

IS THE WAR FOR TALENT OVER?

By David Berke

The bottom line is that there is not going to be a talent gap, there never was going to be much of a talent gap, and there won't be much of one when the economy recovers.

For the last 10 years we have heard that a war for talent was coming. In fact it was supposed to arrive right about now: 4,000,000 baby boomers would retire annually and there would not be enough people to replace them.

Perhaps this would have occurred if defined retirement plans had not disappeared. For the moment and until the economy fully recovers, the overall supply of workers will greatly exceed the demand. This does not mean that competition (sometimes global) for specialized skills has diminished. This does mean, however, that the boomers who planned to retire cannot afford to now.

According to *Time* magazine, "Investment firm T. Rowe Price calculates that the oldest boomers will have to delay retirement by nearly nine years in order to recover what they lost in the market." Many boomers probably could not have afforded to retire even before the market crashed, suggests Alice Munnell,

director for the Center for Retirement Research at Boston College. In 2007, the median 401k holdings for people 55 to 64 were around \$60,000.

So the boomers are remaining in their jobs and probably will for several years. Additionally, competition for jobs will increase as the millennial generation enters the workforce. Will there be a war for talent? No. And a review of Bureau of Labor Statistics reports going back to 2006, and probably earlier, suggests that the talent gap everyone feared probably was not going to happen anyway. As Mitra Toossi wrote in *Monthly Labor Review*, "An increase in the labor force participation rate of the older workforce, multiplied by the large number of workers in this age group, has the potential to increase the size of the labor force significantly. The 55-years-and-older age group accounted for 16.2 percent of the labor force in 2005 and is projected to constitute 19 percent of the labor force in 2010 and nearly 24 percent in 2020.

"The decision to continue to work into the later years of life has been the result of several intertwined factors, such as the increasing life expectancy of the population, wherein a growing number of people are healthier for a longer portion of their life span. In addition, the elimination of mandatory retirement and the enactment of age discrimination laws have contributed to the increase in workforce participation rates of older persons. Other factors, such as significant increases in healthcare costs and a decrease in the availability of health benefits, also have increased the participation of the older age groups in the workforce. Finally, recent changes in the Social Security laws, along with an increase in the normal retirement age for certain birth cohorts and a decrease in benefits with early retirement, have encouraged the 55-years-and-older group to increase its labor force participation."

In the final analysis, the number of persons 55 and older who are planning to remain in the workforce is increasing faster than

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any other portion of the population. The bottom line is that there is not going to be a talent gap, there never was going to be much of a talent gap, and there won't be much of one when the economy recovers.

Some implications

While there won't be a war for talent, there is likely to be a war among talent. Gen X and Gen Y had expectations that their turn had arrived or was coming soon. This presents some challenges and opportunities for HR:

- **The boomers will still have to perform.** It is likely they will be under greater scrutiny. Having a fully functioning performance management system could be very helpful—especially for avoiding lawsuits.
- **Some boomers probably will ask for flexible work arrangements.** Those in Gen X and Gen Y undoubtedly will be watching for favoritism. Companies that already have policies and practices that address this could have fewer problems.
- **Gen X and Gen Y are at the beginning or middle of their careers.** They will need development assignments (jobs as well as taskforce/committee work) to build knowledge and skill. The challenge is to do this while the boomers remain. There is a fine line between favoritism, special assignments, and age discrimination. A fully functioning succession system with a fully functioning talent review committee could be very helpful here.

- **The boomers will retire or leave eventually.** The need to address knowledge transfer still is important; it's just not urgent. Will companies take advantage of this or wait for the crisis?
- **The same could be said about succession.** There have been a variety of studies over the past few years telling us that a significant majority of executives believe succession is very important yet only about 50 percent of companies have formal processes for workforce planning and succession, according to *CLO* magazine.
- **Succession is a long-term process.** When the succession crisis comes and your executives realize there is an urgent need, it is too late for a planned approach. However, it is not too late to pay a headhunter a lot of money for someone who, if current research is to be believed, probably will not work out.
- **The generalized angst about understanding and accommodating Gen Y mostly seems to have vanished.** Interesting what happens when employment is a buyer's market. But some of what Gen Y was "demanding" always has been good practice. For example, all the research says that Gen Y wants regular feedback. That's applicable to and necessary for all generations. What happens now? And what happens to extensive onboarding programs that really can get someone functioning effectively in less time? Will organizations abandon such efforts and become more overtly "Darwinian" as safety and survival (Maslow's Hierarchy) dominate?

Finally, it can be argued that talent management was developed in response to the anticipated talent war and that it represents a strategic re-conceptualization of HR. It can get HR a "seat at the table" because an integrated talent management system provides a means for executives (including HR) to manage the talent flow within the context of the organization's strategy and business goals. Traditional HR, which typically operates at a tactical function level (compensation, recruitment, etc.) was not designed to do this and often does not.

The current recession has focused management at all levels and functions on essential short-term solutions such as reducing headcount and managing costs. This is defensive behavior. Eventually, organizations will shift focus to the future and to growth. Just as the anticipated talent gap and war for talent provided HR with an opportunity for that "seat at the table," the situation described above provides another.

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