

# Quantum Client Briefing



Customised Organisational Action Research

What are the top three workforce trends facing organisations globally?

What has propelled the current skills shortage?

What are two main risks facing organisations and how can they be mitigated?

What steps can organisations take to lessen the impact of talent scarcity?

## Quantum's Services

Quantum Management Indicators is an organisational action research firm that specialises in customised organisational effectiveness, employee engagement, organisational culture (values), employee brand alignment and customer satisfaction surveys.

Quantum adds value to business by finding out specific client information needs and providing value added user-friendly information. They are based in Melbourne with offices throughout Australia and Asia.

## Topic:

### Extreme Futures

Workforce Planning: Future Global Skills Scarcity

## Context:

Most organisations are generally aware that they are exposed to severe workforce supply risks that will transform and threaten their ability to operate and succeed to their requisite capacity. In Australia, Western Australian and Queensland organisations are already battling with this challenge.

Increasingly, in future years organisations globally will countenance even greater shortages of skilled and qualified employees. This will create exponentially increased capacity and productivity risks that cannot be resolved with any immediacy. Organisations therefore need to confront these issues today and start planning and preparing strategies and tactics for the immediate future.

## Business Need:

The overarching workforce risk facing organisations is their aging employee profile. Voluntary attrition in tight labour markets is also exacerbating the situation. As employees leave, transfer or retire, organisations experience a significant depletion of critical knowledge, experience and corporate history. This is particularly the case where there is no effective knowledge management system in place to retain their expertise.

This situation will almost certainly result in decreased productivity and, in extreme situations may even threaten the viability of the organisation. Some organisations in the Australian resources sector are already suffering up to 40% reduction in production capacity.

Quantum's client research demonstrates that 74% of all clients have been adversely affected by the national skills shortage. Over 60% believe that the skills deficit has impeded their organisation's production capacity.

## Top Three Workforce Trends

1. Talent wars are highlighting the critical issue of employee engagement on a global scale. The further tightening of scarce labour markets is resulting in decreasing employee quality, forcing employers to go to great lengths to recruit and retain employees. Organisations that manage talent effectively have the potential to gain significant advantages over their competitors.
2. The aging population profile has and will increasingly have a dramatic impact on organisations and society. For example **RWE Power**, which is a power generation and mining division of a European utility, examined the demographics of its workforce. They found that within ten years the majority of the workforce will be comprised of employees over the age of 50. This situation is by no means isolated. It also represents the stark reality of the issues facing organisations globally. (See figure 1)

Quantum's research has demonstrated that organisations with a strong ability to attract and retain talent have an average 22% higher rate of return for shareholders as opposed to those organisations that struggle to manage their talent.

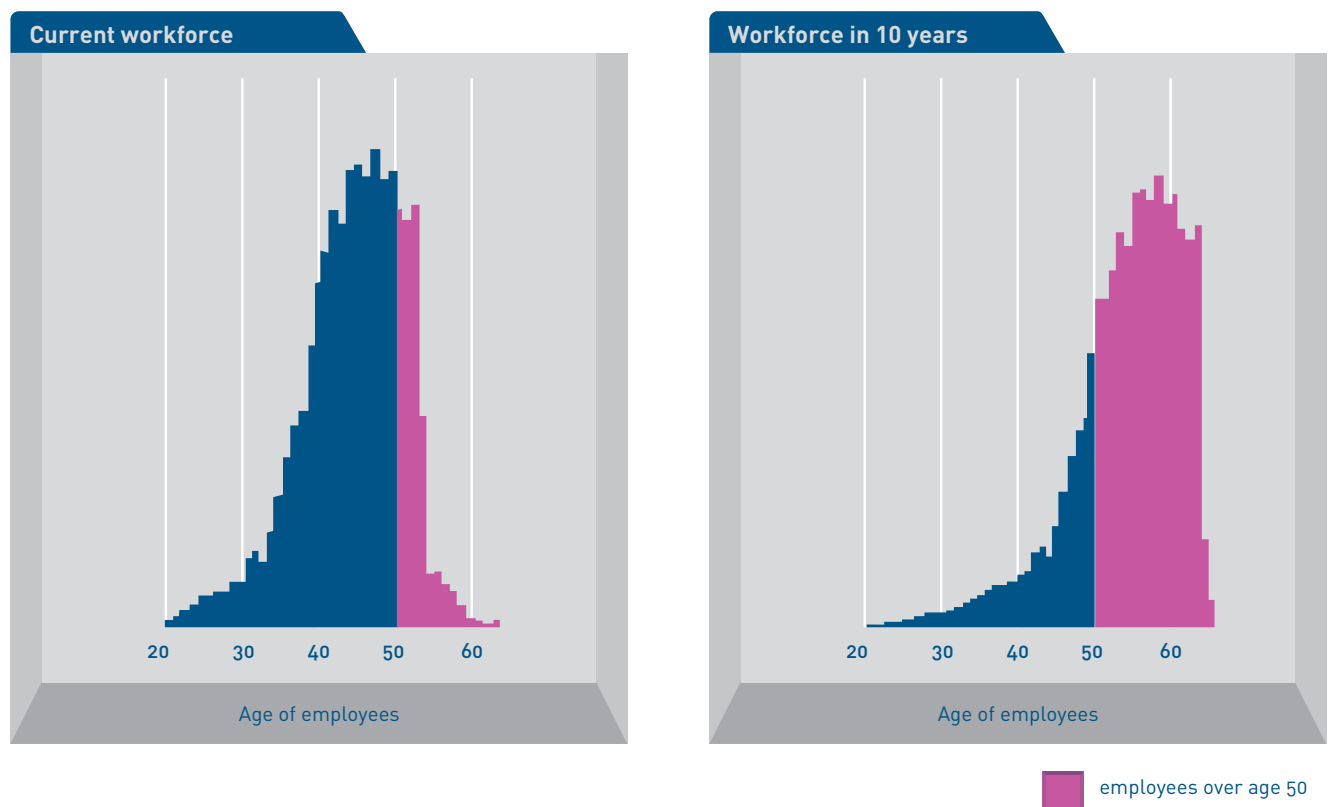


Figure 1: Current Workforce vs Workforce in ten years

Source: HBR, Demographic Risks, 2008

In relation to the Australian workforce population structure, it has diverged from the classic pyramid shape to a pillar formation where the percentage of the population in each age cohort is increasingly more evenly distributed.

The blow out in the middle-aged cohorts represents the surge in fertility rates following WWII that produced the baby boom generation. In the future, the anticipated mix of low fertility with rising life expectancy will lead to a clearer cut pillar formation. By 2030, Australia will have an average age of nearly 42 years compared to today's average of 37. (See figure 2)

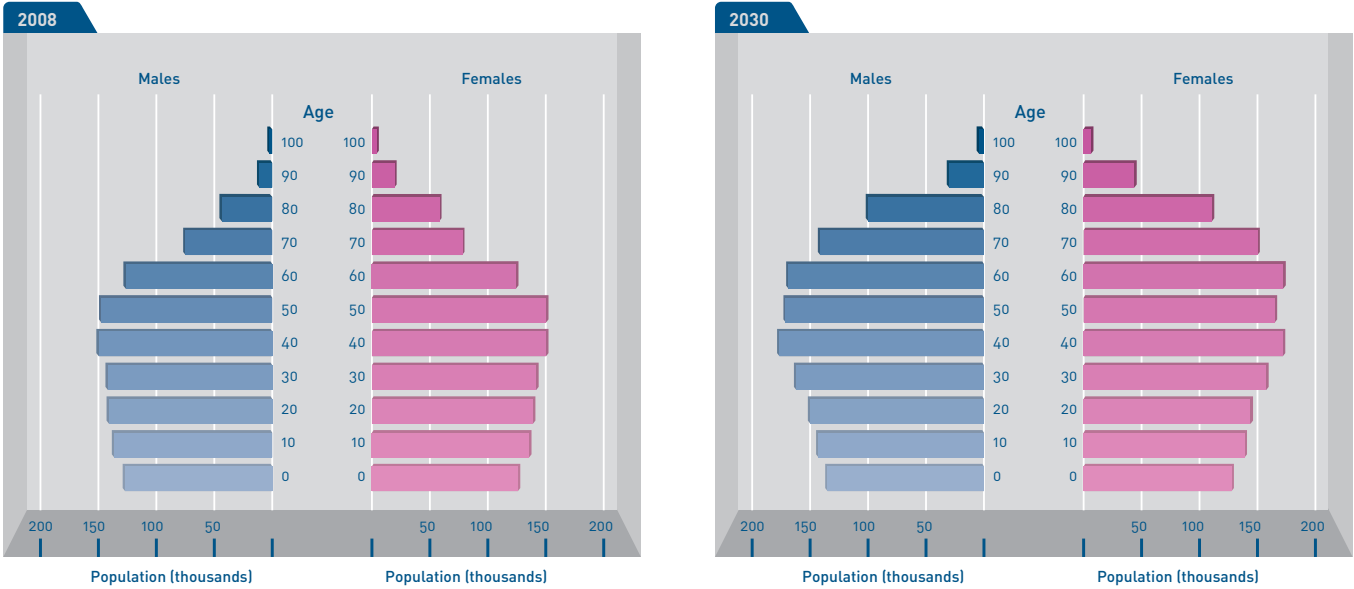


Figure 2: Australia Population Structure in 2008 and 2030

Source: ABS, Australia, 2008

3. Women will comprise an increasingly higher percentage of management and new employees. Organisations will therefore need to ensure that issues such as maternity leave, family-friendly initiatives, career planning and comparable pay (compared to male employees) are proactively managed and equitable policies implemented.

(See figure 3)

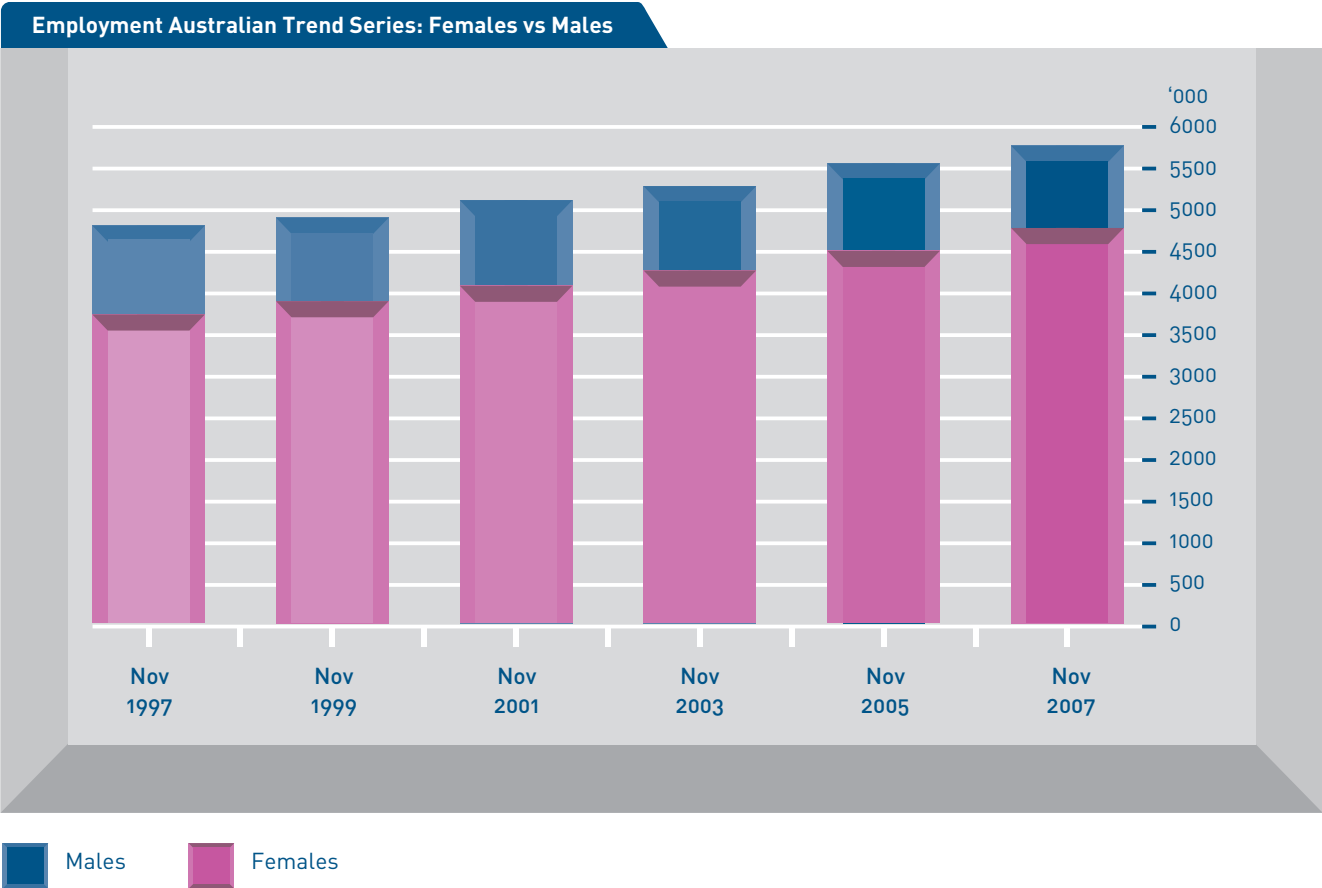


Figure 3: Employment Australian Trend Series: Females vs Males

Source: Labour Force Survey, 2008

## Organisational Implications of an Ageing Workforce:

### Productivity

1. Recent surveys have demonstrated that there is little or no link between ageing employees and productivity decline. Career longevity now enables mature employees to work voluntarily into their 60's and even 70's. This means that mature employees can now be part of the solution to the current skills shortage.

### Training

2. The implementation of new training approaches will be required to ensure that mature employees have access to training. These approaches include:
  - Ensuring that training sessions are more practical than theoretical as mature employees tend to learn by doing.
  - Encouraging lateral moves across the organisation in order to facilitate cross training.
  - Offering mature employees the opportunity to undertake further study by assisting with fees.
  - Engaging the services of specialised IT / online employee training companies.

### Career Development

3. To encourage mature employees to remain in the workforce, organisations could offer more non-financial rewards and facilitate career / lateral development to complement the increasingly decentralised organisational structures. Additionally, organisations could offer mature employees opportunities to develop mentoring and coaching skills.

Additionally, organisations could offer greater flexibility:

- Consulting – many mature employees are willing to work on a contractual basis in a consulting role.
- Job-sharing – two employees can share a full-time position and coordinate schedules and work commitments to ensure task completion.

## Future Skill Sets

In the top trends that will reshape the world in the next 20 years, Dr James Canton states that there are five sets of skills that all employees will have to possess in order to achieve career success.

1. Family and community involvement, that is a commitment to values
2. Higher education
3. Acquiring and maintaining current science and technology skills
4. Financial awareness and financial skills
5. A positive outlook for the future

## Technology and its Impact on Future Skill Sets

The development and impact of technology in everyday life is unrelenting and changing many paradigms, particularly in the business world. Technoglobalism describes this situation of rapid developments in information and communication technology.

The capacity of employees to be technologically literate and astute has never been such a critically important issue. This is because:

1. The process known as disintermediation. This occurs where technology reduces and eliminates much work in middle management and white-collar employment.
2. Global competition is forcing organisations to outsource jobs to offshore locations and;
3. Emerging technology is creating more portable work, enhancing communications and facilitating real-time information.

By the year 2010, the majority of manual and clerical occupations will have diminished as organisations will employ significantly more employees from the IT industry. They will be under intense pressure to obtain the benefits that technology has to offer. This changing pattern will only serve to further exacerbate the skills shortage and threats to productivity that the global economy is currently experiencing.

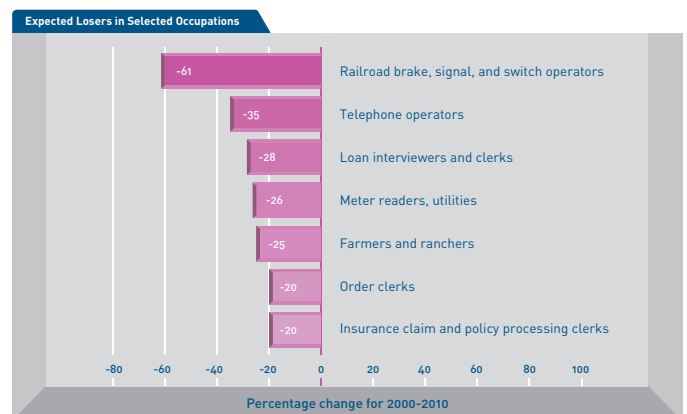
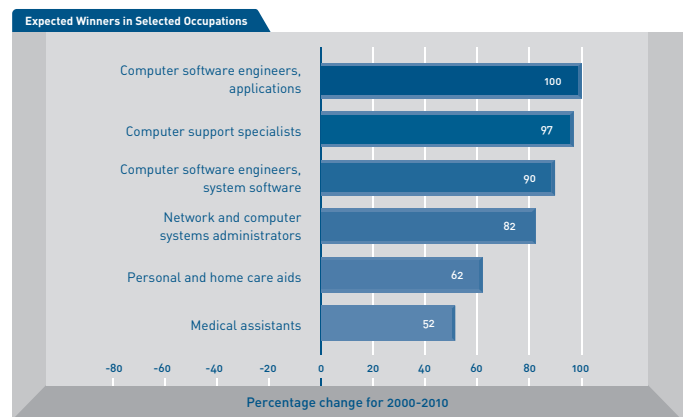


Figure 4: Winners and Changes in Selected Occupations: Percentage Change Forecasts for 2000-2010

Source: Future Global Trends 2007

## Future Workforce Risks

**“The key to workforce planning is to identify a problem far enough in advance to be able to target it and in doing so gain an advantage over your competitors.”**

Strack, Baier and Fahlander, HBR, 2008

The best line of attack is for organisations to survey their possibilities and to construct meaningful plans. According to Strack, Baier and Fahlander, current workforce trends are likely to cause two significant risks:

1. Capacity Risk
2. Productivity Risk

### 1. Capacity Risk

When employees leave an organisation, they take with them their wealth of knowledge, experience and corporate history. If organisations are unable to find suitable replacements, their operational ability will be severely compromised.

At a basic level, Capacity Risk can be assessed based on the following:

1. Gather data and information pertaining to the organisation’s current situation. The objective is to then gauge from this information the age distribution profile and anticipated workforce requirement needs.
2. Group together employees on a skills and functional basis. Where there is a considerable training lag, sufficient time and resources need to be allocated to train employees in the required skill to ensure continuity of productivity. This data collection stage will assist organisations to manage the issue of Capacity Risk.
3. Prepare and plan. Determine the greatest skill requirements. Estimate the number of employees available for each job skill and function over a determined period of time and gauge the future workforce demand for each job skill and function.

A diagrammatical example of this process is outlined below:

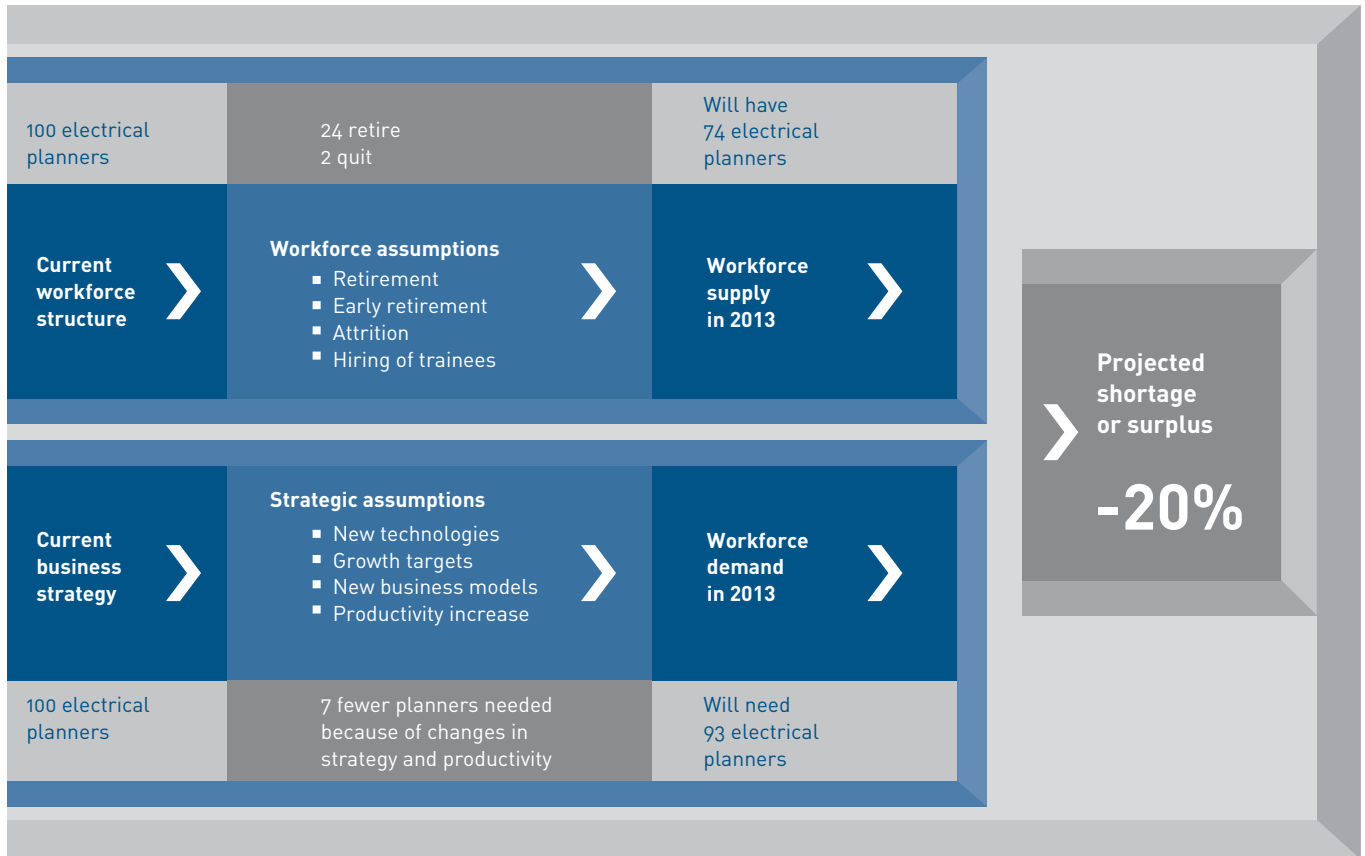


Figure 5: Process for Analysing Capacity Risk

Source: Strack, Baier and Fahlander, HBR, 2008

This type of analysis will establish to what degree an organisation is exposed to internal Capacity Risk by highlighting shortages or surpluses of employee skills and function.

Contemporaneously, an external environment scan will also need to be administered in order to identify any external threats that will potentially affect the organisation.

**RWE Power** found that they will face imminent shortages within the company for certain types of highly specialised engineers. They also found that significantly fewer of these engineers will enter the job market in the future. There will therefore be increasingly intense competition from large utility organisations.

## 2. Productivity Risk

Productivity Risk is a much more clear-cut assessment than Capacity Risk and is also prepared when identifying workforce threats to productivity. Employees are categorised according to their age and job function. It has been demonstrated that higher levels of productivity are usually associated with experience-based jobs. Productivity tends to suffer in physically demanding jobs by employee age.

Steps to Mitigate Productivity Risk:

1. Engage employees in ongoing relevant skillsbased training. In particular mature-aged employees need to have access to technology training.
2. Instigate roster days off to reduce absenteeism and to minimise injury by mature employees in physically demanding jobs.

## Key Recommendations

Skills shortages have a critical short term impact on organisational capacity and are a significant threat to profitability. Their impact can be mitigated or even obviated if organisations are able to implement some of the following recommendations.

### 1. Workforce Planning.

It is important to plan and manage Workforce Capacity and Productivity risks. This risks carrying out analytical and needs assessment tasks with your senior and middle management team. Data on employee intention to stay, retention issues, retirement plans and need for flexibility can be carried out by implementing an employee survey.

### 2. Training.

Quantum's survey action research demonstrates that investment in selection, employee involvement, recognition, training and career development are important drivers of Employee Engagement. Well trained employees possess the knowledge and skills necessary to increase productivity. They will have higher levels of engagement due to greater career opportunities. Mature-age employees with up-to-date skills are also more likely to remain with an organisation.

### 3. Outsource where possible.

Where temporary skills or labour shortages persist, organisations must make use of external services to alleviate this situation. Contractors or transfers can also provide organisations with the necessary capabilities to cope during surpluses and shortfalls.

### 4. Employee Engagement: Earnings per Share.

Quantum's Employee Engagement research demonstrates that organisations which have developed a critical mass of engaged employees increase their earnings per share by 2.4 times the rate of organisations with reduced engagement levels.

It is therefore critical to adapt and apply the right mix of management strategies and organisational values in order to foster employee discretionary effort or volition.

More information regarding Employee Engagement can be obtained by requesting a copy of Quantum's action research paper titled

**Engagement Index: How to Motivate and Retain Your Staff.**

Des Tubridy (Dr)

Director

**Quantum Management Indicators**

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### Future Client Briefings

1. September, 2008. Managing Employee Engagement: Attraction, Motivation and Retention. Developing Net Promoter Scores.
2. November, 2008. Employee Brand Alignment: Managing from the Inside Out
3. December, 2008. Internal Service Quality: Measuring & Monitoring your Service Performance

Your views and feedback are always welcome.  
Please feel free to call or email.



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