecessors. However, Generation X does not want to be pigeonholed into a particular role or career path. Giving them options and opportunities to pave their own way is what this generation largely desires from development efforts, which may include pursuing an advanced degree in a complementary field.<sup>13</sup>

Baby Boomer retirements and the growing skills gaps across many industries mean that identifying and developing future leaders while transferring skills and knowledge is even more critical to an organization's success. Studies have found that the cost to hire and bring a new employee to full productivity can range from 1.5 to 3 times the individual's salary.<sup>14</sup>

Compounding this challenge is the fact that certain skills aren't seamlessly transitioned or readily available in the talent pool. Organizations are also keen to capture the experience and perspective Boomers have acquired over the course of their careers. Offering modifications to their schedules, including part-time, seasonal, or contract work, can be effective in retaining these valuable employees.

<sup>10</sup> Future Workplace LLC, *Multiple Generations @ Work* (2012), found at [http://futureworkplace.com/wp-content/uploads/MultipleGenAtWork\\_infographic.pdf](http://futureworkplace.com/wp-content/uploads/MultipleGenAtWork_infographic.pdf).

<sup>11</sup> Ibid.

<sup>12</sup> Brandon Carter, *Employee Engagement & Loyalty Statistics* (August 5, 2014), found at <http://blog.accessdevelopment.com/index.php/2014/08/employee-engagement-loyalty-statistics-the-ultimate-collection>.

<sup>13</sup> Tammy Erickson, *Generation X and the Narrowing Career Path* (May 23, 2012), found at <https://hbr.org/2012/05/generation-x-and-the-narrowing>.

<sup>14</sup> Annie Mueller, *The Cost of Hiring a New Employee* (February 23, 2015), found at <http://www.investopedia.com/financial-edge/0711/the-cost-of-hiring-a-new-employee.aspx>.

Hourly workers often have unique insights into the day-to-day operations of an organization and can be **valuable sources of information and talent**. Unfortunately, this pool of employees is overlooked when it comes to development and retention efforts.

## Don't Forget the Hourly Workforce

Capitalizing on the development needs of the multigenerational workforce is top of mind for today's HR and operations leaders. However, opportunities also exist for organizations to focus more sharply on the development of their hourly workforce. Today, 35 percent of the development budget is spent on leadership development efforts.<sup>15</sup> While this is a critical component of a development strategy, many organizations should consider expanding the development and coaching of their hourly workforce.

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For organizations operating in markets with significant populations of hourly workers, focusing development and retention efforts on this demographic is an essential step in creating competitive advantage. By helping these employees succeed in their jobs, organizations can lower hiring costs through higher retention, and maximize performance and effectiveness.

## Making Multigenerational Development Work for Your Organization

Savvy organizations will leverage the strengths, motivations, and goals of each generation when creating an effective development and retention strategy. The best methods for communicating and motivating employees of different generations and roles (e.g., hourly vs. exempt) understandably varies. Some workers may be motivated by pay, recognition, incentives, or flexibility. Tenure and seniority can also be used to identify who might become a team lead and what skills and certifications they will need to develop to continue on that path.

More seasoned Baby Boomers bring deep experience and industry expertise to the table and can make excellent coaches and mentors for Generation X and Millennial employees. Conversely, while Generation Y and Millennials lack experience, they are known to be very tech savvy and bring energy, creativity, and a spirit of open collaboration to the workplace.

<sup>15</sup> Deloitte, at 2.

<sup>16</sup> Paul Warner, *Hourly Workers* (June 23, 2013), found at <http://www.eremediamedia.com/tint/hourly-employees-an-often-overlooked-and-underdeveloped-resource/>.

“Today, identifying and sourcing future leaders involves more than singling out ‘stars.’ The success of an organization might well be guided by stars groomed for increasingly responsible roles — but **an organization’s success is ultimately guided by the ability to engage and motivate all employees** by requiring that everyone in the organization assume a leadership role. Strong leadership at all levels will continue to differentiate best-in-class organizations.”<sup>17</sup>

**Andy Brantley,**  
***New Leadership Imperative,***  
***The Workforce Institute***

## Multigenerational Development in Action

<b>Millennials and Generation Z</b>	<ul style="list-style-type: none"><li>• Robust employee development programs for emerging leaders in various fields</li><li>• College and educational partnerships to attract top talent and build employer brand</li><li>• Internships</li><li>• STEM programs</li><li>• Mentorship programs</li><li>• Work exchange programs</li><li>• Access to formal and self-guided training</li><li>• Continuing education, tuition reimbursement, certifications, training</li></ul>
<b>Generation X</b>	<ul style="list-style-type: none"><li>• Leadership training</li><li>• Career pathing</li><li>• Work-life balance</li><li>• Coaching and mentorship opportunities</li><li>• Continuing education and tuition reimbursement</li></ul>
<b>Baby Boomers</b>	<ul style="list-style-type: none"><li>• Technology training</li><li>• Flexibility</li><li>• Soft retirement and/or consulting opportunities</li><li>• Reverse/reciprocal training</li></ul>

## Technology Facilitates Meaningful Development and Better Retention

Including development and retention within a comprehensive human capital management strategy will allow organizations to better meet the challenges of the multigenerational workforce. Human capital management technology can help organizations enhance their development efforts with visibility and analytics into the workforce. Technology also provides a structured, systematic approach to development so that efforts can be tracked, managed, and reported on through a single employee record. Having insight into where skills gaps are emerging, where talent pools reside within your organization, who holds specific skills and certifications, and where development and training efforts need to be focused enables better performance and ROI.

<sup>17</sup> Deloitte, at 2.

Studies have shown that **coworkers learn more from each other than they do from formal training**, making it important for organizations to establish a culture of coaching across age groups.<sup>18</sup>

Analytics provide better visibility into employee performance and help organizations understand where development efforts will pay the highest dividends. Top performers can be identified, encouraged, and used as examples of what they are doing well. You can also identify where workers aren't achieving a standard service level or performance benchmark, determine where and why they are failing, and provide coaching and additional training. Increased visibility also allows you to reward positive behavior with performance incentives, advancement opportunities, and merit-based pay increases.

In addition, human capital management solutions let you identify opportunities for coaching and development. Studies have shown that coworkers learn more from each other than they do from formal training, making it important for organizations to establish a culture of coaching across age groups.<sup>18</sup> Some of the technologies you can use include:

- A single, integrated HCM solution to track certifications, training, competencies, and career paths, with information seamlessly shared across talent acquisition, HR, payroll, and self-service applications.
- Mobile solutions that automate low-value tasks and facilitate managing in the moment, so you can spend more time managing, coaching, and developing employees.
- Hiring solutions that help managers define roles and competencies before making a hiring decision, so you are able to select candidates who possess the necessary skills and more strongly exhibit the characteristics you are looking for in specific roles.
- Productivity tools that allow managers to identify where performance goals are not being met and provide coaching. For example, your best employee may not be your most productive one. Every employee has strengths and good managers are well-versed in identifying and exploiting those strengths. You can use performance and productivity indicators to identify key metrics such as speed, volume, quality, and customer service — and then reward good areas and develop weaker ones.
- Scheduling solutions that allow you to build mentor/mentee relationships by putting high performers and low performers together across generations and experience levels. You can also more easily balance strengths across various functions and tasks.

<sup>18</sup> Rebecca Knight, *Managing People from 5 Generations* (September 25, 2014), found at <https://hbr.org/2014/09/managing-people-from-5-generations>.

## Conclusion

Successfully developing and retaining a multigenerational workforce hinges on understanding and balancing the development needs and goals of the individual with the overall talent requirements of the organization. As the expectations of younger generations in the workforce focus heavily on personal development, training and development programs have evolved into a competitive differentiator for organizations seeking to attract top talent. Comparatively, the significant population of aging workers is causing organizations to look more closely at formal development efforts to transfer knowledge and skills to younger employees and emerging leaders. Giving existing employees opportunities to grow and learn — especially those generations that value and seek out these opportunities, as well as the hourly worker population — can help increase retention and improve organizational performance. And harnessing the expertise of Baby Boomers while adapting to their evolving needs in the workplace can open doors for the organization to minimize skills gaps and retain critical knowledge and skills. Leveraging the insights human capital management technology can deliver will be a valuable investment for HR leaders and organizations striving to develop and retain their complex and evolving multigenerational workforce.