

Winning the Competition for Talent:

The Role of the New Career Paradigm in Total Rewards

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Current changes in the workforce will transform the competition for talent and profoundly alter how total rewards professionals think about careers. Changes in three demographic segments — the shifting attitudes of younger workers, the increasing dominance of women in the labor force and the aging and retirement of the baby boomers — coupled with the possibility of a labor shortage will make the competition for critical talent similar in intensity and outlook to product-market competition. (See “Demographic Changes in Three Key Workforce Segments” on page 32.)

To differentiate themselves from their talent competitors, organizations will have to tailor the elements of total rewards to these three market segments, giving rise to a new career paradigm

that provides flexible career choices throughout employees’ life cycles.

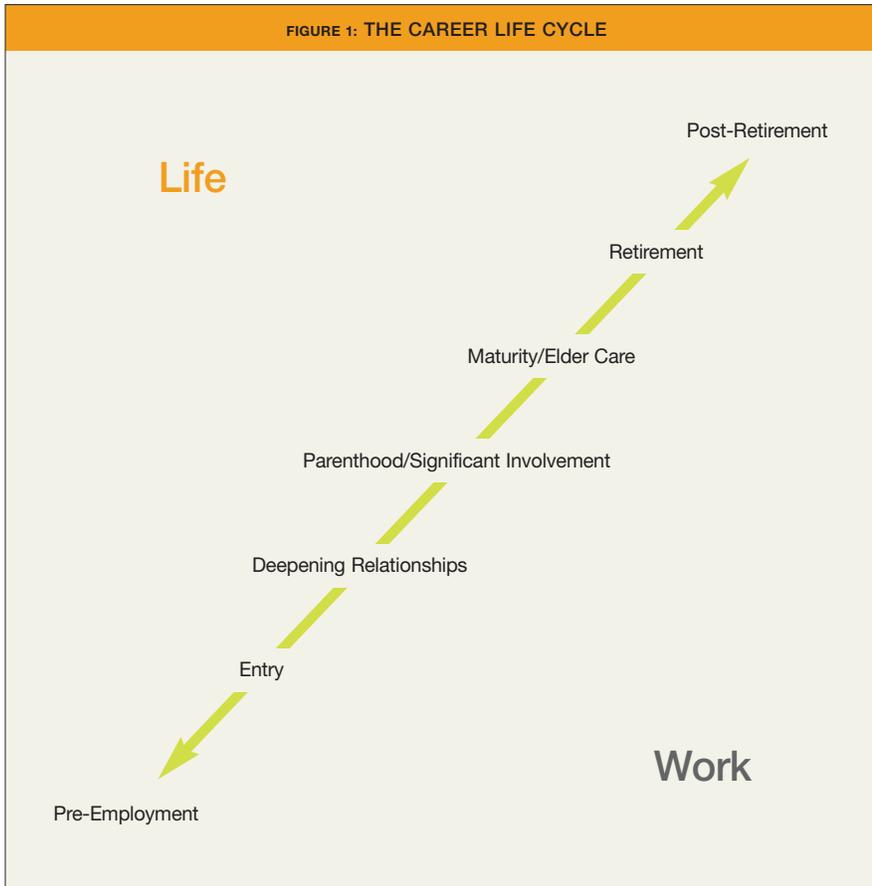
These three segments constitute more than 70 percent of the workforce, according to 2005 data from the Bureau of Labor Statistics. Each group of people will demand something very different from their careers than the “organization man” of the past, who was willing to exchange his personal values and choices for pay and security. A recent, broad-based research survey conducted for the American Business Collaboration (ABC) concluded that all three demographic segments place high value on making a contribution to society, being self-employed and having control over their lives. Most importantly, each is willing to sacrifice dollars and position to fulfill personal values. The strength of these segments and their willingness

QUICK LOOK

- ⇒ Shortages will be most significant, according to 2004 Department of Labor and 2003 National Association of Manufacturers projections, in sales, skilled production, information technology, most health-care occupations, professional services, and managerial and executive positions.
- ⇒ A promising approach is to create a strategy to differentiate an organization using work-life integration, performance and recognition, and development and career-opportunity initiatives to distinctively address the needs and requirements of each talent segment.
- ⇒ New career paradigm companies provide relatively risk-free opportunities for employees to weave their lives and work together without derailing their careers.

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FIGURE 1: THE CAREER LIFE CYCLE



to “walk the talk” of their personal values would be enough to make them important. However, a labor shortage may greatly amplify their significance.

Will There Be a Labor Shortage?

The short answer to the labor shortage question is that nobody knows. The ABC study found that while factors such as baby boomers’ retirement, women “opting out” of the workforce, anti-immigration attitudes and the lower labor force participation rate of men argue for a labor shortage, factors such as offshoring jobs, productivity improvements, the slowing of Gross Domestic Product (GDP) and job growth, and the higher labor force participation rate of women argue against it. The better question for organizations is, “Will there be shortages in occupations critical to success?”

Shortages will be most significant, according to 2004 Department of Labor

and 2003 National Association of Manufacturers projections, in sales, skilled production, information technology, most health-care occupations, professional services, and managerial and executive positions. Filling higher-level professional service and managerial positions will be a particular challenge. Advanced education and training, building a web of work relationships and knowledge of the business and its operations take long periods of time to replace.

The “war for talent” will most likely be a series of skirmishes fought in critical talent occupations. One strategy to win these skirmishes is simply to offer more money or monetary benefits such as health insurance or retirement contributions. The problem with using dollars as the competitive tool is that it leads to an escalation in compensation as competitors bid to outdo each other. Because, as noted above, members of

the three key workforce segments are willing to trade compensation for personal values, the power of money will be diminished.

A more promising approach is to create a strategy to differentiate an organization using work-life integration, performance and recognition, and development and career-opportunity initiatives to distinctively address the needs and requirements of each talent segment.

Building a Differentiation Strategy

To build a differentiation strategy, first identify which occupations are critical to the success of the organization and which of those are likely to experience significant shortages. Then, determine the degree to which each critical segment is dependent on younger, female or older workers — now and in the future. Those with a high dependency are critical talent segments.

Next, determine the needs and requirements of each critical talent segment. For example, women engineers may have different needs and requirements than women pharmacists. Finally, create a series of work experience-oriented policies and programs that appeal to each critical talent segment and differentiate your organization from its critical talent competitors. Good differentiators do the following:

- Allow employees to practice their values inside and outside of the organization, while improving organizational functioning and performance.
- Have more impact for fewer dollars than monetary differentiators.
- Make the total rewards package difficult for competitors to replicate.

Examining the New Career Paradigm

The new career paradigm integrates employees’ life and work experiences across the full cycle of their careers (See Figure 1). New career paradigm

organizations recognize that a “one-size-fits-all” approach must give way to careers designed to fit employee requirements as they change across the life cycle. And they attract, retain and motivate employees by valuing the quality of employees’ lives and their work experience.

New career paradigm companies meet the criteria for good differentiators. They provide relatively risk-free opportunities for employees to weave their lives and work together without derailing their careers. Flexible work arrangements, which are central to the new career paradigm, have well-documented positive impacts on productivity, retention, recruitment, job satisfaction, employee engagement and stress reduction. Because the implementation of a new career paradigm typically requires changed attitudes, alternative metrics, new technologies, and educated and supportive managers, it is difficult for a competitor to replicate. Career development is functioning at such a low level in so many organizations that there is ample opportunity to create distinction from competitors.

New career paradigm organizations provide flexibility and choice across the career life cycle for all three segments by adhering to the following design principles:

- Tie career management to business results.
- View careers as beginning as early as high school and ending after retirement.
- Be flexible in how the company defines “job.”
- Provide significant choices around how, when and where employees work and remove barriers to exercising those choices.
- Tailor careers to individual requirements rather than just expecting individuals to tailor their work-life requirements to prescribed career paths.
- Encourage employees to utilize flexible

work and career alternatives without fear of sacrificing career advancement.

- Keep alumni close and tightly connected.
- Allow employees to change careers without leaving the company.
- Create self-employment and entrepreneurial opportunities that are internal rather than external.
- Undertake charitable activities as part of employee development and company mission.
- Provide leaves of absence to pursue personal projects like writing a book, volunteering for the Peace Corps, or raising a child.
- Allow older workers to “try on” and phase into retirement.
- Maintain an open and ongoing career dialogue with employees.

Toward Mass Customization

As demand for their labor increases, those with critical talents will be able to demand careers customized to their unique needs and requirements, pushing organizations from market segmentation toward mass customization. Mass customization requires a unique production system that may challenge total rewards practitioners.

Ideally, organizations will be able to compete successfully for critical talent by “packaging” a series of policies and programs for each of the three segments. But needs and requirements are becoming increasingly fragmented into finer and finer segments. As already noted, needs vary across occupations. The midcareer men not included in the three segments

Demographic Changes in Three Key Workforce Segments

1. The Shifting Attitudes of Younger Workers

Most younger workers neither expect nor necessarily value a career path with a single company. They are increasingly willing to sacrifice money, promotions and prominence for time with their families and friends.

2. The Increasing Dominance of Women

Women represent about 57 percent of those earning bachelors’ degrees and beyond. They hold more than 45 percent of management jobs and more than half of professional jobs. And these proportions are increasing. More than 40 percent of the most qualified women leave work voluntarily, and only 5 percent wish to rejoin the organization they left.

3. The Aging and Retirement of Baby Boomers

The older-than-55 age group is growing four times faster than the overall workforce. The roughly 78 million baby boomers will begin to retire in earnest in the next few years. Only 34 percent of those older than 50 want to do the same type of work they are doing.

Sources: Families and Work Institute, 2002; American Demographics, 2005; Bridgeworks, 2002; National Center for Education Statistics, 2003; Statistical Abstract of the U.S., 2004-2005; Center for Work-Life Policy, 2005; Bureau of Labor Statistics, 2005; AARP, 2003.

have their own needs. Needs differ according to whether the focus is recruitment, retention or rehiring. Differences in wealth and personal values drive even greater heterogeneity. And needs continuously evolve according to changes in the socioeconomic context, life circumstances and other factors.

Are total rewards professionals ready for the mass customization of careers? Mass customization requires a highly flexible and responsive system of production. Pressure for mass customization is rising just as many total rewards departments have moved in the opposite direction by downsizing, outsourcing to vendors with scale economies and automating services through electronic sources. Certainly, the movement to business partnership is a move in the right direction, but many total rewards groups are struggling to make it work.

Joseph Pine's defining work on mass customization demonstrates that mass customization of careers will require

the identification and continuous improvement of key human capital processes, new technologies, investment in supervisors' skills, an open and ongoing dialogue with employees about their careers and a tight linkage between employee career plans and increasingly innovative total rewards policies and programs, as well as the capacity for rapid change and response. One of the things mass customization will not demand is a business case. The business case will be brought home to organizational leaders when revenue growth is limited by a shortage of critical talent. 

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