

# Employers Adapt to a Changing Workforce

- ❖ How does Texas manage four generations in the workplace?

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— *Troy Bearden, Dow Chemical*

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— *Mel Fugate, Southern Methodist University*

## Introduction

The Baby Boomer generation is on the cusp of retirement. The departure of this generation — who make up more than one in three workers in Texas — will challenge Texas companies and the Lone Star State's workforce in the 2010s. One immediate issue is making sure that these experienced, older workers pass on their knowledge to younger workers before they walk out of the office door for the last time.

"The recession is helping by delaying the retirement of Baby Boomers, but it is also hurting because older people want to hold on to their knowledge even more so they can hold on to their jobs," said Bonnie Hochstein, president of the Houston-based human resources consulting firm BHochstein Consulting. Hochstein, along

with other Texas personnel consultants and management professors, are encouraging employers to discuss the sensitive issue of how to replace Boomers, who are mainly older, male, and Anglo, with new workers, who are more likely to be younger, minority women.

The other key challenge facing Texas companies and the state's labor force is that the up-and-coming workers — a mainly Hispanic cohort — may not possess the required education to meet the needs of companies in an increasingly competitive global marketplace. Health issues of this younger generation, such as obesity, diabetes and high blood pressure, may also affect the Texas workforce.

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Fugate, Hochstein and others see Texas companies trying to hold on to their older workers for as long as possible, while recruiting highly skilled workers from outside of Texas. "Texas could be becoming a net importer of talent from other states and other countries," said Fugate. "That's a good news/bad news story. We're doing a good job in Texas of attracting workers and even some companies into Texas. However, the other edge of this double-edged sword is that this leaves the locals struggling."

## What's Happening

The education-recruitment scenario concerns Wes Jurey, president of the Arlington Chamber of Commerce.

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Jurey sees Texas employers using technological advances to become more productive with fewer workers. He foresees problems late this decade, however, when Baby Boomers finally stop delaying retirement and exit the workforce, opening the door for less-educated, younger workers to flood a job market already littered with laid-off, middle-aged workers, as well as unemployed workers from other states. This series of events could result

in both a shortage of skilled workers and an overabundance of unskilled workers. According to Jurey, "Our big challenge is, what are we going to do with unemployed workers who can't be readily retrained?"

Gary McPherson, director of human resources and enterprise staffing at Lockheed Martin Missile and Fire Control operations in Dallas, notes about 40% of his industry's workers are older than 50 — and he's worried. "There is a knowledge drain going on that impacts us. It's such a significant issue for us we're trying to work on this at many levels, including with our suppliers," said McPherson. "It's the Boomer generation retiring; whether it's a supplier's engineer or one of our mechanics, they're walking out the door with all their knowledge. So we have to turn to offshore suppliers."

Lockheed Martin identified this new decade as a time of intersecting issues: retiring Baby Boomers, a shortage of educated workers, more Hispanic workers replacing traditionally Anglo employees, integration of younger workers into an older workforce and rising obesity rates among payroll employees. For McPherson, the problem lies in the struggle for knowledge transfer from older workers to their younger co-workers. McPherson and his team envisioned a book series titled *Legacy of a Leader*, in which skills, lessons, procedures and insights were documented by older workers for the benefit of younger workers. Yet that effort didn't work out. "It proved too difficult to get our engineers to sit still and talk," McPherson said. "It's extremely difficult to break down 30 years of experience."

Instead, Lockheed Martin concentrates

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on a multilayered approach. The company brings in college engineering majors for internships, starting freshman year, and pairs them with older mentors. Older workers discuss what they learned through storytelling with younger workers. The company is also increasing its recruiting of Hispanic graduates from engineering schools. Yet this is challenging. "The war for engineering graduates is tremendous," said McPherson. "And it's getting tougher. There are not enough engineering graduates coming out of Texas."

This is of particular concern because, as Lockheed Martin has found, older employees want to be near where they consider home. So the company is trying to hire Dallas-area engineering graduates. Still, McPherson points out that women and Hispanics, who together account for most of the new Texas workforce and most college graduates, still are not obtaining engineering degrees. As a result, Lockheed Martin is broadening its recruiting to include UT-El Paso, New Mexico State University and the University of Puerto Rico.

Shell Oil Company is also casting its recruiting nets outside Texas. "There's not enough of an engineering talent pool from the Texas universities," said Cary Wilkins, director of Americas recruiting for Shell in Houston. "There's not enough supply to meet the demand, even in this economic market."

Hiring workers from outside Texas

means higher recruiting and salary costs. So Shell has stepped up its efforts to send employees into elementary and high schools to talk about the jobs available in the energy industry and the academic skills needed by its future workers. Shell also sends workers to Houston schools to help kids with science and math homework. "The end result is, hopefully, having a positive impact on students to help them think about their career objectives and improve the [worker] pipeline for our company," Wilkins said. Company executives say they hope these interactions with schools will lead to more Hispanic and female workers for Shell later this decade.

The issue of employers turning to a ready supply of out-of-state workers raises concerns. "Employers are opportunistic; they are poaching workers from out of state," said Chris King, labor economist at the University of Texas at Austin. "Employers can take advantage of the economic woes of California and Massachusetts, but that doesn't solve the problem of all these workers coming into the workforce. And let's not forget about the people already in our workforce who are lacking in education and key skills."

King sees a Hispanic population in Texas whose families often want to keep their children geographically close and are averse to incurring debt to pay for college. The result is many Hispanic workers without college degrees and without the ability to take new, higher paying

jobs. To help counter this phenomenon, King recommends that universities help reduce the cost of education by adjusting their curricula to allow students to earn a Bachelor's degree in three years. High schools and employers also should encourage students to pursue Associate's degrees. According to King, chambers of commerce can help by encouraging employers to send managers into the schools to help families as they navigate the college entrance and financial aid processes and consider the broader issues of a career path.

## The Data

By 2012, half of the workers at the 4,500-employee Dow Chemical plant in Freeport will be eligible to retire. For years, Troy Bearden, director of operations and organizational effectiveness in Freeport, has led a series of programs to bring in new workers. But Bearden faces local competition for workers. Oil, natural gas and utility companies in the Houston-East Texas area also face the same challenge of older workers retiring, so they have recently begun recruiting machinists, pipe fitters and engineers away from Dow Chemical.

"They're having their own problems, and their strategy is to rob workers from us," Bearden said. "It's a real problem in Texas. We have enough workers available; they're just not qualified workers." Dow Chemical's strategy has been to hire workers who have an Associate's degree, then send them back to community college for another 16 months of schooling to

get them the "right" degree in process technology. Bearden is also videotaping Baby Boomer workers, who look into the camera and demonstrate how to work with various machines and how to perform various tasks on the job.

The oil and gas industry calls the loss of Baby Boomer workers the "Great Shift Change." But many other Texas industries will be undergoing this change as well. For example, many electric utilities in Texas are finding that most of their employees are 50 years of age or older.

Texas enters the new decade with approximately four million workers of the Baby Boomer generation; the oldest members of this generation turn 65 in 2010.

Hiring trends also show that the vast majority of employers now need workers to have at least an Associate's degree. Yet Texas ranks 45th in the nation for high school graduation rates. In their research, the Alliance for Excellent Education in Washington, D.C. found that only 65% of Texas students earn a high school diploma within four years, compared with a national rate of 69%. Of even more concern is the low number of Texas Hispanic students who earn a high school diploma within four years — about 56%. According to recent U.S. Census data, the Hispanic population is growing at six to eight times the rate of Anglo and other population cohorts. Consequently, the young Hispanic population is by far the fastest-growing segment of the Texas workforce, making the education level and graduation rates of this population a tangible concern to Texas employers.

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## | So What?

Changing attitudes about the workforce also concern many corporate leaders and business observers. “All of this means revisiting what diversity means in an organization,” said consultant Bonnie Hochstein. According to the human resources consultant, smart managers will bring in Hispanic and younger workers to help them communicate and integrate the new Texas workforce; if managers don’t, they risk seeing those groups start their own competing companies.

The Great Shift Change to incorporate the Hispanic workforce is a sensitive issue. Executives should be encouraged to discuss, both publicly and privately, strategies for the transition to include more Hispanic employees, Hochstein said. Incorporating all workers in this knowledge transfer may also help a company better incorporate all kinds of new talent.

While the strategy of keeping the older workers around longer may work in the short term, companies would be wise to begin planning now for the eventual transition to a younger workforce, said Bob Cartwright, president of Intelligent Compensation LLC, a Pflugerville-based human resources consulting firm. Some companies are tackling the transition by having the older workers design training programs for the new generation, which provides older workers an audience to discuss what they’ve learned from many years on the job. “Older workers appreciate having their opinions solicited,” Cartwright said.

Training programs — as well as concerted efforts by local communities to promote training and education — may play a critical role in the Lone Star State’s adjustment to this demographic shift because too many younger Texas workers are dropping out of high school and college, creating an education deficit that affects many local companies. “We are not doing a good job of getting people ready

for the workforce of tomorrow or today,” said Cartwright. “We are driving kids in this state to drop out if they know they’re not going to college.”

Companies, as well as state and local workforce boards, may need to increase their investment in programs that assess potential workers’ skill sets, Cartwright added. This will allow postsecondary schools, community colleges and state-funded programs to better direct young people into either the growing service-based industries or the engineering-based future industries identified in the governor’s target clusters. Cartwright also encourages the use of skills assessments, which help companies determine whether they are hiring the correct workers.

As previously pointed out, the Texas workforce has been infused over the past decade with a flood of younger workers. Older workers from the Silent Generation (essentially those born in the 1930s and early 1940s) along with Baby Boomers (born in the late 1940s to early 1960s) are delaying retirement and remaining in the workforce. Members of Generation X (born in the late 1960s and 1970s) now make up the largest generational group among Texas workers, a result of large numbers of Gen Xers moving into the Lone Star State in the mid-2000s, according to data from the Census Bureau and the Internal Revenue Service. And all of this is happening as members of Generation Y (or the Millennial generation, born in the 1980s and early 1990s) are entering the Texas workforce.

Four generations in the same workforce is unique in American history. And having Generation X as the largest demographic group of workers, a condition unique to Texas, further compounds the complex dynamics of the workplace.

“There are more workers in the marketplace than we previously thought,” said Kay Oder, a business consultant with the professional employer organization Administaff in Austin. “Business owners

are going to have more of a selection for workers and the great wage increases we anticipated with worker shortages are not happening. There's a lot of people to choose from and a lot of skill sets available for Texas employers."

Four generations together in the workforce also creates management challenges.

"In Texas, we've never had four generations working together. This is all new, and, frankly, managers say they weren't prepared for this. Managing four different generations is not something they taught you in business school," said Jason Ryan Dorsey, 29-year-old generations consultant and author of *Y-Size Your Business*. "Managers have to understand where people from different generations are coming from and how they like to communicate. We all don't have to agree at work, but you have to understand other people so you can lead them. For my generation, Generation Y, we need extremely specific examples when learning a new job. Generation X and Baby Boomers don't want so much instruction. The managers who can learn and apply this understanding will succeed."

Dorsey points out that his corporate clients are concerned about growing hostilities among Generation X and Generation Y workers, who feel frustrated and stuck on the corporate ladder as older workers postpone retirement and the recession reduces the number of jobs. But younger workers have still obtained many jobs thanks to their availability, cheaper wages and modern abilities.

"The skills and interests we bring to the workplace — familiarity with technology, an attitude of including others, experience at working in teams and an interest in entrepreneurship — are positives for Texas in the long term," said Dorsey. "There are going to be pains as employers take on more Generation Y workers. Every new generation causes pain."

A touchstone strategy for integrating younger and non-Anglo workers in

companies that want to navigate this great workforce shift may be to create knowledge transfer programs. While most companies document the explicit knowledge of their standard operating procedures, the tacit knowledge — the understanding of how to deal with the internal politics within a company or even with customers and suppliers — is rarely recorded and learned over time. The Baby Boomers learned within their organizations how to get things done, which is valuable information not found in the job manual. The transfer of tacit knowledge is becoming more vital.

"We are squarely in the knowledge age, so knowledge transfer is a key problem for every company," said Professor Fugate. He sees that companies' top priorities are now to acquire knowledge, assimilate knowledge and apply knowledge. "Knowledge is really the key to competitiveness. Where does this knowledge really reside? It resides in our people."

"Knowledge transfer involves everybody in an organization. Upper management needs to demonstrate very publicly that they are training as part of succession planning," Fugate said. "You can't just have online libraries or online learning modules. You have to get creative and get employees engaged with other employees."

Fugate also recommends hiring local talent to control costs. Companies can usually save money by hiring local workers who don't need relocation funds and who won't experience culture shock. Local employees also tend to be embedded in the community with nearby family, so they have to take fewer days off for family travel. "There are benefits to you if your employees look like your customers, whether they are Hispanic or women or young or old," said Fugate.

And he points out that the Closing the Gaps initiative of the Texas Higher Education Coordinating Board is only starting to improve the high school and college graduation rates of minorities in this state. Those efforts may need to be further intensified and funded.

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# Chapter 3 | Suggested Strategies

## Think Globally, Plan Regionally

Jurey in Arlington said he wants to see leaders from schools, state government and companies talk to students and their families — particularly Hispanic families — to explain that a child's future isn't limited to either attending a university or getting a basic job but that an entire spectrum of training, including community college degrees and technical training, is available.

In the workplace, training can start with relationship building. Knowledge transfer from older workers will be crucial for a successful transition in the coming decade, according to Wendy Boswell, management professor and director of the Center for Human Resource Management at Texas A&M University. "This is the topic companies in Texas are talking about. It's about getting people in an organization who know how things really get done and getting them together to simply talk about that with younger workers. It sounds simple, but it's hard to do in most organizations. You're paid to complete a task, not to communicate habits to co-workers."

Building relationships among co-workers is tough, Boswell contends. Companies are becoming more decentralized, with more employees working from home and communicating primarily by e-mail. Boswell and other Texas management experts recommend some key strategies for companies to successfully navigate the workforce shift before regional employers face a Baby Boom brain drain.

Mentoring is a first step. Teaming older workers with younger workers on projects and encouraging storytelling is a start. This also means that companies will need to be on the lookout for workers who are open and receptive to being mentored.

Having four generations working together provides the opportunity for shared learning.

"Baby Boomers want to be validated for their experience," said Cathie Looney, a 59-year-old corporate trainer in Dallas. "We're the Peter Pan generation, we want to hold on, we want to stay young, we want to stay vibrant and important in the workplace. We Baby Boomers are having a hard time letting go, not just because of the recession and fear [of losing our jobs] but because we don't want to let go of being the big, bold, brash generation that has been the focus of this country for so long. Gen Xers and Millennials want mentoring. Baby Boomers can be great mentors and can be validated as great mentors."

And mentoring may reengage a frustrated workforce. In late 2009, staffing company Manpower announced the results of a survey of American workers that found 60% are "disengaged" from their jobs — they do their job but are not enthusiastic and proactive in their work because they think their employer doesn't care about their future. Or they avoid standing out at work for fear it will cost them their job during a slow economy. This presents a key challenge to Texas employers, said Kate McLagan, executive director of the Texas Association of Workforce Boards. She is one of many who recommend that organizations try the "two-in-the-box" concept of promoting two workers to manage a new team, thereby creating more advancement opportunities and doubling the number of workers who receive management training.

"I don't see many Texas organizations — small, medium or large — with leadership programs for their 'bench strength,'" McLagan said. "Companies are going to need training and leadership programs because when the economy improves a little then a lot of workers are going to bolt from jobs they don't like."

In addition to mentoring, companies can also make training programs more sophisticated. Steve Holditch,

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head of the petroleum engineering program at Texas A&M University, works with multiple oil and gas companies to document and classify the knowledge of older workers. These documents will become in-house databases, case studies and even video training modules that can be accessed by workers online.

Creating communities of practice is another step. In communities of practice, an employer brings together workers with key interests to mentor, train and share stories with each other. ConocoPhillips brings together employees from different specialty areas from across the globe every year for an annual in-house conference on corporate objectives, yet the real purpose of this conference is to allow employees to establish relationships, swap work stories and create e-learning training programs, say company officials.

Offering incentives and recognition is critical. To encourage and foster participation in mentoring and training programs, as well as foster interaction among employees, smart companies will implement meaningful incentive and recognition programs, said Boswell.

Employers can also turn to a growing pool of military veterans in Texas for ready-to-train workers. "These veterans are workforce ready. They know how to show up for work on time. They know how to work. The challenge is getting employers and veterans to speak the same language," said Pflugerville consultant Cartwright, who has created programs to link veterans with Texas companies.

Career education in schools and in the workplace is necessary. "If you don't get junior high students over the math wall, it's almost impossible to get them into science and engineering later in life to tackle the jobs that are in demand," said McPherson at Lockheed Martin. "We're not doing enough collaborative efforts between state, national and corporate organizations to address these [education] problems. The good thing is there are a lot of good programs out there. The problem is there are a lot of programs out there. There's no coordination."

Higher education data on student transfers between college majors confirm McPherson's warning: it is important to get students engaged in math and science courses early. Nearly 93% of engineering degrees awarded are to those who started as engineering majors. Fewer than 15% percent of Texas university students who initially select a program of study outside of science, technology, engineering and math (STEM) graduate with a STEM degree.

Now also may be the time for more public coordination in career training and for more corporate leaders to walk into schools to improve the worker pipeline in Texas. Communicating what knowledge and skills lead to jobs and advancement appears necessary for young workers and young students. "There's little value in lecturing students about staying in school," said Professor Fugate. "I would rather see companies partner with their local schools. Companies need to show the students — their future employees — what is involved in jobs and show them the opportunities there are with different jobs so that students can learn 'if I do this, then I can get that.'"

Finally, companies will need to consider part-time workers and more flexible work arrangements for employees. Fugate said older workers, whose retirement investments have been hurt by the recession, are interested in shifting to part-time work status to continue earning an income while easing into retirement. Millennial workers also say they're more interested in working part-time for part of their career to concentrate on starting a family.

Companies that adopt modern training and mentoring programs, get involved in local schools, incorporate female and non-Anglo workers, expose staff to strategic planning and employ part-time older and younger workers will gain advantages with the modern Texas workforce, whereas companies who fail to implement such strategies will not, said Fugate.

"The spoils will go to those managers who adopt this sooner rather than later."