SHRM®
2004-2005
Workplace Forecast
A Strategic Outlook
SHRM®
2004-2005

Workplace Forecast
A Strategic Outlook

Jennifer Schramm
Manager, Workplace Trends and Forecasting

Survey data compiled by
Mary Elizabeth Burke
Survey Analyst, Survey Program

June 2004
About This Report

SHRM® Workplace Forecast: A Strategic Outlook is published every two years by the Society for Human Resource Management (SHRM). The structure of the 2004-2005 report is based on a survey of human resource professionals and their views on the key issues in demographics, economics, employment, international affairs, politics, society and science and technology that will have the greatest impact on the workplace in the next decade. It also features findings on the most important HR trends as reported by human resource professionals. The report is divided into sections covering each of these areas. Because some are related, several issues appear in more than one section. When this occurs, readers are referred to other sections. Though the structure of the report is built around the survey findings, the content is based on material gathered through environmental scanning, extensive literature reviews and interviews with experts carried out through SHRM’s Workplace Trends and Forecasting Program.

About SHRM

The Society for Human Resource Management is the world’s largest association devoted to human resource management. Representing more than 185,000 individual members, the Society’s mission is to serve the needs of HR professionals by providing the most essential and comprehensive resources available. As an influential voice, the Society’s mission is also to advance the human resource profession to ensure that HR is recognized as an essential partner in developing and executing organizational strategy. Founded in 1948, SHRM currently has more than 500 affiliated chapters and members in more than 100 countries. Visit SHRM Online at www.shrm.org.
About SHRM Research

SHRM Research, as part of the Knowledge Development division supporting SHRM and its members, produces high-quality, leading edge research and provides expertise on human resource and business issues. It acts as an advisor to SHRM for the purpose of advancing the HR profession and generates and publishes cutting edge research used by human resource professionals to develop their knowledge and to provide strategic direction to their organizations. As leading experts in the field of HR, the Research department works closely with leading academics, policy-makers and business leaders and is one of the public faces of SHRM’s knowledge and expertise.

About the Author

Jennifer Schramm, M.Phil., is the manager of the Workplace Trends and Forecasting Program at SHRM. Her responsibilities include writing and speaking on the effects of macrotrends such as demographics, technology, globalization and the economic and political environment on the workplace and the future of work. She can be reached by e-mail at trends@shrm.org.

Acknowledgements

Steve Williams, Ph.D., director of Research, provided valuable comments throughout the process. Mary Elizabeth Burke, survey analyst, designed the survey instrument and collected and analyzed the survey data. Jessica Collison, Survey Program manager, Letty Kluttz, knowledge manager, Karyn-Siobhan Robinson, HR Magazine staff writer, Mary Huttlinger, tax/benefits legislation manager, David Namura, state affairs manager, Sarah Pierce, employment legislation manager, Deb Cohen, vice president, Knowledge Development, all provided insightful suggestions and information on the human resource implications of wider socioeconomic and political trends.
Why Look at Trends?
The impact of broader trends on the workplace has always been important, but with the pace of change increasing, developments in society, politics, demographics and technology can sometimes seem to appear out of nowhere and yet have a major impact on business and working life. This makes it more important than ever for business leaders to be aware of wide-ranging trends and the implications they may have for the workplace. SHRM’s Workplace Trends and Forecasting Program aims to help HR professionals and other business leaders in this endeavor by providing information on key trends through publications such as this one and as part of SHRM’s larger research program.

About Environmental Scanning
Though the structure of this report is built around the survey findings of the key trends of most concern to HR professionals, most of the content was developed through the use of environmental scanning. This tool is used by futurists, business trends analysts and corporate issues management experts to identify emerging issues and trends. It involves collecting data from as wide an array of sources as possible in order to obtain the broadest scope of information. Though the collection of data can be systematic and the structures put in place for data gathering can be quite detailed, environmental scanning is always considered a subjective exercise since it involves making decisions about which kinds of information are most relevant and should be captured. For this reason, many organizations that use environmental scanning, including SHRM, rely on teams of individuals to collect data, so that information is viewed from a number of different perspectives. SHRM also solicits views about future trends from HR expert panels, opinion leaders and its membership through surveys and other research.

Survey Methodology
In conjunction with this report, SHRM conducted a survey on workplace trends in November 2003. The survey explored the issues and trends HR professionals expect to have the most impact in shaping the field of human resources in the next few years and the solutions HR professionals are using now to prepare to respond to these trends. The survey instrument was based on the instrument used in the 2002-2003 Workplace Forecast, then updated based on current workplace issues and trends.

A sample of 4,000 HR professionals was randomly selected from SHRM’s membership database, which consists of more than 185,000 members. Only members who had not participated in an SHRM survey or poll in the last six months were included in the sampling frame. Members who are students, consultants, academics, located internationally or have no e-mail address on file were also excluded from the sampling frame. Each member of the sample was sent an e-mail invitation containing a link that directed the participant to the online survey. Of these, 3,389 were successfully delivered to respondents, and 558 HR professionals responded, yielding an overall response rate of 17%.

Due to the length of the survey, the respondent pool was randomly split into two groups, with each group answering half of the survey questions. Therefore, each item in the survey was seen by between 267 and 291 HR professionals. The survey was fielded for a period of two weeks, and two e-mail reminders were sent to sample members in an effort to increase the response rate.
### Top 10 Trends Overall

1. Rise in health care costs – see Economics and Employment
2. Focus on domestic safety and security – see Politics
3. Use of technology to communicate with employees – see Science and Technology
4. Growing complexity of legal compliance – see HR Profession
5. Use of technology to perform transactional HR functions – see HR Profession
6. Focus on global security – see Politics
7. Preparing for the next wave of retirement and labor shortage – see HR Profession
8. Use and development of e-learning – see Science and Technology
9. Exporting of U.S. manufacturing jobs to developing countries – see International
10. Changing definition of family – see Society

Source: SHRM® 2004-2005 Workplace Forecast: A Strategic Outlook
According to the HR professionals surveyed, the most important demographic trends that will impact the workplace are (in order of importance):

#1 Aging of the Workforce
Almost all industrialized countries are experiencing a demographic shift as populations age. Most demographic experts estimate that the number of people over the age of 65 will double across industrialized countries over the next few decades. The impact this shift will have on the workplace is expected to be significant. According to most experts, an older population will mean a shrinking workforce once they retire, and economic output could decrease as a result. But though this view is widely accepted, it is by no means unanimous. Other experts believe that enough older people will continue to participate in the workforce and that this will make up for any shortfall of workers.

However, the participation of a large proportion of people over 65 in the workforce assumes that most will be healthy enough to be able to continue working. This may not be true. According to the World Health Organization (WHO), the United States has the lowest healthy life expectancy among industrialized nations (2001). Many baby boomers (those born between 1946 and 1964) who currently expect to continue working well into old age may not be able to as a result of chronic health conditions. Even those in good health may have caring responsibilities that make them unable to work. In spite of its poor showing in healthy life expectancy rates, the United States still has relatively high life expectancy rates. This means that although poor health could limit the number of older workers in the workforce, it will not eliminate the large numbers of individuals who will be relying on government retirement and health care programs.

According to SHRM research on job satisfaction in 2004 (Esen, 2004), for older workers, benefits, feeling safe in the workplace and job security are the top factors in determining job satisfaction (see Figure 1). But these factors are becoming increasingly difficult for employers to guarantee. Both health care benefits for retirees and traditional pension plans are decreasing. In an uncertain economy, many jobs that were previously considered safe could now be vulnerable to the offshoring trend. As a result, job security will also be difficult to guarantee. This could lead to a potential increase in job dissatisfaction. A key issue that remains
uncertain is how important work/life balance will be to older workers. Currently it does not rate very high as a critical factor for workers aged 56 and older. According to the SHRM research on job satisfaction, work/life balance is of most importance to younger workers. But older workers may focus more on work/life balance if they are working beyond the traditional retirement age. See also Society section.

#2 Growth in the Number of Workers With Eldercare Responsibilities

As a result of the aging population, the number of employees with eldercare responsibilities is expected to grow. This will apply to both male and female employees. According to a 2003 Metlife study, men are just as likely as women to report they are the primary caregiver for the elderly, with the need to modify their work schedules. In addition, more men than women are long-distance caregivers, meaning they live an hour or more away from the care recipient. Men are less likely than women to feel comfortable about discussing their responsibilities with colleagues and supervisors and may be less likely to get support as a result.

<table>
<thead>
<tr>
<th>AGE</th>
<th>FIRST</th>
<th>SECOND</th>
<th>THIRD</th>
<th>FOURTH</th>
<th>FIFTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>35 and Younger</td>
<td>Benefits</td>
<td>Compensation/ Pay</td>
<td>Feeling Safe</td>
<td>Work/ Life Balance</td>
<td>Job Security</td>
</tr>
<tr>
<td>36 to 55</td>
<td>Benefits</td>
<td>Compensation/ Pay</td>
<td>Feeling Safe</td>
<td>Work/ Life Balance</td>
<td>Job Security</td>
</tr>
<tr>
<td>56 and Older</td>
<td>Benefits</td>
<td>Feeling Safe</td>
<td>Job Security</td>
<td>Communication</td>
<td>Compensation/ Pay</td>
</tr>
</tbody>
</table>

Source: SHRM® 2004 Benefits Survey Report

Figure 1

Top Five “Very Important” Job Satisfaction Aspects for Employees by Age

<table>
<thead>
<tr>
<th>AGE</th>
<th>FIRST</th>
<th>SECOND</th>
<th>THIRD</th>
<th>FOURTH</th>
<th>FIFTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>35 and Younger</td>
<td>Benefits</td>
<td>Compensation/ Pay</td>
<td>Feeling Safe</td>
<td>Work/ Life Balance</td>
<td>Job Security</td>
</tr>
<tr>
<td>36 to 55</td>
<td>Benefits</td>
<td>Compensation/ Pay</td>
<td>Feeling Safe</td>
<td>Work/ Life Balance</td>
<td>Job Security</td>
</tr>
<tr>
<td>56 and Older</td>
<td>Benefits</td>
<td>Feeling Safe</td>
<td>Job Security</td>
<td>Communication</td>
<td>Compensation/ Pay</td>
</tr>
</tbody>
</table>

Source: SHRM®/CNNfn Job Satisfaction Survey Report 2004

Figure 2

Employers Offering Childcare and Eldercare Benefits

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidized cost of childcare</td>
<td>4.4%</td>
</tr>
<tr>
<td>Paid childcare</td>
<td>0.2%</td>
</tr>
<tr>
<td>On-site childcare center</td>
<td>4.2%</td>
</tr>
<tr>
<td>Companiesupported childcare center</td>
<td>3.5%</td>
</tr>
<tr>
<td>Subsidized cost of eldercare</td>
<td>1.5%</td>
</tr>
<tr>
<td>Paid eldercare</td>
<td>0%</td>
</tr>
<tr>
<td>On-site eldercare center</td>
<td>0.4%</td>
</tr>
<tr>
<td>Companiesupported eldercare center</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

Source: SHRM® 2004 Benefits Survey Report

Because this issue will affect so many employees, some experts believe that eldercare issues will eclipse childcare as a major workplace benefit. But when examined more closely, this may be an exaggeration, not the least because childcare is itself not a major benefit in most organizations. According
to the SHRM® 2004 Benefits Survey Report (Burke, 2004), less than 5% of employers subsidize childcare and only 1.5% offer subsidized eldercare services (see Figure 2).

**#3 Growth in the Number of Employees With Both Childcare and Eldercare Responsibilities**

However, the level of importance of both childcare and eldercare benefits could grow exponentially if a large proportion of the workforce is caught up in the so-called “sandwich” generation—those employees who have both childcare and eldercare responsibilities at the same time. Demographic experts expect this type of situation to become more common, as the largest growing segment of the elderly population are people over the age of 85, who are most likely to need care. Increased responsibility for caring for aging parents may have implications on the time and resources employees have available to care for children, and this could raise the demand for eldercare and childcare at the same time.

**#4 Changing Family Patterns in the United States**

Another issue that will impact caregiving, along with many other aspects, is the changing structure of the family. Responsibility for both childcare and eldercare at the same time may be more common among single parents, and these responsibilities will demand a greater amount of time from those who have no one to share them with.

The growing number of couples without children and single-person households is another major demographic shift. According to the Census Bureau’s most recent estimates in 2000, nearly 26% of Americans now live alone and unmarried adults now head half of all households. Almost half of the nation’s employees are unmarried, and this percentage is likely to continue to grow. Eventually there could be fewer married workers in the workforce than single workers. This could precipitate backlash among single employees against employee benefits that appear to be aimed solely at married employees or employees with children. See also Society section.

**#5 Increase in Unskilled Workforce**

A lack of skilled workers over the coming decades is a key concern for HR practitioners because of their central role in recruiting. However, not only companies but also individuals and countries will all be competing on the basis of skills. The skills bar will continually be raised as more countries enter the knowledge economy and are able to provide highly skilled workers for low wages. Education trends indicate that HR practitioners are right to be concerned. The number of workers in the prime age category who have attended college is not expected to increase over the coming decades, even though demand for highly educated workers will continue to grow.

Because many of the jobs on the Bureau of Labor Statistics’ list of fastest growing occupations over the coming decade are high-tech jobs, which some experts believe are more easily exported than other kinds of jobs, this mismatch of education levels to business demands will be a significant issue and could encourage further offshoring of white-collar work. See also Society section.

**#6 Generational Issues**

Experts believe several factors could contribute to a clash of generations in the workplace over the coming decades. Some of these factors will depend on whether the baby boomers will, in fact, continue to work beyond retirement age, as research suggests they intend to do, or whether, for a variety of reasons, they will retire at the traditional age. If they stay on past retirement age, this could mean the generations that follow have fewer opportunities to advance. This would be most likely to affect those born in the late 1960s and 1970s, or Generation X; the baby boomers are likely to be a much smaller presence in the workplace during the younger Generation Y’s prime earning years. Some industries or sectors may be more likely than others to be affected by such a trend, as retirement ages may vary depending on the types of jobs.

Younger generations are also likely to be more diverse, both racially and culturally. A large proportion of the increase in the population of racial and ethnic groups, such as Asian-Americans and Hispanic-Americans, is made up of young people. Young people also make up a larger proportion of immigrants. Therefore, if immigration continues at current levels or is stepped up to supplement any potential worker shortage, racial and cultural diversity among young people will be further intensified.
Some experts believe that the presence of these different generations at work and the growing dominance of Generations X and Y as the baby boomers begin to exit the workforce could create a cultural shift in the workplace. According to a 10-year study on generational values in the workplace published by Bruce Tulgan in 2003, this cultural change boils down to six key factors:

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 the most important people in the workplace.
6. Supervising employees now requires more time and skill on the part of managers.

According to Tulgan, these issues are now fully entrenched within the workplace culture and the values that first appeared among Generation X are becoming the new norm.

However, this does not necessarily mean an increase in generational conflict. SHRM’s 2004 research on generational differences indicates that most HR professionals have not seen an increase in generational conflict in the workplace and do not expect it to increase in the next five years (Burke, 2004). See also HR Profession section.

#7 Hispanics Now the Largest Minority Group in the United States

The Census Bureau announced in 2003 that Hispanics are now the nation’s largest minority group and account for the majority of births in California. The impact of this shift will continue to be felt across the coming decades. One important factor will be voting patterns. Currently, because the Hispanic population contains so many people under the age of 18 and non-U.S. citizens, as a group, Hispanics do not yet yield a tremendous amount of voting leverage. But this may change as a larger proportion of the Hispanic community becomes eligible to vote. Currently most Hispanics in the census count were born in the United States but are still too young to vote. As this age group reaches voting age, the political influence of Hispanic-Americans could increase dramatically. See also Society section.

#8 High Rates of Immigration

Though rules governing the granting of visas to foreigners have become more stringent following the terrorist attacks of September 11th, immigration to the United States is expected to increase over the coming decades as a response to the anticipated dwindling numbers of U.S. workers. The demand is expected to be particularly high for highly skilled and educated knowledge workers. The United States may be competing with other industrialized countries facing far more significant worker shortfalls of their own. Some leaders in education and business worry that more restrictive rules could mean fewer foreign students and science and technology workers coming from abroad, especially when they will be in such high demand in other high-wage countries. This could also potentially influence the kinds of jobs that are offshored; if greater numbers of skilled international workers settle in other countries, some jobs may follow. See also Society section.

#9 Growth in the Number of Employees With Childcare Responsibilities

According to the Bureau of Labor Statistics, the number of women of childbearing age in the labor force and the number of children under five years of age are expected to rise gradually over the coming decade (U.S. Census Bureau, 2002). This indicates a likely increase in the number of employees with childcare responsibilities, though perhaps more gradual than some HR practitioners are expecting.

A key issue here may be a shift in expectations related to the sharing of childrearing responsibilities between men and women, and this could influence the importance of work/life balance for both genders. For example, a 2003 Newsweek poll found that 34% of men would consider quitting their jobs or reducing their hours if their wives earned more money (Tye and McGinn, 2003). Most experts believe that younger men from Generations X and Y are even more likely to reduce hours or even quit working altogether in order to raise children. This shift is reflected in the findings of SHRM’s most recent job satisfaction survey.
(Esen, 2004). Though a higher percentage of women than men report work/life balance as a very important aspect of job satisfaction, it actually appeared higher on men’s list of critical factors than it did on women’s list (see Figure 3). This could indicate that the workplace is moving into an era where men and women will be equally concerned with work/life balance. As a result, this concern will be even more significant than it has been in the past with more widespread changes. See also Society section.

#10 Increase in Age Discrimination Litigation
Most HR practitioners are expecting an increase in age discrimination litigation as a result of greater numbers of older workers in the workplace. The Supreme Court ruled in February 2004 that companies can favor older workers (defined as workers over 40 years of age, though in this case the workers receiving the benefits were over 50), establishing that federal age-discrimination laws do not apply in the case of older workers receiving special benefits. But with increased age diversity in the workplace and with access to benefits, especially health care benefits, age discrimination issues will continue to be debated.

Other Demographic Trends to Watch

Population Shifts
As the population grows more diverse, neighborhoods are changing to reflect this shift. Ethnic and racial populations that were once concentrated in urban areas are increasingly moving to suburban areas. This means that although ethnic diversity is usually associated with the large cities of the Northeast, it is increasingly becoming the norm across the United States, especially in the growing cities of the Sunbelt region (states in the West and the Southeast). The continuing boom of the Sunbelt region is another key demographic trend, as illustrated in Figure 4. Demographic experts expect the most job growth to occur in this part of the country due to expanding service and high-tech industries. Cities and regions will increasingly compete for knowledge workers who have become critical to the prosperity of cities. City planning and investment are likely to reflect this goal. Differences in immigration, age differentials and urban development between states may contribute to a growing political divide between states.

Religious Diversity
Changes in immigration patterns will mean continued growth of religious diversity, and this will be reflected in the diversity strategies of employers. Disputes over providing religious accommodation in the workplace have increased, and complaints alleging religious discrimination have risen 75% in the past decade, according to figures from the U.S. Equal Employment Opportunity Commission (Lerner, 2004). This is in contrast to race-based charges that have declined over the same time period. The number of complaints alleging religious discrimination is expected to rise along with increasing religious diversity.

Increase in the Number of Individuals With Disabilities
Risk of many different kinds of disabilities increases with age, so an increase in the number of elderly across the industrialized world will likely also mean a rise in the number of individuals with disabilities. This may be particularly true in the United States where levels of chronic disease are higher than in many other industrialized countries. Both policy-makers and employers will need to step up

![Figure 3](image-url)
efforts to bridge the digital divide between individuals with disabilities and an increasingly technology-driven workplace. In many cases, technology already exists that can enable individuals with disabilities to participate fully in the workplace—the real barrier is a lack of awareness of these technologies on the part of employers. It will be up to HR practitioners to build this awareness in their organizations. As enabling technology develops, the expectations of what constitutes reasonable accommodation will be higher, and employers will need to keep up with these changes or risk discrimination claims.

<table>
<thead>
<tr>
<th>METROAREA</th>
<th>JOB GROWTH 2003-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Las Vegas, NV</td>
<td>47.7%</td>
</tr>
<tr>
<td>Orlando, FL</td>
<td>31.9%</td>
</tr>
<tr>
<td>West Palm Beach, FL</td>
<td>28.7%</td>
</tr>
<tr>
<td>Ft. Lauderdale, FL</td>
<td>25.7%</td>
</tr>
<tr>
<td>Riverside, CA</td>
<td>25.6%</td>
</tr>
<tr>
<td>Phoenix, AZ</td>
<td>25.3%</td>
</tr>
<tr>
<td>Jacksonville, FL</td>
<td>24.8%</td>
</tr>
<tr>
<td>Tampa, FL</td>
<td>24.4%</td>
</tr>
<tr>
<td>Raleigh-Durham, NC</td>
<td>24.0%</td>
</tr>
<tr>
<td>Sacramento, CA</td>
<td>23.7%</td>
</tr>
<tr>
<td>Austin, TX</td>
<td>22.9%</td>
</tr>
<tr>
<td>Charlotte, NC</td>
<td>20.4%</td>
</tr>
<tr>
<td>Atlanta, GA</td>
<td>19.8%</td>
</tr>
<tr>
<td>San Diego, CA</td>
<td>19.2%</td>
</tr>
<tr>
<td>Washington, DC</td>
<td>18.5%</td>
</tr>
<tr>
<td>Dallas, TX</td>
<td>17.4%</td>
</tr>
<tr>
<td>Oakland, CA</td>
<td>17.3%</td>
</tr>
<tr>
<td>Miami, FL</td>
<td>16.5%</td>
</tr>
<tr>
<td>Denver, CO</td>
<td>16.5%</td>
</tr>
<tr>
<td>Orange County, CA</td>
<td>16.4%</td>
</tr>
</tbody>
</table>

HR practitioners will be called upon to determine to what extent these demographic trends will impact their particular organization. Because each workplace is unique, some trends may have a bigger impact than others. For example, the aging workforce and issues related to succession planning may be absolutely crucial in sectors such as government, where large numbers of baby boomers are expected to retire around the same time, but less critical in industries that are dominated by younger workers such as the high-tech sector. Likewise, in sectors where professional qualifications are being obtained predominantly by women, employers may need to reexamine recruitment and retention practices to respond to this shift.

Making the most of an increasingly diverse workforce will be a major responsibility of HR professionals, whether through installing enabling technology for employees with disabilities, offering language training for non-native English speaking employees or finding incentives to bring retirees back into the workplace. Another critical issue will be finding ways to attract and retain key knowledge workers. Here aspects such as location, investment in training and development and offering of customized benefits packages to employees may become more important as a result.

### Figure 5  Actions HR Professionals Are Taking in Response to Demographic Trends

<table>
<thead>
<tr>
<th>Action</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investing more in training and development to boost employee skill levels</td>
<td>82%</td>
</tr>
<tr>
<td>Succession planning</td>
<td>67%</td>
</tr>
<tr>
<td>Training line managers to recognize and respond to generational differences</td>
<td>48%</td>
</tr>
<tr>
<td>Bringing retirees back into the workforce</td>
<td>41%</td>
</tr>
<tr>
<td>Offering customized benefits packages to employees</td>
<td>38%</td>
</tr>
<tr>
<td>Conducting studies to determine projected demographic makeup of organization's workforce</td>
<td>36%</td>
</tr>
<tr>
<td>Conducting studies to determine projected retirement rates in the organization</td>
<td>34%</td>
</tr>
<tr>
<td>Changing employment practices to address the issue of discrimination against individuals with disabilities</td>
<td>31%</td>
</tr>
<tr>
<td>Offering employment options designed to attract or retain semiretired workers</td>
<td>31%</td>
</tr>
<tr>
<td>Offering employment options designed to attract and retain Generations X and Y</td>
<td>30%</td>
</tr>
<tr>
<td>Changing employment practices to address the issue of age discrimination</td>
<td>29%</td>
</tr>
<tr>
<td>Changing employment practices to address the issue of racial discrimination</td>
<td>29%</td>
</tr>
<tr>
<td>Offering language courses for employees</td>
<td>28%</td>
</tr>
<tr>
<td>Changing employment practices to address the issue of discrimination based on sexual orientation</td>
<td>28%</td>
</tr>
<tr>
<td>Changing health and safety policies to reflect changing language needs of the workforce</td>
<td>27%</td>
</tr>
<tr>
<td>Changing employment practices to address the issue of discrimination based on ethnicity</td>
<td>27%</td>
</tr>
<tr>
<td>Changing employment practices to address the issue of gender discrimination</td>
<td>26%</td>
</tr>
<tr>
<td>Changing employment practices to address the issue of religious discrimination</td>
<td>25%</td>
</tr>
<tr>
<td>Offering language courses for managers</td>
<td>24%</td>
</tr>
<tr>
<td>Changing health and safety policies to reflect the aging of the workforce</td>
<td>24%</td>
</tr>
<tr>
<td>Moving business to a different location</td>
<td>20%</td>
</tr>
<tr>
<td>Using retirees as mentors</td>
<td>15%</td>
</tr>
</tbody>
</table>

Source: SHRM® 2004-2005 Workplace Forecast: A Strategic Outlook
According to the HR professionals surveyed, the most important economic trends that will impact the workplace are (in order of importance):

#1 Rise in Health Care Costs
The continuous rise in health care costs is the most important economic trend, as well as the most important overall trend, that concerns HR professionals. This is not surprising given HR’s central role in managing health care coverage for employees. The economic impact of rising health care costs is far reaching. Many economists believe the sharp rise in health care costs is the main nonwage labor cost that threatens to inhibit national economic growth. And though some health care analysts believe that less expensive generic and over-the-counter drugs will offset other costs somewhat, most believe this is not enough to make a major impact overall. The manufacturing industry, in particular, cites rising health care costs as one of the main reasons why structural costs in the United States are now outpacing even those of high-wage countries such as Canada and the United Kingdom.

Employers shifted more health care costs onto employees in 2003. If employers feel forced to transfer even more of the financial burden of health care onto employees, they run the risk of contributing to the growing tension between employers and employees surrounding this issue. This is evidenced in increasing incidences of strike action resulting from disputes over health care benefits. As some large employers and small businesses are dropping out of the health care market entirely, a larger proportion of private health care costs are being shouldered by a subset of medium and large employers. If this continues, bringing with it higher structural costs that undercut U.S. competitiveness, the debate about health care could begin to change radically. Ideas on universal health care coverage or rationing health care may be more widely and seriously debated in both the business and political arenas. See also Employment section.

#2 Greater Demand for High-Skilled Workers Compared With Low-Skilled Workers
Most of the HR professionals surveyed believe that there will be a much greater demand for high-skilled workers than for low-skilled workers. This is supported by estimates by the Bureau of Labor Statistics and other job forecasters that indicate that job growth will be concentrated...

---

**Key Economic Trends**

1. Rise in health care costs
2. Greater demand for high-skilled workers compared with low-skilled workers
3. Labor shortage
4. Rise in retiree benefit costs
5. Corporate downsizing and bankruptcies
6. Rise in cost of pensions
7. Changes in corporate governance as a result of scandals
8. Economic uncertainty
9. Change from manufacturing to information/service or knowledge economy
10. Mergers and acquisitions activity

Source: SHRM® 2004-2005 Workplace Forecast: A Strategic Outlook
in high-skilled sectors such as education, health services, and professional and business sectors (see Figure 6).

However, a few labor market analysts believe that these estimates may be overstated. Some estimate that only around 20% of those actively working in the United States could be considered knowledge workers and predict only a 2% increase in the proportionate share of knowledge workers in the United States by 2010, compared with the 26% increase predicted by the Bureau of Labor Statistics. Related to this is the observation that college-educated workers made up almost 20% of the long-term unemployed (those out of work for six months or longer) in 2003 (Brown and Heskith, 2003).

These divergent estimates are one reason behind disagreements on the best policy response to the offshoring trend; education and retraining initiatives may be insufficient if the jobs being sent abroad are already in the highest skills brackets. These disagreements over the numbers of knowledge workers could also be a reflection of the growing complexity of the labor market. It could be that demand for skilled employees will vary greatly depending on the sector and how vulnerable certain professions are to offshoring.

#3 Labor Shortage
Even when taking into account later ages for retirement, most job projection estimates show that the generations moving up through the workforce are not large enough to replace the generations—particularly the large baby boom generation—that will be leaving it. The Bureau of Labor Statistics uses a 14.8% increase in its projections of the number of available jobs in 2012 (growth between 1990 and 2000 was 17%) (BLS, 2004). By this measurement, there will be around 21 million new jobs with only 17 million new entrants to the workforce. The growing offshoring trend could, however, offset some of these projections as even conservative estimates show at least three million jobs being exported within the same time frame. For this reason, a skills shortage may be more likely than a labor shortage.

#4 Rise in Retiree Benefit Costs
Most experts agree that fewer retirees can expect to rely on employer-sponsored retiree health care coverage in the future than those in years past. The rise in these costs has already prompted many employers to discontinue offering retiree health care benefits. This will put added pressure on Medicare, but could have the biggest impact on those individuals who discontinue working before they are eligible to receive Medicare.

Fewer retirees receiving employer-sponsored health care coverage could also mean an increase in older adults without any health care coverage whatsoever. For this group, a major illness could mean the loss of savings.

The Retirement Confidence Survey from the Employee Benefit Research Institute (Helman and Paladino, 2004) finds many Americans are not saving enough for retirement. A loss of retiree benefits could exacerbate this problem, with many individuals basing their savings on the assumption that employer-sponsored retiree benefits will be available to them when they are no longer working, only to find later that these benefits are not offered.

#5 Corporate Downsizing and Bankruptcies
The most recent economic recession prompted a debate among economists over whether structural changes in the economy have created new conditions that are influencing hiring patterns and unemployment rates during periods of economic recovery. Some economists believe an extended period of higher unemployment after recession is a reflection of such structural changes, and this has meant that employment rates respond less to cyclical hiring patterns and depend much more on job creation than in past economic recoveries. If this turns out to be the case, future recessions may bring more long-term unemployment. There are also some indications that long-term unemployment is affecting more workers with college degrees than in the past.

#6 Rise in Cost of Pensions
Companies continue to struggle with pension plan costs in spite of gains in the economy in the first half of 2004. Many pension funds have become underfunded as the amount of benefits has exceeded pension fund assets. Pressure is also on the government’s Pension Benefit Guaranty Corporation (PBGC), the agency that takes over pension plans that have ended. The PBGC has two main
## Figure 6: Employment by Major Occupational Groups, 2002 and projected 2012

(numbers in Thousands of Jobs)

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Number 2002</th>
<th>Number 2012</th>
<th>% Change 2002</th>
<th>% Change 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total, all occupations</td>
<td>144,014</td>
<td>165,319</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Management occupations</td>
<td>10,056</td>
<td>11,277</td>
<td>7.0%</td>
<td>6.8%</td>
</tr>
<tr>
<td>Business and financial operations occupations</td>
<td>5,445</td>
<td>6,606</td>
<td>3.8%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Professional and related occupations</td>
<td>27,687</td>
<td>34,147</td>
<td>19.2%</td>
<td>20.7%</td>
</tr>
<tr>
<td>Computer and mathematical occupations</td>
<td>3,018</td>
<td>4,069</td>
<td>2.1%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Architecture and engineering occupations</td>
<td>2,587</td>
<td>2,809</td>
<td>1.8%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Life, physical and social science occupations</td>
<td>1,237</td>
<td>1,450</td>
<td>0.9%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Community and social services occupations</td>
<td>2,190</td>
<td>2,764</td>
<td>1.5%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Legal occupations</td>
<td>1,168</td>
<td>1,357</td>
<td>0.8%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Education, training and library occupations</td>
<td>8,530</td>
<td>10,639</td>
<td>5.9%</td>
<td>6.4%</td>
</tr>
<tr>
<td>Arts, design, entertainment, sports and media occupations</td>
<td>2,376</td>
<td>2,769</td>
<td>1.7%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Health care practitioners and technical occupations</td>
<td>6,580</td>
<td>8,288</td>
<td>4.6%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Service occupations</td>
<td>26,569</td>
<td>31,905</td>
<td>18.5%</td>
<td>19.3%</td>
</tr>
<tr>
<td>Health care support occupations</td>
<td>3,310</td>
<td>4,452</td>
<td>2.3%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Protective service occupations</td>
<td>3,116</td>
<td>3,885</td>
<td>2.2%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Food preparation and serving related occupations</td>
<td>10,200</td>
<td>11,807</td>
<td>7.1%</td>
<td>7.1%</td>
</tr>
<tr>
<td>Building and grounds cleaning and maintenance occupations</td>
<td>5,485</td>
<td>6,386</td>
<td>3.8%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Personal care and service occupations</td>
<td>4,458</td>
<td>5,375</td>
<td>3.1%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Sales and related occupations</td>
<td>15,260</td>
<td>17,231</td>
<td>10.6%</td>
<td>10.4%</td>
</tr>
<tr>
<td>Office and administrative support occupations</td>
<td>23,851</td>
<td>25,464</td>
<td>16.6%</td>
<td>15.4%</td>
</tr>
<tr>
<td>Farming, fishing and forestry occupations</td>
<td>1,072</td>
<td>1,107</td>
<td>0.7%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Construction and extraction occupations</td>
<td>7,292</td>
<td>8,388</td>
<td>5.1%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Installation, maintenance and repair occupations</td>
<td>5,696</td>
<td>6,472</td>
<td>4.0%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Production occupations</td>
<td>11,258</td>
<td>11,612</td>
<td>7.8%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Transportation and material moving occupations</td>
<td>9,828</td>
<td>11,111</td>
<td>6.8%</td>
<td>6.7%</td>
</tr>
</tbody>
</table>

Note: Detail may not equal total or 100% due to rounding.
pension insurance programs. The single-employer program protects about 34.5 million workers and retirees in about 29,500 pension plans. The multiemployer program protects more than 9.7 million workers and retirees in about 1,600 pension plans. As of March 2004, the PBGC’s insurance program for single employers alone was already reporting an unaudited deficit of $9.7 billion, while the multiemployer deficit was around $150 million. This creates a risk that the PBGC itself could collapse if enough employer-sponsored pension plans fold. For this reason, many pensions analysts and politicians are advocating for a comprehensive reform to the way the PBGC is funded.

#7 Changes in Corporate Governance as a Result of Scandals

Companies have already made many changes to corporate governance because of the accounting scandals over the past few years, beginning with Enron. A key area has been the relationship between management and boards of directors. According to a report from PricewaterhouseCoopers’ Management Barometer (2004), U.S. multinational companies have made sweeping changes to corporate governance in response to the Sarbanes-Oxley Act of 2002 aimed at reforming public accounting and protecting investors. Of those senior executives surveyed, 88% said that directors at their company are expected to have more input on a variety of issues and 73% reported that their board will be more vocal on risk identification and risk management. Other changes included the establishment of “whistleblower” complaint processes, changes or improvements in the skill sets of the audit committee and increased self-assessment. As illustrated in Figure 7, the survey also found increased board involvement in auditor independence issues, reviewing quarterly earnings, code of conduct and other areas.

The SHRM®/Ethics Resource Center 2003 Business Ethics Survey (Joseph and Esen, 2003) sheds light on HR professionals’ role in addressing ethical issues within their organizations. About four out of five of those surveyed said that their organization has a written ethics policy. But though most surveyed (83%) were positive about the extent to which employees in their organizations follow these ethical standards, over half (52%) said they felt at least some pressure to compromise their organization’s...
ethics policy. However, there was also a large decline in the ethical misconduct observed, compared with the 1997 survey, as noted in Figure 8. This might indicate that the guidelines and processes put into place as a reaction to scandals have started to take effect. Policies and practices will continue to adjust to the implementation of laws, while proposals could develop in response to any new scandals on the horizon.

#8 Economic Uncertainty
The interlinking of global economic and political levels of stability intensifies economic uncertainty. One area this has an important impact on is hiring patterns, wages and promotions, but it has also affected other investment decisions such as new product development or expansion plans. As the economy picks up, some business analysts predict an increase in risk taking among corporate leaders, while others believe that continuing political uncertainty and economic factors such as oil prices could continue to steer CEOs’ focus toward short-term goals.

#9 Change From Manufacturing to Information/Service or Knowledge Economy
Though economists agree on the relative decline of the manufacturing sector, they distinguish the service economy from the information or knowledge economy. For example, many service economy jobs are in the low-skilled bracket with corresponding low wages, whereas information or knowledge jobs tend to be more high-paying. A shift away from the manufacturing sector means that many workers who were able to earn relatively high wages in low-skilled factory jobs may have to turn to service jobs with less job security and fewer benefits. Overall, this shift means a greater emphasis on education and skills. Increased job specialization is likely to demand a greater investment in training and education on the part of both the individual and employers.

#10 Mergers and Acquisitions Activity
An improved economic environment has meant a revival of mergers and acquisitions (M&A) activity. For some employees this increased M&A activity may add to feelings of uncertainty and fear of job loss, compounded by the offshoring trend and (at the time of writing this report) weaker than expected employment rates. But if employment rates continue to improve, the impact of increased M&A activity on employee satisfaction at the broad level may be more limited.

Other Economic Trends to Watch

Offshoring
Though once thought of as a threat only to manufacturing workers, offshoring increasingly involves white-collar jobs with relatively high wages. Current trends indicate that offshoring is spreading to more industries and is moving higher up the skills ladder. Estimates of the number of jobs that could potentially be offshored in the next 10 to 15 years range from three to 14 million. The highest projection comes from a study from the University of California at Berkeley that compares the types of jobs already being offshored with the number of jobs within the economy that are similar enough to indicate that they could also be vulnerable. Though the researchers stress that the 14 million figure is the very maximum level estimated, the way these numbers were calculated highlights the changing characteristics of jobs now vulnerable to the offshoring trend (see Figure 9) (Bardham and Kroll, 2003).

HR may find itself at the center of an increasingly contentious debate about the implications of offshoring for both businesses and employees and will be involved in offshoring at both the decision-making level and, more commonly, at the implementation level. Most importantly, HR professionals will be dealing with the aftermath of offshoring—its impact on employee morale, recruitment and retention—and this may pose its greatest challenge. See also International section.

Productivity
The use of technology and its resulting efficiency gains have been central to the debate on productivity, though there has been disagreement over how much technology is responsible for productivity gains. High rates of productivity are generally associated with low unemployment rates, although recent commentators on the so-called jobless recovery have
suggested that rapidly rising productivity rates may lead to a decreased need for additional workers. Because it is not yet fully understood what is behind the so-called productivity miracle (i.e., continually rising productivity rates) in the United States, formulating policies designed to sustain productivity may be challenging. One area that both policy-makers and businesses will be focusing on is skills—not only skills development but also the importance of flexibility in quickly bridging skills gaps as they arise.

Federal Deficit
If the federal deficit continues to rise, interest rates may be increased in order to attract domestic and foreign investors. Higher interest rates dampen economic growth; but with structural employment costs rising, employers depend on high rates of growth to maintain profits. As a result, HR professionals should expect even more pressure to find ways to bring these structural costs down, particularly health care costs. See also Politics section.

Increased Personal Debt and Diminished Savings
Some employers are responding to low levels of retirement planning among their employees by offering educational programs on saving for retirement. But complicating low savings rates are increasing levels of individual debt. Increased rates of debt are offsetting many of the savings that employees are putting aside. Some employers are responding to this by providing financial counseling programs specifically designed for employees who are struggling with debt. As problems associated with low rates of savings and high individual debt become more critical as a larger proportion of the workforce approaches retirement age, these kinds of employer-sponsored programs could become more common.

Workplace Security Costs
SHRM’s latest research on job satisfaction in 2004 shows a surge in the importance employees place on feeling safe in the workplace, as illustrated in Figure 10 (Esen, 2004). This has become a top issue for employees, but many employers and HR professionals may not yet be aware of its relative importance. Even without this awareness, current events and increasing concern about security overall are likely to translate into higher spending on security.

---

### Figure 9

**U.S. Employment in Occupations at Risk to Outsourcing**

<table>
<thead>
<tr>
<th>SECTORS</th>
<th>2001 EMPLOYMENT</th>
<th>2001 AVERAGE ANNUAL SALARY</th>
</tr>
</thead>
<tbody>
<tr>
<td>All occupations (total U.S. employment)</td>
<td>127,980,410</td>
<td>$34,020</td>
</tr>
<tr>
<td><strong>Occupations at Risk of Outsourcing</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office support*</td>
<td>8,637,900</td>
<td>$29,791</td>
</tr>
<tr>
<td>Computer operations</td>
<td>177,990</td>
<td>$30,780</td>
</tr>
<tr>
<td>Data entry keyers</td>
<td>405,000</td>
<td>$22,740</td>
</tr>
<tr>
<td>Business and financial support**</td>
<td>2,153,480</td>
<td>$52,559</td>
</tr>
<tr>
<td>Computer and math professionals</td>
<td>2,825,870</td>
<td>$60,350</td>
</tr>
<tr>
<td>Paralegals and legal assistants</td>
<td>183,550</td>
<td>$39,220</td>
</tr>
<tr>
<td>Diagnostic support services</td>
<td>168,240</td>
<td>$38,860</td>
</tr>
<tr>
<td>Medical transcriptionists</td>
<td>94,090</td>
<td>$27,020</td>
</tr>
<tr>
<td><strong>Total in Outsourcing Risk Occupations</strong></td>
<td>14,063,130</td>
<td>$39,361</td>
</tr>
<tr>
<td><strong>Percent of all occupations</strong></td>
<td></td>
<td>11.0%</td>
</tr>
</tbody>
</table>

* Office support aggregates data from 22 detailed office and administrative support categories.
** Business and financial support aggregates data from 10 detailed business and financial occupations.
Figure 10  Importance of Feeling Safe in Work Environment 2002 and 2003 (by Employees)

- 2002 (Number of Respondents = 604)
- 2003 (Number of Respondents = 602)

0% 10% 20% 30% 40% 50% 60% 70%

Very Important  - 1%
Unimportant  - 0%
Neither Important nor Unimportant  - 2%
Important  - 8%
Very Important  - 15%

2002:
- Very Important: 1%
- Important: 8%
- Neither Important nor Unimportant: 15%
- Neither Important nor Unimportant: 2%

2003:
- Very Important: 62%
- Important: 31%
- Neither Important nor Unimportant: 36%
- Neither Important nor Unimportant: 0%

Note: Percentages may not total 100% due to rounding.
Source: SHRM®/Ethics Resource Center 2003 Business Ethics Survey
Economic Changes and the Workplace: Implications for HR

In a knowledge-based economy, many of the most important business investments involve investing in personnel, putting HR professionals at the center of some of the most important economic debates of our time. What to do about health care costs spiraling out of control? How to find retirement planning solutions that are sustainable and fair? These are broad-based policy issues that HR professionals have been grappling with on a practical level for many years. Issues related to human capital and people management are now among the most important challenges in business, bringing the expertise of HR professionals to the core not only of business but also of national economic competitiveness. So, for example, as health care costs continue to rise, the experience of HR professionals will be needed not only to find ways to save costs within their own organizations but also to help uncover ways to improve the system at a more fundamental level. This is true of many other key economic issues such as pensions reform, skills development, changes to corporate governance and, more recently, the offshoring trend. Understanding the broader business and societal implications of these trends will be crucial to understanding how to address their resulting challenges at the organizational level and will require HR professionals to be well informed about macroeconomic developments while taking a more active role in the debate on national economic policies development.

<table>
<thead>
<tr>
<th>Action</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing investment in recruiting and retaining highly specialized knowledge workers</td>
<td>65%</td>
</tr>
<tr>
<td>Laying off workers/shrinking size of workforce</td>
<td>51%</td>
</tr>
<tr>
<td>Decreasing health care benefits</td>
<td>46%</td>
</tr>
<tr>
<td>Making changes to corporate governance practices</td>
<td>43%</td>
</tr>
<tr>
<td>Hiring workers/increasing size of workforce</td>
<td>37%</td>
</tr>
<tr>
<td>Making changes to executive compensation determination process</td>
<td>33%</td>
</tr>
<tr>
<td>Decreasing retiree health care benefits</td>
<td>24%</td>
</tr>
<tr>
<td>Decreasing pension contributions</td>
<td>19%</td>
</tr>
</tbody>
</table>

Source: SHRM® 2004-2005 Workplace Forecast: A Strategic Outlook
According to the HR professionals surveyed, the most important employment trends that will impact the workplace are (in order of importance):

#1 Rise in Health Care Costs
The rise in health care costs is the number one issue of concern for HR practitioners overall and when they are asked about economic or employment trends. As one of the biggest challenges to employers and as a key HR responsibility, it is likely that the search for ways to cut health care costs will continue to occupy much of the HR professionals’ time and effort. SHRM recently conducted a survey of HR professionals on how their organizations are responding to rising health care costs. Though almost all respondents worked at organizations that offered some form of health care coverage, 75% had changed their health care plan design over the past year (Collison, 2004). As illustrated in Figure 12, the overwhelming reason for these changes was the rising costs to the employer.

Employers are aware that health care coverage is a major factor in attracting and retaining employees. SHRM research on job satisfaction and job benefits (Esen, 2003) showed that employees consider health care coverage the most important benefit in determining their level of satisfaction with their employers. For this reason, it is unlikely that many employers will consider eliminating health care coverage entirely. However, the continuation of adjustments to health care plans is likely to occur in response to rising costs. Cost is the number one factor employers consider when evaluating health care plans—far above demographic health trends and quality of treatment.

Options such as health care savings accounts, or HSAs (savings accounts that are tax-deferred with tax-free withdrawals when used for medical expenses), though frequently mentioned in the debate on health care, are currently not under consideration for most organizations, and there is unlikely to be a major take-up over the next few years. According to the SHRM survey (Collison, 2004), the majority of HR professionals have no plans to offer a Health Care Savings Account. However, on issues such as supporting legal changes that allow employees to band together to purchase health care coverage, HR professionals show overwhelming support. Another area of agreement is the importance of prevention. More employers are trying to offer programs, usually through their Employee Assistance Programs, that will help prevent major illnesses. It is in these areas, where agreement is strong, that

---

**Key Employment Trends**

1. Rise in health care costs
2. Lower HR-staff-to-employee ratios
3. Employee demand for flexible work schedules
4. Managing talent
5. Workplace privacy concerns of employees
6. Linking pay and performance
7. Telecommuting
8. Employee demands for customized employment relationships
9. Greater demand for time off
10. Backlash against managed care

Source: SHRM® 2004-2005 Workplace Forecast: A Strategic Outlook
the most change may occur over the next few years. See also the Economics section.

#2 Lower HR-Staff-to-Employee Ratios

Though lower staff-to-employee ratios were a key concern of the HR professionals surveyed, according to the Bureau of National Affairs (BNA)/SHRM collaborative research (2003), the ratio of HR staff to employees actually increased slightly over 2003. This was most likely due to workforce reductions. HR staff levels may not have adjusted to the lower employee levels due to the need for HR staff to manage issues arising from layoffs or hiring freezes. Anecdotal evidence from HR recruitment advertising levels indicates that hiring in the HR sector is picking up. However, at the time of this report, hiring levels overall have not reached prerecession levels. As hiring levels pick up again, this adjustment is likely to take place, but the slow change over the past few years indicates that the trend may take some time to develop. Pressure for higher productivity from the human resource function, as well as the development of trends such as outsourcing, will play a key role in laying the groundwork for the potential decrease in HR-staff-to-employee ratio, but increased emphasis on deriving the most value from human capital could also work to counterbalance this trend.

#3 Employee Demand for Flexible Work Schedules

SHRM research findings on job satisfaction support the view that there will be increased demand for flexible work schedules from employees (Esen, 2004). The flexibility to balance work and life was one of the top five most important job satisfaction factors when SHRM began surveying employees on job satisfaction in 2003. However, the 2004 survey showed that it is now one of the top five factors for both men and women and actually ranks higher on men’s lists than women’s. This could be the result of a greater

---

Figure 12 Reasons for Changing Health Care Plan Design

Note: Number of respondents is based on those whose organizations offer health care coverage and have changed its health care plan design over the last two years (2002-2003). Percentages do not add up to 100% as multiple responses were allowed.

Source: SHRM® Health Care Survey Report
proportion of the workforce now being made up of men and women from Generations X and Y (that is, employees born after 1965). Other studies indicate that these younger generations emphasize work/life balance more than past generations. A key facet of this is men’s attitudes toward the work/life balance issue. Research shows that younger men are more likely to focus on work/life balance; as these generations move up through the workforce, we are likely to see an increased demand for flexible work schedules. See also the Demographics and Society sections.

#4 Managing Talent
Job satisfaction factors will continue to play an important role in managing talent, another key issue that HR practitioners are focusing on for the future. This is not only a concern for HR practitioners but also for boardroom leaders, according to the Conference Board’s recent survey of CEOs (2003). The continuing shift away from a manufacturing to a knowledge-based economy creates an even greater need to find ways to motivate employees when traditional measures of productivity may be difficult to apply. The importance of this shared challenge will be one of the most important ways in which HR’s strategic value is demonstrated. An important facet of this will be finding improved ways to show that responsibilities such as performance appraisals, administration of compensation and benefits, and recruitment and succession planning can be measured and evaluated in financial terms. As measurement evolves, comparative research will be better able to show which human resource and people management practices have the biggest impact on the bottom line. Though this is already occurring to some extent, more robust forms of measurement could give a more detailed view and also make it easier to use HR functions more strategically by adapting them to fit different business contexts.

#5 Workplace Privacy Concerns of Employees
Currently there are few laws in the United States limiting employers’ monitoring of employee electronic communications. The national debate over privacy has focused on the relationship between the government and the citizen and the role of privacy in this relationship, but there is a growing awareness of employee concerns with workplace privacy. Currently much attention is focused on electronic communications, but privacy matters related to background checks in the aftermath of September 11th may also generate concern, while issues such as drug testing will continue to be important.

International laws on privacy may also have an impact. Privacy legislation related to employment is much more comprehensive in Europe and involves issues such as employee e-mail monitoring and tracking software. In many cases employees must give their consent before employers can use certain types of employee data. There could be some spillover from European privacy laws that will affect U.S. businesses. For example, because most unsolicited digital communications, known as spam, originate in the United States, European Commission privacy rules that require companies to get consent before sending an e-mail or tracking personal data on Web sites will directly impact many U.S. businesses, as the ruling applies to spam sent from anywhere in the world. Rules on data collection from Web sites will also have an impact on many U.S. companies. Global businesses with operations in Europe could adjust their company privacy policies worldwide to comply with EU law, and some changes to employee privacy in the United States may be implemented as a result.

The debate on employee privacy will continue because of other key issues such as credit checking and the rise of identity theft, which is increasingly involving the theft of employee data. See Science and Technology section for more information on identity theft.

#6 Linking Pay and Performance
Organizations are increasingly trying to link pay to performance, but doing this effectively may continue to be a challenge for a number of reasons. Linking CEO pay to performance, for example, has been difficult for most major corporations to implement effectively. As the economy shifts toward knowledge-based jobs, traditional measures of productivity grow more complex. The shift away from hourly wages and overtime to knowledge-based salaried jobs means that more wage increases will be evaluated annually. This may be particularly true if the number of jobs affected by the changes to the Labor Department’s plan to overhaul overtime is larger than predicted. Because the
change in an annual salary is often only by a small percentage, it could be difficult for many managers to apply performance-based pay in a way that is motivating. For this reason, many companies are adopting annual incentive systems based around team or companywide goals, and this type of strategy could become more popular.

#7 Telecommuting
According to an SHRM survey on benefits in 2004, the number of employers offering telecommuting on both a full- and part-time basis has not increased greatly over the last few years, despite technological improvements such as a more robust infrastructure for high-speed Internet access (Burke). This suggests that the uptake of telecommuting could be more related to people management issues than technological capabilities, and for this reason, we may continue to see a somewhat subdued increase in telecommuting over the next few years.

Equally important will be the growth of sectors that are most conducive to telecommuting, which could influence the demographics of telecommuters. Though demand for flexible working arrangements may be greater among women due to caring responsibilities (though this is debatable considering the growing demand for work/life balance from men), more men may be employed in technology-heavy sectors that are potentially more conducive to telecommuting. If these kinds of jobs represent a major proportion of job growth, this could make telecommuting more common. A growth in knowledge-based jobs, for example, is likely to support an increase in at least part-time telecommuting. And with employee demand for flexible working arrangements likely to increase over the coming years as a result of the importance Generations X and Y place on work/life balance, managers may be forced to adopt these types of benefits (see Figure 13), especially if the labor market is tight and recruitment is more difficult.

#8 Employee Demands for Customized Employment Relationships
Though demand for customized employment relationships, or work arrangements uniquely tailored to the individual and his or her specific job responsibilities, is likely to

<table>
<thead>
<tr>
<th>Figure 13 Work/Life Balance Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NUMBER OF RESPONDENTS</strong></td>
</tr>
<tr>
<td>Flextime*</td>
</tr>
<tr>
<td>Family leave above required federal FMLA leave</td>
</tr>
<tr>
<td>Telecommuting on a part-time basis</td>
</tr>
<tr>
<td>Compressed workweek*</td>
</tr>
<tr>
<td>Bring child to work in an emergency</td>
</tr>
<tr>
<td>Family leave above required state FMLA leave</td>
</tr>
<tr>
<td>Paid family leave</td>
</tr>
<tr>
<td>Parental leave above and beyond FMLA</td>
</tr>
<tr>
<td>Telecommuting on a full-time basis</td>
</tr>
<tr>
<td>Job sharing*</td>
</tr>
<tr>
<td>Eldercare leave above and beyond FMLA</td>
</tr>
<tr>
<td>Emergency/sick childcare</td>
</tr>
<tr>
<td>Emergency eldercare</td>
</tr>
</tbody>
</table>

* Less than 1%
† Indicates that an organization is planning to offer this benefit in the next 12 months
* Allowing employees to choose their work hours within limits established by the employer
* Allowing full-time employees to work longer days for part of the week or pay period in exchange for shorter days or a day off each week or pay period
* Two employees sharing the responsibilities, accountability and compensation of one full-time job

Note: Percentages are row percentages and may not total 100% due to rounding.

Source: SHRM® 2004 Benefits Survey Report
increase due to greater emphasis on work/life balance from both women and men, the labor market will probably determine the extent to which employers respond to this demand. Some employment analysts point out that for a number of years, there has been strong demand from women with families and caregiving responsibilities for part-time work arrangements, but these continue to be clustered around lower-level positions. If those predicting a skills shortage are right, employees will be well-placed to make these demands. Women, in particular, will be well-positioned due to their increasingly high education and professional degree attainment levels. However, if the labor market is relatively slack, there could be continued resistance among employers to accommodate employee demands for fewer hours or unusual working arrangements.

#9 Greater Demand for Time Off

According to an SHRM survey on job benefits and job satisfaction, the most important benefit for employees, not surprisingly, is health care (see Figure 14) (Esen, 2003). What is somewhat surprising is that the second most important benefit was paid time off and not 401(k) or other retirement savings assistance. Part of this is probably due to changing workplace demographics. Generations X and Y, who are now beginning to represent a larger proportion of the workforce, have consistently been shown to place emphasis on autonomy over their own time.

Another factor could be the globalization of work, and with it, a growing awareness of how the United States compares to other countries when it comes to paid time off (see Figure 15). With paid time off as a major benefit, especially for younger workers, this consideration could be significant as countries compete to attract young knowledge workers in an international labor market. Most people are aware that the United States is the only industrialized country without a legally mandated minimum of paid vacation and one of only a handful of countries worldwide without paid sick leave, but increasingly, many U.S. workers—particularly high-skilled knowledge workers—have actually lived and worked abroad and experienced the alternative firsthand. It amounts to a difference of nearly three months compared with European countries and several weeks compared with countries such as Japan and China. Here again, this issue, along with many other potential employee demands, could largely depend on the labor market. Employers will clearly be more willing to change policies to meet the demand for more time off from employees if...
they are having difficulty finding and retaining these high-quality employees in the first place.

**#10 Backlash Against Managed Care**

Continued rising health care costs could fuel perceptions that managed health care is proving inadequate at keeping health care costs down. According to a survey conducted by the Managed Care Information Center (MCIC, 2003), almost 80% of respondents thought that soaring health care premiums pose a threat to managed care and could provoke a significant employer backlash. With costs continuing to rise, this possibility could become more likely.

---

### Other Employment Trends to Watch

#### Job Turnover

Many labor market analysts are expecting a marked increase in turnover as soon as the job market fully recovers (at the time of this report, most states’ job numbers have not yet reached prerecession levels). Turnover may be higher than HR professionals are expecting. An SHRM/CareerJournal.com survey in September 2003 found that a much larger percentage of employees expected high job turnover than HR professionals—64% compared with 12% (Collison and Burke, 2003). However, since then, more media attention has focused on expected turnover rates, and the numbers are likely to be much closer.

#### Changes in Union Membership

Total union membership numbers continue to fall. This is likely to continue to prompt changes in member recruitment strategies. Targeting white-collar workers, particularly those affected by the offshoring trend, for union membership will be a significant drive. Other targeted groups include women, immigrants and service sector workers.

#### Rise in White-Collar Employment

### Litigation Involving Working Conditions

The past few years have seen a continuous increase in the number of suits brought forward relating to age and religious discrimination. But an interesting trend that is less publicized is the rise in cases involving working conditions of white-collar workers. These generally involve issues of time at work and overtime—in some cases, this involves employees classified as exempt suing for overtime. With so much emphasis on time-related issues, as evidenced from SHRM research on job satisfaction and benefits that shows an increased demand for time off and flexible working hours, we could continue to see an increase in these kinds of cases.

---

**Figure 15**

Average Vacation (by Country)

<table>
<thead>
<tr>
<th>Country</th>
<th>Days by Law</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>20</td>
<td>25</td>
</tr>
<tr>
<td>Austria</td>
<td>25</td>
<td>30</td>
</tr>
<tr>
<td>Belgium</td>
<td>20</td>
<td>24</td>
</tr>
<tr>
<td>Brazil</td>
<td>24-30</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Denmark</td>
<td>25</td>
<td>30</td>
</tr>
<tr>
<td>Finland</td>
<td>24</td>
<td>25</td>
</tr>
<tr>
<td>France</td>
<td>25</td>
<td>25-30</td>
</tr>
<tr>
<td>Germany</td>
<td>24</td>
<td>30</td>
</tr>
<tr>
<td>Greece</td>
<td>20</td>
<td>23</td>
</tr>
<tr>
<td>Ireland</td>
<td>20</td>
<td>28</td>
</tr>
<tr>
<td>Italy</td>
<td>20</td>
<td>30</td>
</tr>
<tr>
<td>Japan</td>
<td>10</td>
<td>17.5</td>
</tr>
<tr>
<td>Netherlands</td>
<td>20</td>
<td>25</td>
</tr>
<tr>
<td>Norway</td>
<td>21</td>
<td>30</td>
</tr>
<tr>
<td>Portugal</td>
<td>22</td>
<td>25</td>
</tr>
<tr>
<td>Spain</td>
<td>25</td>
<td>30</td>
</tr>
<tr>
<td>Sweden</td>
<td>25</td>
<td>25-35</td>
</tr>
<tr>
<td>Switzerland</td>
<td>20</td>
<td>25-30</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>20</td>
<td>25</td>
</tr>
<tr>
<td>United States</td>
<td>0</td>
<td>10.2</td>
</tr>
</tbody>
</table>

Employment Trends and the Workplace: Implications for HR

A mixture of social, demographic and economic changes is emphasizing a few key areas where HR practitioners will be focusing much of their attention. Health care is obviously one of the most important. Not only are health care costs damaging U.S. competitiveness by raising structural costs to levels beyond even those of high-wage countries, but demographic changes indicate that the system will be under even more pressure in the coming years. HR practitioners will feel this pressure from both employers and employees as they attempt to find solutions to spiraling costs.

Human resource professionals will also need to meet the growing challenge of accommodating the demands of an increasingly diverse workforce. Though this diversity will continue to include issues such as ethnic, religious and generational differences, life-stage issues such as caring responsibilities could put pressure on HR professionals to provide benefits and work arrangements that are more customized, flexible and possibly more generous, especially in relation to paid time off. HR professionals will also need to be aware of privacy concerns of employees and broader political and social trends that could impact privacy laws.

Management trends that emphasize performance are likely to put greater pressure on the HR function to demonstrate its ability to measure the effectiveness of specific human resource practices, while greater pressure from shareholders to link CEO pay and performance could have an influence on executive compensation strategies.

### Figure 16
**Actions HR Professionals Are Taking in Response to Employment Trends**

<table>
<thead>
<tr>
<th>Action</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing spending on learning and training initiatives</td>
<td>63%</td>
</tr>
<tr>
<td>Increasing use of flextime</td>
<td>49%</td>
</tr>
<tr>
<td>Increasing use of customized employee benefits packages</td>
<td>39%</td>
</tr>
<tr>
<td>Decreasing health care benefits</td>
<td>39%</td>
</tr>
<tr>
<td>Increasing employee electronic surveillance</td>
<td>36%</td>
</tr>
<tr>
<td>Increasing use of contingent workers</td>
<td>34%</td>
</tr>
<tr>
<td>Increasing use of telecommuting</td>
<td>33%</td>
</tr>
<tr>
<td>Cutting back on HR staff</td>
<td>33%</td>
</tr>
<tr>
<td>Increasing health care benefits</td>
<td>30%</td>
</tr>
<tr>
<td>Increasing time off for employees</td>
<td>19%</td>
</tr>
<tr>
<td>Increasing HR staff</td>
<td>18%</td>
</tr>
<tr>
<td>Decreasing use of contingent workers</td>
<td>13%</td>
</tr>
<tr>
<td>Decreasing time off for employees</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: SHRM® 2004-2005 Workplace Forecast: A Strategic Outlook
According to the HR professionals surveyed, the most important international trends that will impact the workplace are (in order of importance):

#1 Exporting of U.S. Manufacturing Jobs to Other Countries

In the offshoring debate, much of the focus has recently been on the export of white-collar jobs, perhaps because for so long they seemed protected from the globalization of the labor market. But the loss of manufacturing jobs is equally profound and may be even more critical when considering issues such as the stability of the American middle class or national security issues. Some worry that the loss of manufacturing jobs could remove the main gateway to the middle class, particularly for individuals without high skills or education levels. Some trade analysts contend that the loss of manufacturing jobs is largely the result of trade policy, while others believe that a global labor market is simply shifting the types of jobs that dominate different countries and do not advocate changes in trade policy. The loss of manufacturing jobs, though politically charged, may ultimately only result in policy changes if there is a strong enough impact on both unemployment rates and the economic status of the middle class to transform itself into pressure from voters onto political leaders. This is closely linked to the issue of labor market fluctuations, in particular, the potential for labor shortages in industrialized countries where the working-age population is expected to shrink. This decline could make developing countries where the labor pool is predicted to remain both cheap and abundant even more attractive to manufacturers.

There are, however, indications that political pressure to change policies, especially trade policies, is having some influence. Though this may currently be limited to political rhetoric and some minor changes to state laws regarding outsourcing of government contracts, continued pressure could result in more dramatic and wide-ranging policy changes. One area of particular concern could be security of data. Issues such as proprietary technology, intellectual property and data theft have national defense strategists sufficiently concerned to begin debating the impact of a potential loss of U.S. control over its own supply chains. With the continuing war on terror and emphasis on national security, this could be one area where policy changes are most likely. See also Economics section.
#2 Exporting of U.S. White-Collar Jobs to Other Countries

Even more than the loss of manufacturing jobs, the offshoring of white-collar jobs has had an electrifying effect on the debate around U.S. trade and economic policies. The offshoring of white-collar jobs is viewed by many as both an economic and a social phenomenon with far-reaching implications for national competitiveness.

The main area of contention is whether the United States can generate enough new jobs to compensate for those being sent overseas. As noted in the economics section of this report, most economists do not advocate a shift to protectionist trade policies because they believe the cost savings generated through offshoring will ultimately benefit the economy in the long term. With this in mind, the debate is likely to focus around two questions: how much does offshoring really benefit the U.S. economy overall, and to what extent, if any, will this economic advantage be reflected in U.S. jobs market?

For many international businesses, the cost savings offered by offshoring have eclipsed the overarching national debate, and the real issue is not whether to offshore, but rather how to do it in a way that maximizes financial gains while minimizing any negative backlash from consumers. For companies without direct consumer contact, the latter may not be a significant consideration. For others, particularly large retailers, this issue could become a major focus of branding strategy.

For those businesses that do contract out overseas or set up operations abroad, the most critical issue will be in deciding where to invest. This will involve factoring in a number of considerations, such as economic and political stability, tech infrastructure and skills levels of the national or regional workforce (see Figure 17). Managing these complex factors is a challenge. As a result, many business-consulting companies are building up business units geared around helping clients manage the offshoring process. See also the Economics section.

#3 Security Concerns Regarding Expatriate Employees

The threat of terrorism is focusing attention on the safety of expatriate employees. The war in Iraq and the resulting casualties among civilian contractors of many different nationalities have added to the heightened emphasis on the dangers of overseas work assignments. Though most organizations do not have employees located in regions that are at war, even businesses with operations in peaceful, wealthy nations have to contend with a growing wave of anti-American sentiment and the increased vulnerability of expatriate staff as a result. There have been predictions of increased difficulty in convincing employees to accept overseas assignments due to career conflicts for dual-earner couples. This could be exacerbated if growing security concerns make quality of life less favorable for expatriate families.

#4 Desire of Organizations to Expand Into the Global Marketplace

Many economists argue that a key benefit of the offshoring trend is that it will help develop a middle class in the recipient countries, and this will, in turn, create new markets for U.S. products and services. This, along with other trends, including information and communication technologies that create a growing awareness of international products and global trends, as well as added competitive pressures,
means that companies will increasingly attempt to capture more customers by looking at markets beyond national borders.

#5 Pressure for Development of Global Labor Standards
Activists for the development of global labor standards have generally been acting on behalf of workers in poor and developing nations. But the debate on offshoring is shifting this emphasis away from protecting vulnerable workers in poor countries to protecting U.S. jobs from the so-called “race to the bottom.” This could significantly change both the character and the participants of the movement to establish global labor standards. Policymakers are already reflecting this paradigm shift. Wary of proposing protectionist economic policies but under voter pressure to address the offshoring issue, some politicians are emphasizing the need for a “level playing field” through the development of minimum global labor standards.

#6 Heightened Awareness of Cultural Differences
HR professionals are often a bridge between cultures as the business function responsible for unifying cultures in mergers and acquisitions, resolving employee disputes and ensuring that their organizations do not behave in a discriminatory manner. As such, HR has a keen awareness of the relevance of cultural differences. Internationally, cultural differences have been highlighted in the international political arena, but for HR professionals these cultural differences are most critical in day-to-day working life. As a result, the importance of cultural sensitivity will continue to grow alongside increased ethnic, religious, generational and racial diversity.

#7 Growing Ethnic and Regional Tensions
Regional problems, particularly in the Middle East, are a key concern. Perhaps more important than an expectation that ethnic and regional tensions will rise is the belief that these conflicts will have a more pronounced impact on U.S. interests than they might have in the past. With a

### Figure 17: Composite Offshoring “Attractiveness” Scores (by Country)*

<table>
<thead>
<tr>
<th>Country</th>
<th>Cost</th>
<th>Environment</th>
<th>People</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>3.4</td>
<td>1.6</td>
<td>2.3</td>
</tr>
<tr>
<td>Canada</td>
<td>1.5</td>
<td>2.6</td>
<td>2.1</td>
</tr>
<tr>
<td>Mexico</td>
<td>3.0</td>
<td>1.9</td>
<td>1.3</td>
</tr>
<tr>
<td>Brazil</td>
<td>3.1</td>
<td>1.8</td>
<td>1.2</td>
</tr>
<tr>
<td>Hungary</td>
<td>3.1</td>
<td>1.6</td>
<td>1.1</td>
</tr>
<tr>
<td>Ireland</td>
<td>1.8</td>
<td>2.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Australia</td>
<td>2.0</td>
<td>2.3</td>
<td>1.4</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>3.1</td>
<td>1.6</td>
<td>1.0</td>
</tr>
<tr>
<td>Philippines</td>
<td>2.9</td>
<td>1.7</td>
<td>1.1</td>
</tr>
<tr>
<td>Russia</td>
<td>3.1</td>
<td>1.4</td>
<td>1.1</td>
</tr>
<tr>
<td>China</td>
<td>3.1</td>
<td>1.1</td>
<td>1.0</td>
</tr>
</tbody>
</table>

Note: Higher scores indicate higher levels of attractiveness.

*Scoring methodology reviewed and confirmed by leading industry analysts.

large U.S. military presence in the Middle East, this clearly applies to military and political concerns. Business and economic concerns are also likely to be significantly influenced due to greater U.S. investment overseas through supply chain partnerships and overseas operations or due to reliance on natural resources from unstable countries.

#8 Anti-Americanism
Research indicates that unfavorable views of the United States are in the majority in most Muslim countries, as well as many other countries, including traditional U.S. allies such as France and Germany, as illustrated in Figure 18. Though in many places unfavorable views of the United States as a country do not equate with unfavorable views of Americans themselves, anti-Americanism persists and may make U.S. companies the targets of consumer boycotts or, in the worst case, potential terrorist attack from extremist groups. As a result, U.S. businesses will continue to take precautions to ensure the safety of expatriate workers, and some may even change branding and marketing strategies so as to assume a less American brand association.

#9 Growing Economic Interdependence
Among the Countries of the World
Globalization has resulted in a growing interdependence among nations and the integration of the global economic system. Export-led economic growth among developing countries is more closely integrating them into the world economy, while industrialized nations are more likely to experience economic shocks as a result of occurrences in other countries. Regional economic alliances are also growing larger and more influential. This unification at the macroeconomic level is likely to continue to accelerate, along with the influence of international economic bodies such as the World Bank, International Labor Organization and the World Trade Organization.

#10 Influence of European-Wide Employment Laws Originating From the European Commission
Because Europe is a major trading partner and home to many foreign operations of U.S. companies, the influence of European employment law could grow significantly.

---

**Figure 18**: Rating of the United States Abroad

<table>
<thead>
<tr>
<th>Country</th>
<th>FAVORABLE</th>
<th>SOMEWHAT UNFAVORABLE</th>
<th>VERY UNFAVORABLE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>France</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>March 2004</td>
<td>37%</td>
<td>42%</td>
<td>20%</td>
</tr>
<tr>
<td>May 2003</td>
<td>43%</td>
<td>38%</td>
<td>19%</td>
</tr>
<tr>
<td>March 2003</td>
<td>31%</td>
<td>45%</td>
<td>22%</td>
</tr>
<tr>
<td>Summer 2002</td>
<td>63%</td>
<td>26%</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Germany</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>March 2004</td>
<td>38%</td>
<td>49%</td>
<td>10%</td>
</tr>
<tr>
<td>May 2003</td>
<td>45%</td>
<td>42%</td>
<td>12%</td>
</tr>
<tr>
<td>March 2003</td>
<td>25%</td>
<td>41%</td>
<td>30%</td>
</tr>
<tr>
<td>Summer 2002</td>
<td>61%</td>
<td>31%</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Jordan</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>March 2004</td>
<td>5%</td>
<td>26%</td>
<td>67%</td>
</tr>
<tr>
<td>May 2003</td>
<td>1%</td>
<td>16%</td>
<td>83%</td>
</tr>
<tr>
<td>Summer 2002</td>
<td>25%</td>
<td>18%</td>
<td>57%</td>
</tr>
<tr>
<td><strong>Pakistan</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>March 2004</td>
<td>21%</td>
<td>11%</td>
<td>50%</td>
</tr>
<tr>
<td>May 2003</td>
<td>13%</td>
<td>10%</td>
<td>71%</td>
</tr>
<tr>
<td>Summer 2002</td>
<td>10%</td>
<td>11%</td>
<td>58%</td>
</tr>
<tr>
<td><strong>Russia</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>March 2004</td>
<td>47%</td>
<td>29%</td>
<td>15%</td>
</tr>
<tr>
<td>May 2003</td>
<td>36%</td>
<td>32%</td>
<td>23%</td>
</tr>
<tr>
<td>March 2003</td>
<td>28%</td>
<td>43%</td>
<td>25%</td>
</tr>
<tr>
<td>Summer 2002</td>
<td>61%</td>
<td>27%</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Turkey</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>March 2004</td>
<td>30%</td>
<td>18%</td>
<td>45%</td>
</tr>
<tr>
<td>May 2003</td>
<td>15%</td>
<td>15%</td>
<td>68%</td>
</tr>
<tr>
<td>March 2003</td>
<td>12%</td>
<td>17%</td>
<td>67%</td>
</tr>
<tr>
<td>Summer 2002</td>
<td>30%</td>
<td>13%</td>
<td>42%</td>
</tr>
<tr>
<td><strong>United Kingdom</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>March 2004</td>
<td>58%</td>
<td>24%</td>
<td>10%</td>
</tr>
<tr>
<td>May 2003</td>
<td>70%</td>
<td>14%</td>
<td>12%</td>
</tr>
<tr>
<td>March 2003</td>
<td>48%</td>
<td>24%</td>
<td>16%</td>
</tr>
<tr>
<td>Summer 2002</td>
<td>75%</td>
<td>12%</td>
<td>4%</td>
</tr>
</tbody>
</table>

European courts may be more likely to rule against large corporations in cases involving competition law or working conditions. European employment law is also more widespread in areas such as employee privacy, vacation and leave policy, age and gender discrimination, employee information and consultation, and fixed-term worker rights. Age discrimination, for example, can apply to workers of all ages, not just older workers, provided they can prove that age was a determining factor in discriminatory hiring or employment practices and that occupational requirements do not justify exemptions. U.S. companies with operations in Europe will need to comply with these laws, and this could result in a spillover effect on some of the working practices within their U.S. operations.

**Other International Trends to Watch**

**Spread of Free Market Democracy**

Free market democracy is spreading across the globe as countries all over the world are moving to privatize markets and set up democratic institutions and governance. Up until recently, this movement toward democracy accompanied by free market capitalism was largely accepted as the best way to eliminate regional ethnic and religious conflict, and U.S. foreign policy has reflected this consensus. But some international observers are turning their attention to the potential role democracy could play in escalating regional conflicts by increasing the vulnerability of ethnic or religious minorities. As a result, the debate on U.S. foreign policy could grow more complex as well as more contentious both at home and abroad.

**Pronounced International Demographic Differences in Working Age Population**

The working-age population in industrialized countries is expected to shrink by 50 million workers by 2025. At the same time, the working-age population in developing countries is expected to increase by one billion. An abundance of working-age citizens could make many developing countries attractive offshoring destinations. This age imbalance could also have implications for immigration, consumption patterns and international politics.

**Access to Technology and the Digital Divide**

Much has been written about the digital divide between countries where access to information and communication technology and the Internet is widespread and those where it is almost nonexistent. Though this digital divide will continue to be of major importance, there is also a growing awareness of the importance of national infrastructures that support access to technology. Countries with active technology industries and dense populations tend to have an advantage when it comes to the percentage of the population with high-speed Internet access. These countries could have an edge when it comes to developing technologies that make use of broadband applications.

**Growing Demand and Competition for Access to Nonrenewable Natural Resources**

According to a report by the United Nations Environment Program, World Business Council for Sustainable Development and the World Resources Institute (2003), world energy production rose 42% between 1980 and 2000 and will grow 150-230% by 2050. Renewable resources such as solar or wind power accounted for less than 12% of today’s energy consumption. As energy consumption increases around the world, pressure on nonrenewable resources is likely to grow. This is likely to have the greatest impact on countries that either consume the most nonrenewable resources, such as the United States, or on poorer countries that are unable to afford them. It could also instigate regional tensions as issues such as water access or control over natural resources become more politically charged.

**Growing International Economic Power of Women**

According to the Center for Women’s Business Research (2004), nearly half of all U.S. privately-owned firms are 50% or more women-owned, accounting for 10.6 million firms, 19.1 million employees and nearly $2.5 trillion in sales. The research also found that women-owned businesses involved in international trade have higher growth rates than those that are primarily domestic. Women are becoming a major force as both entrepreneurs and employees in the United States and internationally. In developing
countries, aid agencies are focusing on helping women develop their own businesses through microloans, while in some industrialized, wealthy nations women are beginning to or already have surpassed men in the creation of small businesses. Women-owned businesses are also moving from small- to medium- and large-sized enterprises. The growth of women-owned businesses as well as greater economic power through more active participation at higher levels in the labor market will help women attain greater influence in both the political and the business world.

**Labor Market Mobility**

International trade and labor agreements may increase regional labor mobility between countries. The most obvious example today is the European Common Market, which allows for labor market mobility between European Union members. But other regional agreements, such as those in North America between the United States and Canada and Mexico, may eventually support greater labor market mobility between countries.

## International Trends and the Workplace: Implications for HR

International trends could have a profound impact on HR professionals, even those not working for international businesses. For those that do, HR could become increasingly involved in managing the offshoring process as well as its aftermath. HR professionals could also find themselves experiencing the offshoring trend on a more personal level. According to Jay Whitehead, publisher of HRO Today magazine, a publication that tracks outsourcing, at least 15% of U.S. HR jobs will be offshored by 2007 (Hira, 2003). HR professionals will also need to contend with heightened security for expatriate employees as well as the implications of employment law developed in other countries that have an impact on their company’s operations both at home and abroad. This growing complexity could call for new kinds of HR specialists and consultants.

### Figure 19  Actions HR Professionals Are Taking in Response to International Trends

<table>
<thead>
<tr>
<th>Action</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expanding into the global marketplace</td>
<td>36%</td>
</tr>
<tr>
<td>Giving more consideration to regional political issues when making decisions to invest abroad</td>
<td>27%</td>
</tr>
<tr>
<td>Increasing security for expatriate employees</td>
<td>21%</td>
</tr>
<tr>
<td>Exporting manufacturing jobs to developing countries</td>
<td>11%</td>
</tr>
<tr>
<td>Changing employment practice in response to European-wide employment laws originating from the European Union</td>
<td>10%</td>
</tr>
<tr>
<td>Exporting white-collar jobs to developing countries</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: SHRM® 2004-2005 Workplace Forecast: A Strategic Outlook
According to the HR professionals surveyed, the most important political trends that will impact the workplace are (in order of importance):

#1 Focus on Domestic Safety and Security
With events around the world continuing to emphasize the threat of terrorism, domestic safety and security are at the top of the political agenda. For employers, the focus is on ensuring the safety of employees, and this issue will remain of critical importance for the foreseeable future for several reasons. First, the threat of terrorism is real, and businesses are increasingly targeted. This may be particularly true for U.S. businesses with overseas operations that stand out as potential targets. According to SHRM/eePulse collaborative research done a year after the attacks of September 11th, the majority of employers changed security policies in the aftermath of 9/11 (Cohen, 2002). Employers are likely to continue to redesign their security measures as new threats arise. Technological advances could have a strong influence on the types of security measures implemented, while information management systems that aim to ensure employees do not pose a security threat could become more common for some types of organizations. Though many of these security measures will be driven by other trends, such as the rise in identity theft or workplace violence, others, such as certain kinds of disaster planning, will specifically aim to counteract threats from terrorism.

#2 Focus on Global Security
Global political developments are likely to continue to have a strong impact on both domestic politics and on U.S. business practices, particularly for U.S. businesses with a strong global presence. But the costs of military engagement in countries such as Iraq and Afghanistan and of increased security measures at home are likely to have a broader impact on the federal budget and contribute to a growing federal deficit. A key concern will continue to be the proliferation of weapons of mass destruction. Conflicts in the Middle East may also have an impact on oil prices, with resulting implications for the world economy. Globalization and the economic interdependence of countries have raised awareness of the international repercussions of regional conflicts. This may intensify pressure on businesses to lay the economic foundation for peace in the high-conflict areas where they operate through attempts to eliminate corrupt business practices, the raising of labor standards or investment in local infrastructure.
#3 Health Benefit Portability
Portable health benefits such as health savings accounts are an attempt to tailor health benefits to the needs of employees and reduce costs. Defined contribution health care plans, or consumer-driven or self-directed health care plans, are similar to defined contribution retirement plans in that they aim to empower employees, in this case, to invest in their own health care: the employee chooses his or her own health plan using money allocated from the employer. Health care analysts believe that these kinds of plans will represent a larger proportion of the market over the coming years, though they do not predict complete market dominance. A more competitive provider marketplace may help keep costs down and encourage the use of portable plans that shift responsibility for saving health care costs to the employee, but currently use of such plans is relatively low. In spite of the current low rates of usage, health care experts believe the use of these kinds of plans could have a major impact on the health care market overall.

#4 Health Care Reform
As health care costs continue to rise at double-digit rates, the impact on U.S. competitiveness is alarming business leaders. It is believed that structural costs—led largely by the cost of employee health coverage—add over 20% to the cost of doing business in the United States. The United States pays more per capita than any other country in the world for health care, yet it does not perform well in comparison to other countries, including Japan, Australia, Canada and most European countries, on many health care measures including infant mortality rates, rates of insured and of both health and life expectancy. Demographic trends, such as an increase in the number of the elderly, and social trends, such as a rise in mental health disorders, could add further pressure to the health care system. Though in the short term, companies may attempt to deal with rising costs through cost shifting to employees, there will be pressure on businesses to continue to provide comprehensive health care coverage. SHRM research on job satisfaction shows it is the benefit employees value far beyond any other (Esen, 2003). As options become more limited and as the impact of health care costs comes to be viewed as a major economic threat, all while the United States underperforms when compared with countries with lower costs, support for radical changes to health care could become stronger. But though there may be an increasing demand for a comprehensive national solution to the health care crisis, states may be the originators of some of the biggest changes in health care. Programs such as California’s so-called pay-or-play health care initiative or Maine’s Dirigo Health Program may influence the development of programs in other states. Businesses are also increasingly getting involved in the debate on a national health care system, and coalitions of large businesses will likely be a driving force in changes made to the system, regardless of how comprehensive they may be.

#5 Devolution of Power to States
Some of the most significant changes in employment law are emerging from state and even local governments. The power of states to influence law on a national level may also be increasing as policies emerging from one state spread to other states until a critical mass prompts a change in federal law. During the last economic downturn,
increased state responsibility for administering key programs meant that many states faced major budget shortfalls. However, this challenge is not expected to change the direction of the trend toward greater devolution, nor its growing influence to diminish. Though much of the attention has been on social programs and public works, for human resource professionals, greater regulatory control in employment law will continue to be the major area of concern. Other issues, such as the legalization of same-sex marriage, though originating in one state, may have national implications on broad range of issues, including some that have a direct impact on the workplace, such as employee benefits.

Changing demographics may mean that differences between states could grow stark. States with large numbers of immigrant populations, for example, are likely to have a younger workforce, while the growth of new urban areas around key research centers could influence the development of certain sectors such as high-tech and biotechnology. These changes are likely to influence the political priorities of key states, but could also change the national political landscape, possibly contributing to greater partisanship among the population as different states grapple with widely disparate sets of problems.

**#6 Increased Grassroots Pressure on Corporations to Change Specific Business Practices**

Greater awareness of labor practices in other countries and increased international activism have put pressure on companies to discontinue business practices that may appear to have a damaging impact on local communities or the environment. But many issues are adding to this trend. The scandals of the past few years have set forth the business case for ethical business practices—companies involved in the biggest scandals sustained major economic damage or collapsed entirely. Another issue is the growth of shareholder activists who are urging companies to change business practices that could later leave them open to liability. The growth of regional and international standards of corporate conduct makes this a greater possibility.

Companies that have already been targeted by activists for specific practices, such as companies accused of using foreign suppliers who operate under sweatshop conditions, have made significant changes to both their own labor practices and to the ways in which they outsource work and manage their supply chain. Because many of these targeted companies are major global players, their actions have a ripple effect across industries, and this could raise the bar for all companies.

**#7 Increased Political Partisanship Within Government**

There appears to be a growing perception that political debate within government has grown increasingly partisan. This may explain growing support for term limits or other actions aimed at preventing politicians from becoming too beholden to special interest groups or from speaking up against their own party when they disagree with the party line. Both Republicans and Democrats in Congress are less likely to differ from the party line than they were 20 years ago, and partisanship in congressional committees has also grown stronger in the last decade, making it less likely that the minority party is able to influence legislation. As a result, more extreme policies may be introduced, further polarizing the electorate. Redistricting is also creating an increased number of safe seats, and this is likely to create more extreme politics within Congress as politicians attempt to appease their own party activists who are less likely to be in the center. These trends could encourage the growth of partisanship within government, though there is less evidence that it is leading to more political partisanship within the electorate.

**#8 Balance of Power Through the 2004 Elections**

Changes in the balance of power can come down to just a few seats in Congress. The past few elections have been very close with small margins between the candidate parties, but the political result has been significant. The 2004 elections may have a similar effect, with Republicans currently holding a 12-seat majority in the House of Representatives and 51 of the 100 seats in the Senate, while the outcome of the presidential election will, of course, also have major implications. One area of particular importance will be a potential restructuring of the U.S. Supreme Court that could influence the liberal/conservative balance. The balance of power within state Legislatures could
also shift after the 2004 elections, and this could have an impact on the kinds of policies emerging from the states (see Figure 20).

#9 Weakening of Affirmative Action
Though in 2003 the Supreme Court upheld affirmative action programs in universities and colleges, the use of affirmative action continues to be challenged. However, efforts to promote equal opportunity are made by most U.S. organizations even when not required by law. This does not seem likely to change, and HR professionals will continue to monitor recruitment and retention of underrepresented groups. As diversity in the population at large grows, employers are likely to continue to look for ways to ensure that their workforce is representative of the population. But changes in education patterns could reignite the debate on affirmative action. The high cost of universities and colleges, for example, may potentially lead to lower levels of economic and racial diversity within higher education. In addition, women’s outperformance of men in obtaining college degrees could lead to hiring patterns in which men are, in some cases, considered an underrepresented group. Similar situations could arise in areas where ethnic minorities are locally or regionally in the majority.

#10 Environmental Issues
Environmental issues will be extremely important, especially for multinational corporations, for several reasons. Companies operating in countries outside of the United States may need to comply with more rigorous environmental laws, particularly when doing business in Europe. In addition, environmental damage attributed to a company is now a major threat to its reputation and brand. Companies are now publishing corporate responsibility reports in which environmental programs and steps to minimize environmental damage are detailed. Environmental concerns may increase among consumers both domestically and internationally as younger generations, who tend to rank the environment high on their list of top political and global concerns, move into their prime earning years. Shareholder activists are also growing more vocal and pushing companies to improve environmental reporting. See also Science and Technology section.

Other Political Trends to Watch

The 50/50 Nation
Beyond political partisanship within government, political partisanship may also be growing among the electorate, while the number of votes for each party is growing closer together. Some political analysts believe this is resulting in a 50/50 nation—a country split down the middle politically, represented by politicians whose policies increasingly reflect the power of their political base that is often at the more extreme ends of the party. The political split is occurring sharply in several key areas. Some political commentators point to the rise of “landslide counties” where the vast majority of votes go to one party. Another trend is a widening gender gap, particularly among more educated voters, with more college-educated men voting Republican and more college-educated women voting Democrat. Another issue that is getting more attention is the growth of media such as talk radio and Internet forums that pander to a specific political point of view. For many, these types of media are their main source of news and could have a major role in shaping political opinion. Changes to the demographics where the 50/50 divide is strongest...
could have major political implications: the sharp increase in the number of women obtaining college degrees, for example, could mean more women voting Democrat.

**Tapping Nonvoting Groups, Particularly Single Women**

According to recent polls, single women are the largest group of Americans who do not vote. Almost half of unmarried women, around 21 million, did not vote in the last presidential election (Abcarian, 2004). Successfully tapping this group would most likely benefit Democrats. With elections getting closer, politicians may focus in on demographic niches where voter turnout is low, in the hope that getting such groups to vote could mean the difference between winning and losing. If this is the case, political messages and tactics could be influenced.

**Political Impact of the Federal Deficit**

The nonpartisan Congressional Budget Office (CBO) forecasts deficits over the next 10 years totaling around $2.4 trillion, while the current federal debt is around $7 trillion, or about $23,000 for each U.S. citizen. Though the improvement in the economy is expected to assuage the high level of federal debt somewhat, it continues to concern economists. The problem of high levels of government debt will intensify as demands on government programs such as Social Security, Medicare and Medicaid increase as a result of a growing aging population, making it difficult to reduce government spending. See also Economics section.

---

**Political Trends and the Workplace: Implications for HR**

All levels of government will continue to be concerned with domestic safety and security, while international developments, especially in the Middle East, will continue to concern both those in the government and the electorate. Political analysts, however, believe that jobs, wages and the overall state of the economy may be among the most important factors in determining the outcome of the presidential election and the mood of the nation overall. As authority is devolved to the states, trends in employment law arising from state and local initiatives, such as living wage laws, may have a greater direct impact on employers than changes at the federal level. Some employers may feel the effect of political trends at an international level, especially the impact of regional employment legislation and international environmental and labor standards. Employers are also increasingly getting involved in proposals aimed at reforming the health care system due to the concern that rising health care costs are posing a major threat to the competitiveness of U.S. businesses.

**Figure 21**

<table>
<thead>
<tr>
<th>Action</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing investment in safety and security</td>
<td>45%</td>
</tr>
<tr>
<td>Changing company policy as a response to environmental issues</td>
<td>40%</td>
</tr>
<tr>
<td>Increasing involvement/lobbying in state politics</td>
<td>37%</td>
</tr>
<tr>
<td>Changing company policy as a response to grassroots pressure to change specific business practices</td>
<td>36%</td>
</tr>
<tr>
<td>Increasing involvement or investment in social programs</td>
<td>32%</td>
</tr>
<tr>
<td>Increasing involvement/lobbying related to health care reform</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: SHRM® 2004-2005 Workplace Forecast: A Strategic Outlook
According to the HR professionals surveyed, the most important societal trends that will impact the workplace are (in order of importance):

#1 Changing Definition of Family
For HR professionals, the changing definition of the family—such as children living with grandparents, same-gender couples, unmarried cohabitation—will have an important influence on the workplace, in large part due to its impact on benefits. The debate around same-sex marriage has focused attention on access to domestic partner benefits for same-sex partners. The number of companies that offer benefits to same-sex domestic partners has risen from 16% in 2001 to 27% in 2004, according to research from SHRM (Burke, 2004). But households are changing in other ways. In 2000 3.8 million unmarried couples were living together, and domestic partner benefits for opposite-sex partners rose from 26% in 2001 to 34% in 2004. Single-person households are also on the rise, as is the number of grandparents caring for grandchildren.

The changing configuration of the family has implications for caregiving responsibility. The rise in single-person households, or families headed by a single parent, could mean that there are fewer adults within a family who can share caregiving duties. As a result, there has been a rise in people with dual responsibilities of providing the household income and caring for children or parents at the same time. Depending on the economic level of the household, issues like childcare and eldercare could be complicated. Single mothers, for example, are more likely to work non-standard hours than married mothers and could find it more difficult to find childcare. The increase in dual-earner couples has meant that men may have increased caring responsibilities; this, in turn, seems to be creating more demand for work/life balance from men. See also Employment section.

Because of the rising cost of health care, some employers have been attempting to cut the number of family members eligible for health care coverage or carrying out employment audits to make sure that ineligible family members are removed from health care plans. The need to cut benefit costs could slow down the widespread adoption of benefit coverage for domestic partners, whether same or opposite sex (see Figure 22). However, societal trends seem to run counter to this and instead support a
move toward coverage extended beyond opposite-sex married couples and their children.

#2 24/7 Work Culture
Technology will continue to drive the 24/7 society, giving employees access to their work through laptops, high-speed Internet connections, mobile phones, hand-held devices and PDAs. The offshoring trend is also contributing to the 24-hour workday by enabling companies to employ workers in every time zone working together seamlessly through a never-ending 24-hour cycle.

The 24/7 workplace culture may have intensified as a result of the slack labor market. Employees concerned about holding onto their jobs may have been reluctant to take time off. In spite of this, there are indications that employees actually value paid time off more than ever. The SHRM research in 2003 on job benefits and job satisfaction showed that paid time off (vacation, holiday and sick days) was second only to health care coverage as the benefit most valued by employees (Esen). As a result, if the labor market picks up to the extent that employers are competing for workers, employers may feel pressure to offer more paid leave. See also the Employment section.

#3 Broadening Diversity—Religion, Ethnicity, Culture
Ethnic diversity is expected to increase rapidly over the coming decades, and there is already a noticeable difference between the diversity levels of different generations, with Generations X and Y more racially and ethnically diverse than older generations. The largest expected growth is in the Hispanic-American population. The Hispanic-American and Asian-American populations are projected by the U.S. Census Bureau to triple over the next 50 years, as noted in Figure 23.

The nation’s foreign-born population has also grown, with the latest Census Bureau estimates showing it accounted for around 32.5 million, or around 11.5% of the total U.S. population. As illustrated in Figure 24, 52% were born in Latin America, 26% in Asia, 14% in Europe and the remaining 8% in other regions of the world, such as Africa and Oceania.
Along with growing racial and ethnic diversity, there has also been a rise in religious diversity. This could be the reason behind an increase in charges alleging religious discrimination. Though this could be attributed to an increase in religious diversity, it could also be partially the result of an increase in the number of businesses switching to 24/7 operations—many of the complaints involve being required to work on days set aside for religious observances. Many experts expect an increase in these kinds of conflicts. See also Demographics section.

#4 Poor Educational Performance of U.S. Students

According to a report from the Organization of Economic Cooperation and Development (OECD), the United States spent around $10,240 per student from elementary school through college in 2000—around $6,361 more than 25 other industrialized nations (OECD, 2004). However, this level of spending is not resulting in better educational performance rankings of U.S. students; its 2001 high school graduation rates were actually lower than the OECD average (the OECD is made up of 30 industrialized, democratic countries with free markets). The educational performance of U.S. students appeared to worsen in the higher grades. Two areas of particular concern are math and science. Low comparative performance in these areas has resulted in debate over the future of U.S. dominance in the science and engineering industries.

The concerns about U.S. student performance have resulted in more attention given to performance rates of both schools and teachers. In May 2004 Denver became the first major city to approve a “pay-for-performance” salary structure for teachers at city schools. Though not as extensive, many other cities are beginning to link pay with performance for teachers. See also the Science and Technology Section.

#5 Continuous Learning

The importance of educational performance is intensified as the United States, along with other industrialized nations and an increasing number of developing nations, seeks to position itself as a leader in the knowledge economy. This requires the most skilled workforce, and the question then becomes how best to encourage the development of skills among the broader population. Most attention has been focused on public education, perhaps because it is seen as the foundation for a lifetime of learning. But with knowledge and skills more quickly becoming outdated, finding ways to encourage continuous learning over an entire working life will become more important. This may be aided by Web-based e-learning that enables adult learners to study for degrees or qualifications more conveniently than attending courses in person. See also the Science and Technology Section.

#6 Greater Emphasis on Family in American Society

HR professionals could be sensing an increase in the emphasis on family from their vantage point by seeing an increase in demands for work/life balance from employees (see Figure 25). This is likely to increase as Generations X and Y begin to dominate the workforce. Some experts believe that members of Generation X value family stability to a higher extent than baby boomers, calling this the “latchkey-kid” effect, and are more willing to make economic or career sacrifices to ensure this stability. This may be why the labor force participation rate of mothers with infant children declined in 2002 for the first time since 1976, the year the Census Bureau began keeping track of this trend.

**Figure 24**

**Foreign-Born Population in the United States**

- Latin America: 52%
- Asia: 26%
- Europe: 14%
- Other Regions: 8%

The SHRM®/CNNfn Job Satisfaction Survey Report indicates that this shift may involve not only women because younger male workers value work/life balance as much as women their age do (Esen, 2004) (see also the Demographics section). As Generations X and Y become an emerging presence in the workplace, this emphasis on the family may result in even more demand for family-friendly policies. But because Generation X is a relatively small generation and because there is also expected to be a rise in single people or married couples without children, the influence of employees with children may be relatively subdued until the much larger Generation Y begins to have children.

#7 Increase in the Number of People Who Enter the Workforce Without a College Degree

There is disagreement among HR professionals about which is more likely—an increase or a decrease in the number of people who enter the workforce without a college degree (see #10 in this section). The reason for this disagreement may be because it is likely that neither an increase nor a decrease will occur. Rather, rates of higher education are expected by many education experts to remain around the same, as illustrated in Figure 26. The reason HR professionals may anticipate a decrease in the number of applicants with college degrees is because...
more jobs are likely to require higher education, making it more difficult to find educationally qualified workers despite an equal number of college graduates. Another reason could be the problem of matching educational qualifications with the types of jobs that are available. See also the Science and Technology section.

#8 Higher Rates of Education and Professional Degree Attainment Levels for Women Compared With Men
Women are surpassing men in both college attendance and degree attainment rates, according to a report from the Business Roundtable carried out by the Center for Labor Market Studies at Northeastern University (Sum, 2003). Women earn more associate’s and bachelor’s degrees and are closing the gap in obtaining professional degrees. Because jobs are expected to require higher levels of educational attainment, this is likely to have significant implications for the labor market and the workplace. Employers seeking to attract the most skilled workers will need to offer the kinds of benefits and work environments that attract women. But men’s lower rates of education could change the composition of family earnings and are likely to increase the number of families where the woman is the main breadwinner. This could mean an increase in demands for more flexible working hours from both men and women—men because they may need to pick up a greater proportion of the caring and domestic responsibilities and women because they may be in a better position to make such demands. But efforts are also increasingly likely to be made to improve men’s education rates because of the need for more highly skilled and educated workers overall.

#9 Global Health Issues
Global health issues such as HIV/AIDS and SARS have shown the impact globalization and increased travel (especially air travel) have on the spread of disease. The fear is that even more contagious or deadly diseases could eventually emerge and spread quickly. For this reason, there appears to be a growing awareness that some public health issues and policies may go beyond national borders. Greater cooperation between countries in containing and understanding diseases, as well as a greater role for international bodies such as the World Health Organization (WHO), may result from these events. Major global health scares such as SARS could also have some impact on business travel and investment or trade in affected areas.

A growing aging population around the world is likely to also have public health implications and lead to a rise in the number of individuals with disabilities. Obesity is also becoming a major problem, not only in the United States but around the world, though the United States leads most countries in obesity rates. High obesity rates are likely to lead to increases in chronic diseases such as Type 2 diabetes, heart disease and even cancer. This could put overwhelming pressure on health care systems around the world that are already having trouble coping with rising costs.

#10 Decrease in Number of People Who Enter the Workforce Without a College Degree
Though many of the HR professionals surveyed believed there will be an increase in the number of people who enter the workforce without a college degree (see #7 in this section), almost as many believe there will be a decrease in these numbers. This view could be the result of a growing awareness of the importance of higher education in order to compete in a knowledge economy and the expectation that the labor market will respond to this demand by obtaining higher levels of education. The fact that these opposite views were both so highly represented in the survey show how complex the issue is likely to be.
Some key factors that could influence higher education numbers are an increase in college and university fees; the growth of Web-based e-learning and other technologies that may make it easier to obtain degrees or professional qualifications without exiting the labor force or paying high fees; the number of employer tuition reimbursement programs; and the availability of well-paying jobs that do not require a college degree.

**Other Societal Trends to Watch**

**Rising Costs of Higher Education**
Tuition increases at both public and private universities have been steep over the past few years, and costs are expected to continue to rise (see Figure 27). Though there has also been an increase in available financial aid, most of it is in the form of student loans. These increases could mean more debt for young people entering the job market which may give them less incentive to obtain additional qualifications. It could also discourage some from attending college altogether. The rising cost of higher education is a problem if national competitiveness relies on an increase in knowledge workers. Not only does this discourage domestic and highly qualified foreign students from studying at U.S. universities, but there is even a growing trend toward U.S. students looking abroad—often to Canada—for their university education as a way to avoid paying high tuition fees.

**Consolidation of Media Ownership**
The Federal Communications Commission has relaxed some of the rules around media ownership, and this has led to more media consolidation. Some critics believe this has created an unacceptable level of influence among a few large media conglomerates that may own major television stations and newspapers in key regional markets. Though greater media consolidation may lead to less diversity in major media outlets, it could also provoke a backlash against big media and encourage the use of alternative news sources. Either situation could support the trend toward greater partisanship within media news outlets, with people limiting their news intake to narrower sources that reaffirm their own political views.

**Changing Urbanization Patterns and Community Design**
The importance of high-skilled jobs in the knowledge-based sector has changed the way many cities are competing for jobs. Some are trying to attract the so-called “creative class” through changes in community design and urban renewal. Cities with an existing knowledge infrastructure built around universities or key industries such as technology may have an advantage.

**Decline in Social Capital**
Social capital can be defined as the value derived from relationships and social networks. Studies have shown that people with close relationships and broader social networks enjoy better health. Strong social networks may also have a beneficial impact on communities through lower levels of crime and unemployment. Over the past few decades, however, social participation has declined as measured by involvement in volunteerism, philanthropy and participation in social clubs or religious groups. This decline in social ties is likely to have a negative impact on many issues, but health, particularly mental health impairments such as depression, may be one of the most important.

**Figure 27 Annual College Costs**

<table>
<thead>
<tr>
<th></th>
<th>2003-2004</th>
<th>INCREASE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Universities</td>
<td>$10,636</td>
<td>9.8%</td>
</tr>
<tr>
<td>Private Colleges</td>
<td>$26,854</td>
<td>5.7%</td>
</tr>
</tbody>
</table>

*Reflects average costs of tuition, fees, room and board
HR professionals may increasingly find themselves dealing with the impact societal trends, such as the 24/7 work culture, changing family patterns and a growing emphasis on work/life balance, have on time-related issues in the workplace. Benefits linked to flexible working and control over schedules are likely to continue to be in demand. Possible changes to the bargaining power of employees and women, in particular, could make meeting this demand a higher priority for employers. Finding ways to continue to engage workers with high levels of responsibility and skill but who may not be able to work full time may become more important as older workers ease into retirement or younger workers see an increase in caretaking responsibilities. This will be exacerbated by the need to find enough skilled workers, which could potentially pose a challenge in the coming decades as higher education attainment rates plateau, education costs rise and skills requirements increase.

### Figure 28: Actions HR Professionals Are Taking in Response to Societal Trends

<table>
<thead>
<tr>
<th>Action</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing training in basic skills</td>
<td>63%</td>
</tr>
<tr>
<td>Offering employment options designed to attract and retain women</td>
<td>38%</td>
</tr>
<tr>
<td>Changing domestic partner benefits so that more people are eligible</td>
<td>34%</td>
</tr>
<tr>
<td>Offering in-company fitness programs</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: SHRM® 2004-2005 Workplace Forecast: A Strategic Outlook
According to the HR professionals surveyed, the most important science and technology trends that will impact the workplace are (in order of importance):

#1 Use of Technology to Communicate With Employees
Technology has already changed the way employers communicate with employees and how employees communicate with each other. The use of information and communication technology has been credited as one of the most important drivers for higher productivity rates over the last decade. Use of technology to communicate with employees appears to vary depending on the industry, with information and communication technology companies more likely than others to use newer kinds of communication technologies than others. The logical explanation for this is that the more exposure the workforce has to these kinds of technologies, the more likely they are to use them.

Though new forms of technology may make it easier for employers to deliver information, they may also require new communication skills and a greater awareness of certain issues. Privacy is one issue that is frequently linked to the use of technology. The use of cellular camera phones has, for example, been banned by some companies that worry about protecting company secrets or the privacy of their workforce. Technologies such as instant messaging and wireless Internet access, or Wi-Fi, also pose some security concerns. As both employers and employees become more familiar with new forms of technology, organizations will need to find the mix of communication technologies that best meet their goals while fitting into the overall company culture. In a globalizing economy with many companies using geographically dispersed teams, collaborative technologies will become the means of improving business processes and communication and completing projects. They could also be among the main vehicles for reinforcing company culture, thus making them a significant tool of the human resource function.

#2 Development and Use of E-Learning
A growing emphasis on skills development has highlighted the need for training, while e-learning, broadly defined as the use of computer-based technology to deliver learn-
ing or instruction, has become recognized as an impor-
tant part of training strategy. When used effectively, e-
learning has been able to deliver training for large
numbers of employees at reduced costs. Developments
in technology, along with the growing cumulative experi-
ence and knowledge of both e-learning providers and HR
professionals who are using e-learning as part of their
training initiatives, are creating a new context for e-learn-
ing development. Though the downturn in the economy
made e-learning an attractive option because of its cost
effectiveness, it has also made it essential for e-learning
products to demonstrate their return on investment
(ROI). This emphasis on ROI is likely to continue even in
better economic times. But even with an emphasis on
cost savings, e-learning offerings are growing more
sophisticated: for example, finding ways to exploit e-
learning’s potential in creating effective learning simula-
tions will be an important goal, especially in relation to
developing higher skills.

Other key issues will be how to blend e-learning effec-
tively into other learning and training methods. Also critical
will be blending of e-learning into other kinds of technolo-
gies, such as knowledge-management systems or collabora-
tive technologies. This could be influenced by the
changing e-learning market. With the entry of larger IT com-
panies and through mergers and acquisitions of existing e-
learning companies, more providers may be able to offer
their customers packages of business process manage-
ment tools seamlessly linked together.

#3 Increased Vulnerability of Intellectual Property
Though developments in technology have changed the way
intellectual property is viewed and how vulnerable it is to
copying, some experts believe that the way forward in pro-
tecting intellectual copyright will not lie in changing current
laws but rather in finding better ways to enforce already
existing copyright laws. This could become increasingly dif-
ficult as the Internet allows for wider availability of content.
The response is likely to be focused on two areas: enforce-
ment and protection. Enforcement of copyright law could
be strengthened through the development of international
alliances in law enforcement aimed at combating piracy.
Technology designed to shield information from being
downloaded to untrusted sources is also developing as a
way to protect data.

#4 Identity Theft of Employee Personal Information
Identity theft is one of the fastest growing crimes, and
data on employees are often a target for the perpetrators
of identity theft. An important question will continue to
be how liable a company is for the identity theft of one of
its employees due to a security lapse on the employer’s
part. HR departments, in particular, are a major target
because perpetrators can obtain extensive personal
information about individuals. Social security numbers
are a major objective because they act as a gateway to
obtaining other information that identity thieves can use
to obtain drivers’ licenses, credit cards and other finan-
cial services. For this reason many employers are phas-
ing out the use of social security numbers in employee
data files.

Because the cost of correcting the damage done to individ-
uals who have had their identities stolen is fairly high—
according to the Privacy Rights Clearinghouse, the average
victim devotes $800 and 175 hours to repairing the damage—many employees whose identities have been stolen will be looking to employers to compensate them for the damage (Benner and Givens, 2000). Legal experts expect a steady rise in the number of cases against employers for inadequate data protection. A few states have already implemented laws that hold employers or other personal data holders liable. Legal standards of “reasonable care” are likely to broaden, making it crucial for employers to implement even higher security measures in order to avoid liability.

#5 Vulnerability of Technology to Attack or Disaster
The vulnerability of technology to attack has been experienced over the past few years by many individual computer users at home and at work through computer viruses and “worms” unleashed around the world, often through the exploitation of existing vulnerabilities in widely used operating systems. The perpetrators of cybercrime can come from anywhere in the world, though its victims are usually users in industrialized countries, especially in North America. For this reason, international cooperation in fighting cybercrime is linking resources between countries while also working toward more international legal uniformity so that cybercriminals are brought to justice no matter where they live. Cyberterror, the deliberate attack on technology as a way to disrupt or damage a country or other major target, is another issue international law enforcement will continue to try to come to grips with. Not only is cyberterror a potential threat, but many experts believe that terrorists are using technology to commit crimes such as identity theft that help fund terror operations.

Technology companies themselves are also partnering with international law enforcement agencies to fight cybercriminals that target their products or services. These types of programs may become more common as dependence on technology grows along with the vulnerability of both businesses and individuals to significant damage through cybercrime. But there are likely to be difficulties in developing an international law enforcement infrastructure dedicated to fighting cybercrime. For this reason, individual computer users and businesses will need to develop greater awareness of how to protect their own data and technology from attack.

#6 Ability to Use Technology to More Closely Monitor Employees
There are many forms of technology used for employee monitoring that are already in use in the workplace. Perhaps most common is computer usage monitoring, but also in use are video cameras and other tracking systems. The technology is already fairly inexpensive, so even small businesses are able to monitor employees.

Though there does not appear to be a huge backlash against electronic monitoring of employees, there is a debate regarding the extent and purpose of monitoring. One of the key issues continues to be whether employees should be informed that they are being monitored. Because widespread computer and e-mail usage in the workplace is now the norm, most employees could eventually take it for granted that they are being monitored by their employers, and, therefore, dramatic legal changes in relation to employee rights to privacy in the workplace are not expected. However, global businesses with operations in other countries will need to take into account laws that protect employee privacy to a much greater extent. European Commission Directives, for example, limit employer monitoring of employees in many ways that are legal in the United States, and companies with operations in Europe may create different privacy policies in response to varying national or regional privacy laws.

#7 Technology Enabling Easier Connections Between Individual Employees
Though technology-enabled collaborative working could develop in a number of different directions, instant messaging (IM) has already emerged as the second most important new way for employees to communicate with each other, surpassed only by e-mail. According to a recent study by Gartner, Inc., about 70% of all organizations were using instant messaging by the end of 2003 (Joyce, 2004). Gartner predicts that by the end of 2005, IM will be the primary way people interact electronically, even surpassing e-mail.

There are a few concerns with IM that employers will seek to address as it becomes a more popular form of communication. First, IM may be more difficult than e-mail to document. Though messages can be saved, the conversational and dynamic nature of instant messaging makes...
this less likely. This could make it more difficult to keep records of exchanges that may later be useful for data storage or maintaining company history. Another issue is security: there are fewer protections against viruses passed through IM. Despite these concerns, the use of IM continues to grow and will likely become an integral part of most U.S. workplaces within only a few years.

**#8 Perpetual Upskilling of Workforce Due to Knowledge Quickly Becoming Outdated**

Employers and policy-makers are increasingly relying on the ability of the workforce to quickly update skills in order to meet the changing needs of the labor market. As knowledge turnover accelerates and employee skills and education become outdated, individuals who wish to succeed must be able to quickly and efficiently meet several important objectives. First, they must be able to identify the areas of the labor market that require additional workers. Second, they must be able to identify the skills and professional qualifications required to succeed in obtaining jobs in that area. And third, they must be able to obtain these qualifications without taking too much time, if any, out of the labor market.

Unfortunately, these tasks may be becoming increasingly difficult to do for both individual employees and for the structures put in place by businesses and policy-makers to help them.

The first area of difficulty is that it is becoming more challenging to predict which areas of the labor market will be producing the most jobs. Even if strong predictions of economic growth of industries are known, job growth may not necessarily follow. Some labor market analysts point to the example of software programmers. Once believing that computer programming would be a hot job sector, many of those who trained to obtain these skills found that the predictions were true, but that the real job growth has shifted overseas. Most countries have difficulties matching national skills policies with the future realities of the labor market for just this reason. But with the turnover in skills requirements changing so quickly, misdirected skills policies could be more expensive failures, resulting in an excess of both over- and underqualified workers.

The cost of skills updating may be another factor. The cost of higher education is growing so high that for many members of the workforce more than one major investment in education per lifetime is financially a near impossibility. And an investment in education that requires dropping out of the labor market for any extended period of time could be completely out of the question for many others. Unless retraining and higher education decrease significantly in cost, which they currently do not appear likely to do, negotiating the costs of retraining the workforce between individuals, employers and the government could become a central national debate.

**#9 Differences in Access to and Comfort With Technology Among Workers**

Over the last few years, there has been a great deal of discussion about the digital divide between wealthy and poor countries and also between different social groups within countries. One emerging issue is that a lack of access to technology may not be the only factor that causes the growth of a digital divide. Another important issue is rate of usage, which appears to be a key determinant of how comfortable an individual is with certain forms of technology. Rate of usage levels could be increased across a wide span of society through public schools, but this could require much higher investment in school technology. For this reason, employers could continue to find themselves dedicating significant amounts of training dollars to basic computer software training over the coming years.

However, the digital divide is narrowing between some groups—age, for example, is beginning to be a less important factor in determining whether someone has used the Internet, and the elderly are one of the fastest growing groups of Internet users.

**#10 Advances in Medical Technology**

Advances in nanotechnology, genetics and other biotechnologies are likely to have a profound impact on society over the coming decades. These advances could help manage and even cure a number of chronic illnesses, enabling greater numbers of individuals to remain in the workforce. Although greater use of expensive technology has been viewed as one of the reasons for increases in health care, specifically hospital care costs, the hope is that technology will help lower costs through more efficient patient care.
Issues such as genetics are likely to continue to provoke debate around the ethics of certain practices such as cloning, but perhaps more important for employers will be the issue of genetic privacy as it relates to health insurance.

Other Science and Technology Trends to Watch

United States Losing Ground as World Technology Leader
According to a report by the National Science Board, the number of articles published in scientific and technical journals by American academics has declined over the past decade, the number of U.S. recipients of the Nobel Prize in science has fallen by half, and Western Europeans now publish more papers than Americans (National Science Board, 2004). There are fewer engineering and science graduates, and due to visa restrictions after 9/11, there are also fewer foreign science and technology students. The United States was also recently pushed out of the top five Web-savviest nations, according to research carried out by IBM and the Economist Intelligence Unit (2004). The United States has also fallen out of the United Nations’ top 10 list of countries with the highest proportion of citizens with high-speed Internet access. These findings are concerning because the United States is relying on its high levels of technical innovation to offset the lower-skilled jobs lost through offshoring.

Environmental Considerations in Business Transactions
The impact of business on the environment will continue to be a key concern. Issues such as sustainable building, the impact of global businesses on local environments and communities and even the return on investment for environmental planning will concern employers. As developing nations around the world see their industries grow, the impact on the environment and the potential scarcity of key resources could further accelerate the drive toward sustainable design and energy use. Instability in countries producing key resources, particularly oil, could also be a major driver in the development of sustainable technologies. Companies with operations around the world may need to adjust policies and practices to accommodate changing regional environmental laws, and this could have a spillover effect on their operations in other countries. See also International and Politics sections.

Elimination of Geographic Barriers Through Technology
Offshoring has focused attention on the ability of certain kinds of work to be done anytime and anyplace. But the elimination of geographical barriers through technology could also mean that U.S. employees may be less geographically bound. This may enable certain kinds of employees to seek out regions within the United States that best suit their way of life. This could be particularly relevant for workers who are currently clustered in regions with a very high cost of living. If this does indeed become a trend, it is likely to occur first at tech-based companies headquartered in high-cost regions. Such companies may be the most likely to offer permanent telecommuting positions while their employees may have the most to gain from moving to a less expensive locality.

Tech Startups Going Offshore
Venture capitalists are encouraging startups to offshore, and some insiders believe that startups are moving into the use of offshoring much more aggressively than more established companies. There are several reasons for this. First, containing costs is even more critical for startups than for well-established firms. Second, the talent pool for highly specialized technologies may be much smaller and more dispersed globally. But though the offshoring trend may help fledgling startups get off the ground due to a reduction in costs, it also has some labor market analysts worried that a key engine of the U.S. economy overall may begin to generate fewer jobs within the United States.
Science and Technology Trends and the Workplace: Implications for HR

For HR professionals, the effective use of technology has emerged as a key competency. Not only will HR professionals need to understand how to use technology within their own roles, but they must also maintain an awareness of broader technology trends and the potential impact they might have on the workplace overall. Changes in the number of science and technology graduates could, for example, have an impact on recruitment strategies, while major breakthroughs in e-learning could transform training strategies. On a practical level, finding ways to harness technology to improve interactions with and between employees will continue to be a challenge. But on a broader level, the changes technology is bringing about could cause significant economic changes—businesses and nations that find ways to use technology to continually transform the workforce to reach the next level of performance will be the leaders. But the consequences for those that do not could be much more significant.

<table>
<thead>
<tr>
<th>Figure 29</th>
<th>Actions HR Professionals Are Taking in Response to Science and Technology Trends</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementing technology usage policies for employees</td>
<td>89%</td>
</tr>
<tr>
<td>Investing in software or services designed to protect company data in the event of a disaster or cyber attack</td>
<td>86%</td>
</tr>
<tr>
<td>Increasing technology training</td>
<td>83%</td>
</tr>
<tr>
<td>Implementing an employee privacy policy</td>
<td>79%</td>
</tr>
<tr>
<td>Increasing specialized training</td>
<td>75%</td>
</tr>
<tr>
<td>Nondisclosure/noncompete agreements for intellectual property</td>
<td>69%</td>
</tr>
<tr>
<td>Investing in software or services to monitor employee usage of technology</td>
<td>66%</td>
</tr>
<tr>
<td>Greater investment in and use of e-learning</td>
<td>65%</td>
</tr>
</tbody>
</table>

Source: SHRM® 2004-2005 Workplace Forecast: A Strategic Outlook
According to the HR professionals surveyed, the most important HR trends that will impact the workplace are (in order of importance):

#1 Growing Complexity of Legal Compliance
Ensuring legal compliance is a central responsibility of the human resource function. However, this task is growing increasingly complex with increases in legislation, as well as the growing scope of international legislation. State legislation is also becoming somewhat more difficult to predict, with new legislation on issues such as family leave emerging from states that have previously not been considered bellwether states.

HR professionals working for global businesses also have to contend with a growing tide of employment legislation that cuts across national boundaries. Employment law emerging from the European Commission may have the biggest impact because it is the most prominent example of legislation that applies to many countries and because of its scope in addressing issues such as privacy, pensions, employee information and consultation and discrimination. In a globalizing economy, employment legislation in other countries will take on increased significance.

#2 Use of Technology to Perform Transactional HR Functions
The trend toward using technology to perform transactional HR functions has been ongoing for some time. Many analysts of the HR profession believe that this trend has had and will continue to have a much bigger impact on the profession than outsourcing. This argument mirrors that of many economists who say that increased productivity is having a larger impact on employment rates than offshoring, even though the offshoring trend has a much higher profile in the media. Despite its significant impact on the profession, the actual strategic impact of technology on HR processes is still not completely understood. In Competencies for the New HR, developed through a collaborative effort of SHRM, the University of Michigan Business School and the Global Consulting Alliance (GCA) and based on University of Michigan research of over 25,000 HR professionals, authors Wayne Brockbank and David Ulrich identified HR technology as a key competency area for the new HR (2003). However, unlike other competencies identified in the research, there was little differ-
ence between high and poorly performing organizations in the use of HR technology. As HR technology develops, it will be very important for both business researchers and HR professionals to isolate the issues that enable the HR function to leverage technology, particularly in more strategic areas such as knowledge management.

#3 Preparing for the Next Wave of Retirement and Labor Shortage
The first task for HR professionals in preparing for the next wave of retirement will be to look at the demographics of their own organizations to assess what sort of impact projected retirement rates will have on their workforce. Next they should build a plan of action based on their organization’s situation rather than the generalities currently being hyped in the media. This is a critical step because different industries, localities and individual organizations will be affected in unique ways by any labor market fluctuations. For example, industries or organizations with a young workforce will need to have different

Figure 30 Percentage of Increase in Population, 1995-2050

strategies than those where organizational demographics indicate an upcoming surge in retirement. Preparing for changes in the labor market may mean looking at education and professional degree attainment trends to see what the labor pool of the future is likely to look like. Professional fields where education demographics strongly favor women, for example, will need to focus on issues that are important to women as a key part of recruitment and retention strategies. Sectors with a high proportion of older workers may need to reshape retirement benefits or introduce policies such as phased retirement. And of course, succession planning and preparing for a more diverse workforce will be critical across industries. See also the Demographics section.

#4 Responding to the Changing Demographics of a Diverse Workforce

Using U.S. Census Bureau projections (1999), the U.S. Department of Commerce’s Minority Business Development Agency has come up with projections of racial and ethnic demographic changes for the next 50 years (see Figure 30). They predict that by 2050, the population will grow by around 131 million people to around 394 million. Minorities will account for 90% of this growth.

Because racial and ethnic minority groups have much younger median ages than the non-Hispanic white population, differences could be pronounced along both ethnic and generational lines. Generational differences have been a hot topic over the past few years, but SHRM research on generational differences indicates that HR professionals do not believe that generational conflict has increased over the past five years and are not considerably worried about its increase in the future (see Figure 31) (Burke, 2004).

Aside from generational and ethnic differences, HR professionals will also be looking at the impact of demographic and cultural changes. An increase in the elderly population could, for example, mean an increase in individuals with disabilities, as risk of disability increases with age. And cultural changes such as the debate around same-sex marriage or the rise of single-person households could have a major impact on employee expectations around benefits and compensation. See also Demographics section.

#5 Demonstrating HR’s Return on Investment

Quantifying HR’s return on investment through financial models will continue to be a challenge, particularly without widely accepted metrics. Measurements of employee development, rewards, staffing and attitudes are being developed by academics and practitioners but may take some time to become firmly established. Demonstrating HR’s return on investment rests largely on finding a way to develop appropriate methodologies for measuring intangible assets—something that has proven difficult so far. But development in areas that focus on intangible assets, such as customer relationship management, intellectual property and knowledge management, could produce technologies and methodologies that can also be applied to human capital measurement. Conversely, HR’s leadership in finding ways to measure human capital, if effective, could influence other functional areas where measurement of intangible assets is critical.

#6 Emphasis on HR Competencies for Practitioners

The research presented in Competencies for the New HR narrowed down the five HR competencies as those that will have the most significant impact on business performance:

1. **Personal credibility**—achieving results, effective relationships and personal communications.

2. **HR delivery**—staffing, development, organizational structure and performance management.
3. HR technology—transactional HR and knowledge management.

4. Business knowledge—value chain knowledge, value proposition knowledge, labor knowledge (union infrastructure, union-free environments, collective bargaining, labor contracts, etc.).

5. Strategic contribution—culture management, fast change, strategic decision-making and market-driven connectivity.

HR professionals are very aware of the importance of developing these competencies, but are also equally aware that finding ways to actually demonstrate and measure the impact that these attributes and actions have on business performance is also crucial.

#7 HR’s Role in Promoting Corporate Ethics

The 2003 business ethics survey, conducted by SHRM in collaboration with the Ethics Resource Center, shows that HR professionals believe their companies have more policies in place to deal with breaches of ethics than they did in an earlier 1997 survey (Joseph and Esen, 2003). HR has always played an important role in developing corporate ethics policies, but with the rising tide of corporate scandals over the last few years, the profile of this issue has been raised considerably. It makes sense that HR professionals believe this will be a major area for the HR function to be involved in over the coming years. Not only will the issue demand more time as policies become more comprehensive, but the strategic importance of the issue is likely to make it an even more central concern of the HR profession. The SHRM/Ethics Resource Center research suggests that both internal and external pressure on companies and the HR function to develop ethics policies will continue.

#8 Measuring Human Capital

Measurement of human capital is closely linked to demonstrating HR’s return on investment. Only through the ability to measure the knowledge, experience and attributes of employees can it be demonstrated how effectively organizational human capital is leveraged and the impact this has on business performance. This involves finding ways to capture tacit knowledge either by transforming it into explicit knowledge that can be managed and stored or by retaining its “owners,” i.e., an employee or individual who possesses the needed skills, competencies or knowledge. Developments in human capital measurement are likely to focus on these two areas—the first, the transformation of tacit to explicit knowledge through the use of knowledge management systems, and the second, the development of networks, or social capital, that enable tacit knowledge to be quickly and effectively identified and utilized. This second model relies on good relationships and effective communication between coworkers and between the employee and the employer and will be the biggest challenge to quantify.

#9 Building People Management or Human Capital Components Into Key Business Transactions

The difficulty in quantifying human capital makes it even more challenging to measure its impact on business transactions such as change management initiatives or mergers and acquisitions. A growing awareness of the importance of people-related issues in determining the success of such major business undertakings, however, will continue to put pressure on the human resource function to find a way to do so and to develop methods to predict which people management and cultural issues will need most attention. This is likely to increase in relevance as mergers and acquisitions bring together culturally divergent organizations or as businesses attempt to measure the impact of such issues as offshoring on corporate culture.

#10 Increase in Outsourcing for HR Expertise

According to SHRM research, the outsourcing of HR activities is widespread and looks likely to increase over the coming years, as illustrated in Figure 32 (Esen, 2004). HR professionals are more likely to report plans for new outsourcing initiatives than for discontinuation of current outsourcing initiatives. The most commonly outsourced activities are background checking, payroll, administration of health and pension benefits, employee assistance programs and flexible spending accounts.

Changing economic conditions could influence the use of HR outsourcing. Developments in technology could also play a role. Because the most common reason given for HR outsourcing was reduction in costs, the offshoring
trend may also influence the use of HR outsourcing. If outsourcing to other countries intensifies cost savings through lower labor costs, it could increase the use of HR outsourcing.

**Other HR Trends to Watch**

**Growing Role of HR Professional Networks**

The SHRM/SHRM Global Forum’s The Maturing Profession of Human Resources in the United States of America Survey Report found that the vast majority of HR practitioners do feel that HR body of knowledge and skills are recognized as a profession by managers, employees and society in general, and this recognition is likely to support the use of professional bodies for networking and learning (Claus and Collison, 2004). Professional networks facilitated by information and communications technologies, especially the Internet, as well as occupationally controlled credentials and certification, could speed up the awareness of new practices and facilitate professional development. Though also important for HR generalists, this could be particularly significant for HR specialists.

**HR Involvement in Offshoring**

HR professionals may play a growing role in managing the offshoring process—in particular, the people management aspects such as training and staffing. Even organizations that decide not to offshore are still likely to be influenced by the trend in some way because so many industries and businesses—customers, business partners and consultants—are likely to be involved in it. The human resource function is likely to take the lead in determining what, if any, implications this involvement has for company security, ethics or other HR-related policies.

---

**Figure 32** Top Five Outsourced HR Activities

<table>
<thead>
<tr>
<th>FUNCTION</th>
<th>OUTSOURCE COMPLETELY</th>
<th>OUTSOURCE PARTIALLY</th>
<th>DO NOT OUTSOURCE</th>
<th>AVERAGE YEARS OUTSOURCED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Background/criminal background checks</td>
<td>49%</td>
<td>24%</td>
<td>27%</td>
<td>5</td>
</tr>
<tr>
<td>Employee assistance/ counseling</td>
<td>47%</td>
<td>19%</td>
<td>35%</td>
<td>7</td>
</tr>
<tr>
<td>Flexible spending account administration</td>
<td>43%</td>
<td>24%</td>
<td>33%</td>
<td>6</td>
</tr>
<tr>
<td>Consolidated Omnibus Budget Reconciliation Act (COBRA)</td>
<td>38%</td>
<td>17%</td>
<td>45%</td>
<td>5</td>
</tr>
<tr>
<td>Health care benefits administration</td>
<td>24%</td>
<td>36%</td>
<td>40%</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: SHRM™ Human Resource Outsourcing Survey Report
### Actions HR Professionals Are Taking in Response to HR Trends

<table>
<thead>
<tr>
<th>Action</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing the use of technology to perform transactional HR functions</td>
<td>80%</td>
</tr>
<tr>
<td>Increasing HR's role in promoting corporate ethics</td>
<td>67%</td>
</tr>
<tr>
<td>Increasing investment in training for HR staff</td>
<td>57%</td>
</tr>
<tr>
<td>Building people management or human capital components into key business transactions (change management, mergers and acquisitions)</td>
<td>54%</td>
</tr>
<tr>
<td>Encouraging certification for HR professionals</td>
<td>54%</td>
</tr>
<tr>
<td>Measuring human capital</td>
<td>52%</td>
</tr>
<tr>
<td>Increasing use of specialized HR practitioners</td>
<td>31%</td>
</tr>
<tr>
<td>Increasing HR outsourcing</td>
<td>21%</td>
</tr>
<tr>
<td>Decreasing HR outsourcing</td>
<td>10%</td>
</tr>
<tr>
<td>Decreasing use of specialized HR practitioners</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: SHRM® 2004-2005 Workplace Forecast: A Strategic Outlook
Human resource professionals identify a wide range of issues that they think will influence the workplace in the coming years. In spite of this number of issues, a few come up over and over again in both the survey and the environmental scanning work of SHRM’s Workplace Trends and Forecasting Program.

One that stands out, at least in its urgency to HR professionals and, no doubt, also to employers, individuals and families, is the growing problem of health care coverage in a time of rapidly increasing costs. This was by far the greatest concern of the HR professionals surveyed and is a critical issue in so many arenas. Rising health care costs are a drag on economic competitiveness, and securing health care for employees under these circumstances is now one of HR’s most important responsibilities. The problem of health care is also shaping the political landscape as policymakers struggle to come up with solutions and some bellwether states forge ahead with plans of their own. But access to health care is also a major social issue that will have implications for public health and social policy for many years to come.

Another issue that seems to cut across several topical areas is the use of technology to leverage human capital, either through HR responsibilities such as communicating with employees, the use of e-learning and performing transactional HR functions or through broader trends such as the use of information and communication technology to facilitate the offshoring of white-collar work. According to research the effective use of HR technology is one area where high-performing organizations do not look all that different from other organizations, but this could mean that businesses have ample room to differentiate themselves from the pack and in doing so, measurably boost performance.

Safety and security was an important concern in this survey and also in other recent SHRM research. Over the last few years, concern over safety and security has crossed over from a mainly political issue to one that seems to have a growing significance in the workplace, as evidenced by the high importance employees place on it as a job factor—indeed, one of the most essential components in workplace satisfaction.

Demographic changes are likely to form the background of many employment, social and international trends. Perhaps the most important for HR professionals is the aging of the industrial world as the profession attempts to prepare for the next wave of retirement and any labor or skills shortages this could potentially result in. But other issues such as the growth of ethnic and racial diversity, a potential increase in individuals with disabilities and the changing shape of the family will also influence the human resource profession.

Along with all of these changes, the HR profession itself is changing as it deals with the growing complexity of legal compliance, the increased importance of HR technology, the necessity of demonstrating HR’s return on investment and finding ways to measure human capital, and developing its role in promoting corporate ethics. The growing complexity of the profession may be leading to greater specialization—a trend that may be intensified by greater use of outsourcing.

Adding survey findings of HR professionals’ views on issues they believe will most influence the workplace with the results of environmental scanning from the SHRM’s
Workplace Trends and Forecasting Program helps highlight areas where broader trends and the concerns of HR practitioners intersect. Future SHRM Workplace Forecasts may indicate how closely HR’s current concerns match up with the reality of the future workplace, which issues have faded in importance and, more importantly, which issues will still need to be resolved.
References


References


SHRM Survey Reports

Available to members and the public:
2. Job Opportunities Survey (September 2003)
5. Job Satisfaction Poll (December 2002)
6. HR Implications of the Attack on America (September 2002)
7. Corporate Credibility and Employee Communications Survey (August 2002)
8. Job Opportunities Poll (August 2002)
9. Workplace Romance Survey (February 2002)
10. School-to-Work Programs Survey (January 2002)
11. HR Implications of the Attack on America: Executive Summary of Results of a Survey of HR Professionals (October 2002)
12. Negotiating Rewards Poll (October 2001)
13. Search Tactics Poll (April 2001)

Available to members only:
1. SHRM Generational Difference Survey Report (July 2004)
4. SHRM Health Care Survey Report (June 2004)
6. SHRM/CNNfn Job Satisfaction Series: Job Compensation/Pay Survey Report (February 2004)
8. Workplace Violence Survey (January 2004)
9. SHRM Eldercare Survey (December 2003)
10. SHRM/CNNfn Job Satisfaction Series: Job Benefits Survey (December 2003)
11. Undergraduate HR Curriculum Study (October 2003)
15. SHRM Job Satisfaction Series: Job Security Survey (June 2003)
16. SHRM/ NOWCC/ CED Older Workers Survey (June 2003)
22. Aligning HR With Organizational Strategy (November 2002)
23. Recruiter Cost/ Budget Survey (October 2002)
25. Workplace Demographic Trends Survey (June 2002)
27. SHRM 2002 Benefits Survey Results (April 2002)
28. A Study of Effective Workforce Management (February 2002)
30. Job Security and Layoffs Survey (December 2001)
31. World Events Survey—Impact on Global Mobility (November 2001)
32. Religion in the Workplace (June 2001)
33. Employee Referral Programs (June 2001)
34. Impact of Diversity Initiatives on the Bottom Line (June 2001)
35. 2001 Benefits Survey (April 2001)
36. 2000 FMLA Survey (January 2001)
37. Workplace Privacy Survey (December 2000)
38. Performance Management Survey (December 2000)
40. 2000 Retention Survey (June 2000)
41. SHRM Cover Letters and Resume Survey (May 2000)
42. 2000 Benefits Survey (April 2000)

Additional Resources
American Association of Retired Persons www.aarp.org
American Civil Rights Institute www.acri.org
Brookings Institution www.brookings.org
Bureau of National Affairs www.bna.com
Centers for Disease Control and Prevention www.cdc.gov
Economic Policy Institute www.epinet.org
Employee Benefit Research Institute www.ebri.org
Employment Policies Institute http://epionline.org
General Accounting Office www.gao.gov
International Labour Organization www.ilo.org
Living Wage Resource Center www.livingwagecampaign.org
Organization for Economic Cooperation and Development www.oecd.org
Pension Benefit Guaranty Corporation www.pbgc.gov
U.S. Census Bureau www.census.gov
U.S. Citizenship and Immigration Services www.uscis.gov
U.S. Commerce Department www.commerce.gov