

# **Benefits for the Workplace of the Future**

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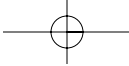
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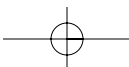
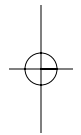
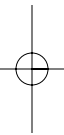
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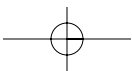
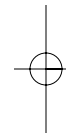
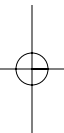
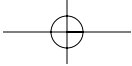
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# **Part I**

## **The Future Workplace and Implications for Benefit Coverage and Design**





## Chapter 1

# The Demographics of Tomorrow's Workplace

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Martha Farnsworth Riche

Nearly two decades ago, the Hudson Institute announced an important demographic shift in America's workforce (Johnston 1987). Combining projected population growth with demographic-specific projections of the labor force, that study reported that the workforce of the future would include many more women and members of racial and ethnic minorities than ever before. This finding, summarized in *Workforce 2000*, caught employers' attention, and it produced intensive efforts to help increasingly diverse workers and managers work well together.

An equally challenging workforce transformation will take place in the next two decades. In addition to the continuing trend toward greater gender and racial/ethnic diversity, two less well-known demographic trends will further diversify the workplace. Specifically, there will be more diversity in workers' ages, and more diversity with regard to workers' household/family characteristics. Both changes will require increased attention to what workers need and want in the way of benefits, as well as to how compensation packages are designed to attract, retain, and manage the workforce of the future.

In this chapter we describe and assess demographic trends expected to shape the nation's workforce during the first two decades of the twenty-first century. The analysis relies on projections of the working-age population, which, in turn, rely on trends in fundamental demographic processes including particularly births, deaths, immigration, and household composition. Consequently we forecast the size and makeup of the nation's future potential workforce rather than making projections of labor force participation by groups. Since tastes and traditions affect labor force participation as well as economic developments in somewhat unpredictable ways, labor force projections generally assume a continuation of current work patterns and are limited to the near term.<sup>1</sup> By contrast, our goal is to draw attention to demographic changes that may shape the labor force as a whole in the future.

## Dimensions of the Future Workforce

Simple population growth will continue to increase the size of the U.S. workforce over the next several decades. The U.S. population grew by nearly 35 million people between 1990 and 2000, and the outlook for the twenty-first century is for more growth. If current trends in natural growth (the excess of births over deaths) and net migration continue, the U.S. population is expected to more than double by 2100.<sup>2</sup>

We consider next the working-age population, a group is traditionally defined as including people ages 16–64 based on legal age thresholds used to define the “economically active” population. Over the next two decades, this age group is projected to grow by about 14 percent. Virtually all of this growth will be in minority populations, as they are currently defined, since these groups tend to have higher fertility rates than the majority population, and to account for a major share of new immigrants.

One problem with the traditional definition of the “economically active” population is that these age thresholds do not accurately track work patterns now, and they may do worse in the future. At the entry end of the labor market, labor force participation has declined slightly for the young (ages 16 to 24). This is because young Americans are increasingly likely to continue their schooling, as compared to the past. Although the majority of young students, both full and part time, combine schooling with work today, research suggests that work has become more casual for people in this age group. Consequently, permanent attachment to the labor force does not occur until about age 25, even for people who do not pursue higher education (Oppenheimer, Kalmjn, and Lim 1997).

At the exit end of the labor market, participation rates for people age 55+ are also changing. A post-WWII long-term decline has been reversed of late, particularly for men ages 55–64 (Fullerton 1999). Surveys also indicate that many younger people expect to work beyond age 65. Meanwhile, there are indications that people in the later working ages can increasingly combine work with retirement income; thus retirement may also become less well defined in the future. Changes in the salience of work at particular life stages are explored in more depth below. For now, they serve to warn against using simple population growth trends to draw specific conclusions about the size of the future workforce.

## The Composition of the Working-Age Population

The demographic changes reshaping the U.S. work force in the twenty-first century are first and foremost age-driven, representing deep demographic change in the nation’s age structure. These changes are rooted in the reality of a longer, healthier life expectancy allied with Americans’ continuing preference for a two-child family. The U.S. today anticipates having a population

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with roughly equal numbers of people in every age group except the oldest for the first time in history. For most historical periods, a nation's age structure resembled a pyramid, with a wide base representing the large share of babies born, a narrowing midsection indicating that many died in early childhood and less often later, and a narrow apex since only a few survived to old age. In that world, half the population consisted of children, and many of those died before they had children of their own. The few elderly, along with the children, were cared for by the people in the middle (see Figure 1).

The U.S. age picture for 1970 depicted in Figure 1 represents this traditional population pyramid, slightly "cinched" at the middle by the Depression babies, and then widened by the baby boom. The picture for 2020, by contrast, is more of a population "pillar," because each age group is projected to be roughly the same size (except the oldest ones). Contrary to popular perception, the share of middle-aged and older people is not increasing because young adults are having fewer children. Indeed, for more than a decade, U.S. fertility has steadily reflected Americans' long-standing preference for two children, and more babies have been born each year than the year before. But with fewer people dying before reaching old age, the bars toward the top are becoming wider.

As a result, the size of each ten-year age cohort is expected to become more similar by 2020 (see Table 1). In 2000, the seven youngest cohorts that encompass the working-age population ranged in size from 20.1 million to 42.3 million. This numerical difference will be nearly erased by 2020, assuming the continuation of current birth, death, and migration patterns. In contrast, aside from the distorting effects of the baby boom (and subsequent

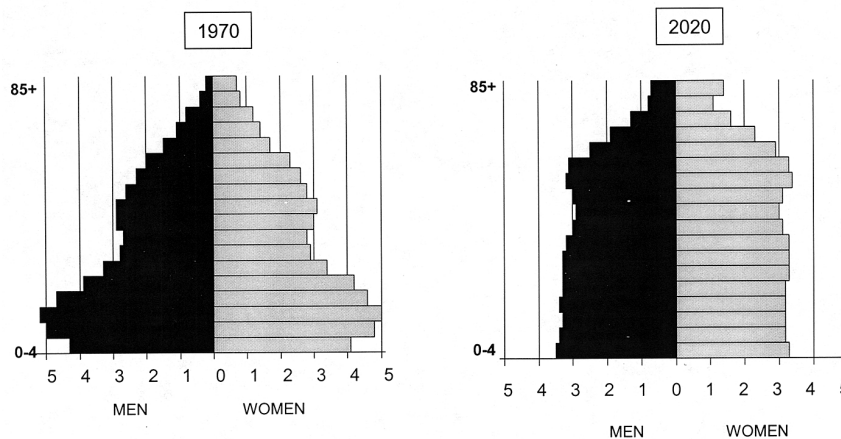


Figure 1. From pyramids to pillars (percent of population). Source: U.S. Bureau of the Census (1975, 2000c).

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“baby bust”), ten-year age groups were roughly the same size until age 40 twenty years ago; after age 40, they were much smaller. So the increase in the working-age population is largely among people in later middle-age, as more Americans survive to older ages.

Other things equal, the shift in population patterns would be expected to generate a similar shift in labor force patterns, with future growth concentrated among workers ages 45 and older. Specifically, if current trends continue, the largest growth will be among workers ages 55–64. By 2010 the median age of the labor force is expected to approach age 41, surpassing its previous record age set in 1962. At the same time, the youth labor force will be larger than it has been since the 1970s.

This suggests two kinds of issues facing employers. First, companies will need to assess what they want from older workers, and what it will take to produce this outcome, whether it be training, benefits, or incentives to leave or change rungs on the occupational ladder. Second, companies must assess what kind of changes in pay and benefits as well as jobs that they need to make to manage a mix of older and younger workers successfully.

### Household Differences

These population shifts are also changing the household profile of the working-age population, as household structures tend differ across young, middle-aged, and older adults.<sup>3</sup> Perhaps the most important impact on benefits is the changing ratio between households with and without children, a shift contributing to rising women’s labor force participation in particular.

Longer life expectancies are compressing child-rearing into less than half the working life: Americans now average only 35 percent of the years between ages 20 and 70 in parenting, although there are considerable differences by gender and by race (King 1999).<sup>4</sup> Today fewer of the nation’s households have children living with them, with predictable effects on labor force participation rates as well as on benefit packages.

TABLE 1. U.S. Population in 2000 and Projections to 2020 (millions)

<i>Age group</i>	<i>2000</i>	<i>2020</i>
under 10	38.9	43.5
10 to 19	39.9	42.7
20 to 29	36	42.9
30 to 39	41.7	41.9
40 to 49	42.3	37.4
50 to 59	30.5	40.5
60 to 69	20.1	38.1
70 to 79	16.1	23.3
80 +	9.2	12.4

*Source:* U.S. Bureau of the Census (2000c).

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The shift toward relatively equal sized age groups is making households more diverse, as well as proportionately larger in number. When most of today's employers and managers grew up, the modal family arrangement was a married couple with one or more children.<sup>5</sup> By contrast today, due to longer life expectancies and fewer children, there are more married couples without children. Put simply, couples today have more years together after their children have reached age 18. The 2000 Census found that the traditional family represented barely 35 percent of all family households, and less than one quarter of all households. Meanwhile, married couples without children had become the nation's most common living unit. Single-parent households (more than four in five headed by a woman) were also more common, growing from 4 percent of family households in 1950 to over 13 percent in 2000.

Households that do not contain a family (i.e., persons related by blood or marriage) are also becoming more prevalent. Single-person households are now the nation's second most numerous household type, accounting for more than a quarter percent of all households. This is not surprising, considering that people ages 65+ represent the largest share of single-person households. However, single-person households are common in every age group — one in ten Americans ages 25 to 44, the most common ages for marriage, lives alone.

These trends imply that employers must begin to rethink how employment and benefits packages reward individuals versus workers in households, as well as how they interact with workers' transitions between the two sets. Young persons starting families are in a very different economic and

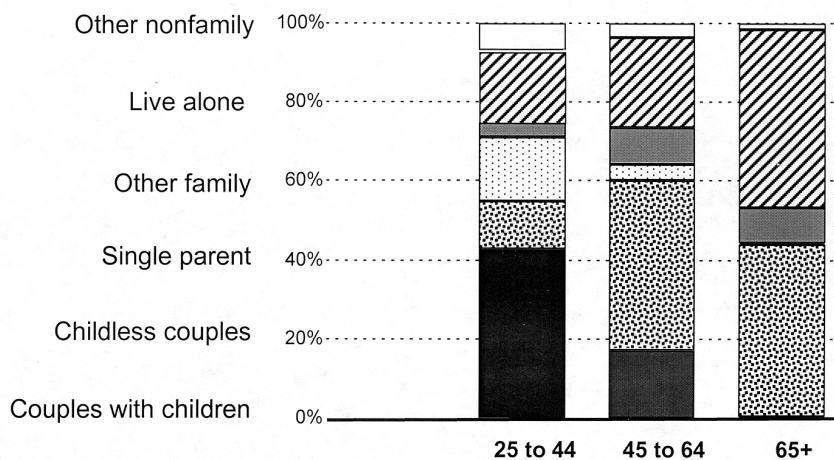


Figure 2. Household life stages by age of householder, 1999 composition. Source: U.S. Bureau of the Census (2001).

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social milieu than are older workers whose children have left home. Today's current focus on work and family issues will of course continue to be valuable, but in the future, employers will also need to focus on rewarding and motivating the majority of the working-age population not involved in raising children.

### Racial and Ethnic Differences

The nation's minority populations have grown rapidly in recent decades, making an understanding of their employment wants and needs more than a gesture of sensitivity or an accommodation to civil rights laws. In addition to relatively high fertility rates, particularly among Hispanics, the minority population has grown via massive immigration experienced since the 1970s.

Most immigrants come to the United States in search of better employment opportunities, and thus they are often young adults; as a result, they account for a substantial share of workforce growth. This is particularly true for Asians and Hispanics. In addition, these populations are also extremely diverse, ranging from highly educated computer professionals from South Asia to poorly educated day laborers from Central America.

Nationwide, non-Hispanic whites currently account for 72 percent of the working-age population; the minority population is becoming both more

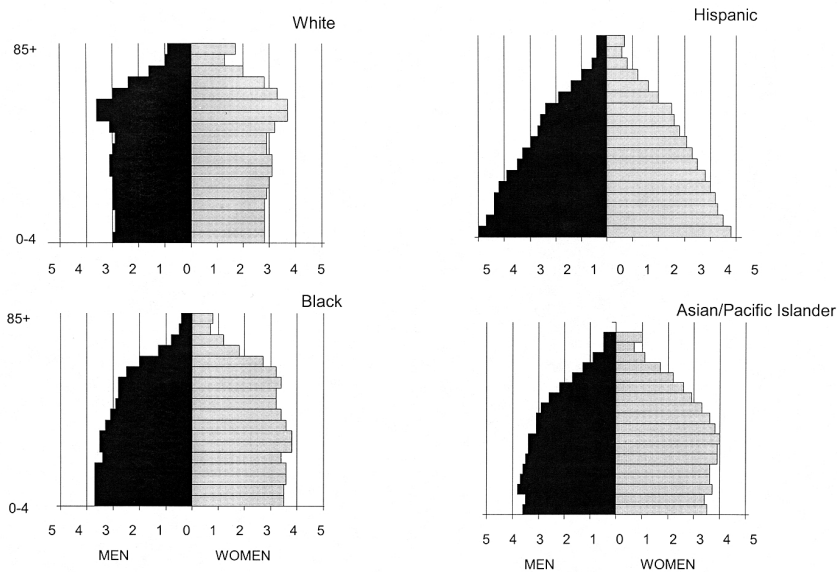


Figure 3. Projected distribution of minority population by age, 2020. Source: U.S. Bureau of the Census (2001).

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diverse and more numerous. The 2000 Census found that Hispanics (who can be of any race) slightly outnumber non-Hispanic blacks. However, both groups each account for more than 12 percent of the population, and Asian and Pacific Islanders account for nearly 4 percent. Although the number of American Indians (including Alaska Natives) nearly tripled over the century, they account for less than 1 percent of all Americans.

If recent trends continue, non-Hispanic whites will account for about 63 percent of the working-age population in 2020, Hispanics for 17 percent, non-Hispanic blacks for 13 percent, Asian and Pacific Islanders for 6 percent, and American Indians for 1 percent.<sup>6</sup> This represents major shifts in diversity within segments of the working-age population. First, minorities are younger than the majority population. The non-Hispanic white population had a median age of 38.1 in 1999, nearly a dozen years older than the Hispanic population (26.5). American Indians (28.3) were almost as young as Hispanics, while the median ages of the African-American population (30.3) and the Asian and Pacific Islander population (32.0) were not much higher.<sup>7</sup> Younger populations tend to contain more families with children; fewer than half of non-Hispanic white family households now have children in them, compared to over half of minority family households (see Table 2). As a result of all these trends, the “old-style” workforce — younger adults raising families — is increasingly minority, while the “new-style” workforce — older adults without children at home — is disproportionately white.

Changes in the proportion of husband-wife families, especially among households with children, also have profound labor force implications. About 80 percent of white and Asian-Pacific Islander families are husband-wife families, compared with fewer than 50 percent of black families and 70 percent of Hispanic families. In contrast, 54 percent of black family households are female-headed, two-thirds with children. Nearly a third of Hispanic family households are female-headed, again two-thirds with children. Households with two parents have the possibility of two incomes; households with just one parent have only one person who must also fill the role of caretaker.

Simultaneous changes in the nation's age structure and its racial and ethnic composition will continue to modify the nation's household composition. Overall, families with children in them will become a smaller share of the nation's households — they will barely outnumber the growing share of households that consist of people living alone, if current trends continue. However, these trends are very different for minority groups, all of which will have significantly more families with children (see Table 3).

Blacks will be most likely to confront work and family challenges, inasmuch as almost 20 percent of black households will consist of single-parent families in the future, if current trends continue, while only 14 percent will live in “traditional” families. Blacks will also have proportionately more single-person households than whites, suggesting strong interest in benefits

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TABLE 2. Households by Type and Race/Hispanic Origin: 1999 and 2020 (projected) (percent distribution)

	Total		White		Black		Asian/other		Hispanic*	
	1999	2020	1999	2020	1999	2020	1999	2020	1999	2020
Married couples, no children under 18	29	32	31	35	16	18	25	31	19	24
Single persons	26	27	25	27	29	31	20	20	15	16
Married couples, children under 18	24	20	25	21	16	14	33	29	36	32
Single parent families	9	8	8	6	22	19	8	6	16	14
Other families	7	8	6	6	14	15	9	9	10	11
Other nonfamilies	6	5	6	5	4	4	6	5	5	4

Source: Riche (2001a), U.S. Census Bureau (2000a).

Percentages may not equal 100 because of rounding.

\* Hispanics may be of any race and are included in each racial group as appropriate; their households are projected independent of the projections by race.

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TABLE 3. Households by Type and Race/Hispanic Origin, 2020 (households (percent distribution))

	All races	White	Black	Asian and other races	Hispanic*
All households	128,806 (100.0%)	103,165 (100.0%)	18,116 (100.0%)	7,525 (100.0%)	16,959 (100.0%)
Married couples, no children under 18	41,141 (31.9%)	35,649 (34.6%)	3,197 (17.6%)	2,295 (30.5%)	3,997 (23.6%)
Single person	35,204 (27.3%)	28,098 (27.2%)	5,580 (30.8%)	1,526 (20.3%)	2,773 (16.4%)
Married couples, children under 18	26,130 (20.3%)	21,412 (20.8%)	2,531 (14.0%)	2,187 (29.1%)	5,354 (31.6%)
Single parent families	10,182 (7.9%)	6,380 (6.2%)	3,364 (18.6%)	440 (5.8%)	2,317 (13.7%)
Other families	9,977 (7.7%)	6,538 (6.3%)	2,744 (15.1%)	695 (9.2%)	1,788 (10.5%)
Other nonfamilies	6,172 (4.8%)	5,088 (4.9%)	700 (3.9%)	383 (5.1%)	730 (4.3%)

Source: Riche (2001a).

Hispanic household projection is independent of the projections by race.

\* Hispanics may be of any race.

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geared to individuals, particularly if they must pay for care they receive. In contrast, Hispanics may be more interested in family-oriented benefits. In any case, all groups will have higher concentrations of single-person households in the future.

#### **Work and the Life-Course**

Looking backward, during the latter half of the twentieth century, Americans tended to enter the labor market some time between ages 16–21, and some men took time out for military service. Women still devoted considerable nonmarket time to raising children and, if they remained married, might not return to the labor force at all. In any case, retirement took place in the late 50s and early 60s. Throughout the work life, seniority and experience entitled workers to expect higher pay and often higher status.

Looking ahead, demographic and economic trends are creating new life patterns for working-age Americans, particularly longer periods of education when young, and longer healthy life expectancies among the old. These patterns influence workers' needs and preferences for work, pay, and benefits, which in turn will have potent implications for employers. The traditional pattern is fragmenting along several dimensions, roughly correlated with age.

#### Young Adults

Although age 18 still denotes the age of maturity in the United States, legally and statistically, the reality is that economic maturity is increasingly delayed for young adults. Relatively few Americans under the age of 25 have completed schooling, become economically independent, acquired a residence, and formed a family. Instead, this life stage has become one offering young adults a diversity of activities undertaken in no particular order (Rindfuss 1991). In the past, high school graduates divided into two groups: a minority who went to college, and a majority who went directly to jobs or home-making. Looking ahead, it will be increasingly common for most high school graduates to continue their education in a variety of educational settings and often in combination with other activities. The patterns are already clear: in 1999, nearly two out of three high school graduates enrolled in college the following fall, up from one in two in 1978 (National Center for Education Statistics 1999; U.S. Bureau of Labor Statistics 2000b). Nearly 90 percent of part-time students ages 16 to 24 were also in the workforce in 1999, as were 56 percent of full-time students (U.S. Bureau of Labor Statistics 2000a).

In sum, more young adults are continuing their education, fewer young adults are going straight to full-time work, more young adults are combining school and work, and some are doing none of the above. It is taking

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longer, for young men at least, to make the transition from high school to stable employment. One research team found that it took seven years before 40 percent of black male high school dropouts found full-time year-round work, while 70 percent of black male college graduates worked full-time year-round within a year of graduation (Oppenheimer, Kalmjn, and Lim 1997).

Spending more time in school and taking longer to become attached to the workforce has caused many young adults to delay leaving their parents' home for independent living (Goldscheider, Thornton, and Young-DeMarco 1993; Goldscheider and Goldscheider 1993). In 1999, some 60 percent of the civilian population aged 18–24 was living with parents or other relatives (66 percent of males, 56 percent of females). About half of the remainder (19 percent) was married or a single parent (13 percent of males, 25 percent of females), while the rest were living alone or sharing with someone else.<sup>8</sup> Coincident with this lack of tight labor market attachment are peripatetic mobility patterns among this age group. Young adults are the most geographically mobile, with 12.5 percent of the civilian population aged 18–24 moving across county lines between 1998 and 1999, as compared to about half that rate for all age groups (U.S. Census Bureau 2000d). It appears that this life phase has become a post-adolescent stage when many young people transition gradually into adult life by engaging in variety of activities, in a variety of places, simultaneously or consecutively, and in no particular order.

### Peak Working Ages

Peak labor force participation in the United States occurs between ages 25 and 54 (Fullerton 1999). From a labor force and benefits perspective, however, it is probably best to divide this peak working period into two stages of roughly equal duration. During the first, usually younger, stage, people have family responsibilities and many (usually women), subordinate market work to home work. During the second phase, people tend to have fewer family responsibilities and work can become a primary focus. Demographic change in America is increasing the number of workers in stage 2, and making them roughly equal to the number of workers in stage 1.

Stage 2 is particularly relevant for women workers. Given the compression of parenting into the earlier part of the peak working age, women reach stage 2 with their child-care responsibilities largely behind them. Already more than half of the women in the U.S. workforce have no children at home; about one-quarter have school-age children, and only one-sixth have a preschool child (U.S. Bureau of Labor Statistics 2001). It is interesting, in this light, that popular discussions of women's labor force choices, working conditions, and benefits tend to focus on the "work/family conflict," reflecting the presumption that traditional gender roles continue throughout life. But what we have demonstrated is that employers might

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more usefully distinguish between workers (of both sexes) in stage 1 versus those in stage 2. During the first stage, workers are simultaneously paying off educational and mortgage debt, starting new careers, and having children — during what are likely to be their lowest earnings years. During the second stage, when earnings tend to be higher, people generally have fewer childrearing and housing costs, and instead begin to focus on saving for retirement. In addition some care for elderly parents, though lengthening life expectancy is tending to postpone this concern to later life. Employers who understand these influences will be in a better position to satisfy these new needs, rather than being unaware of them.

#### Older Adults

The concept of retirement in the United States was invented during the twentieth century. Whereas most people worked until a few years before death at the beginning of the century, fewer than one in six men ages 65 and older, and fewer than one in ten women, was in the labor force by 2000 (U.S. Bureau of Labor Statistics 2001). Now most people retire before age 65, though retirement is also becoming a process rather than a clearly delineated event (Treas 1995).

One reason for this trend is that life expectancies have been rising rather dramatically over time. Currently, Americans tend to live 18 years after attaining age 65, up from about 12 years in 1900; life expectancy after age 65 is projected to increase even more in the twenty-first century (National Center for Health Statistics 2001). In addition, the aging of the baby boom will speed the growth of the older population over the next few decades. Both developments imply that “senior citizens” will account for 16.5 percent of the U.S. population by 2020, and the percentage will grow over the remainder of the century.

Since mortality improvement at older ages is a relatively recent phenomenon, occurring mostly after 1960, many today still contemplate old age using out-of-date stereotypes. But research now indicates that *healthy* life expectancy is rising just as quickly as *total* life expectancy, so that each new generation attaining old age is actually less “old” than its predecessor (Manton, Corder, and Stallard 1997). A new standard of energy and vitality in the population seems to have pushed old age well into the 70s and beyond, partly due to better education about health and partly due to medical advances.

Given the large growth in the older population and its improving health status, policymakers may seek to extend the work life, rather than providing income support for early retirees. Changes in Social Security and other government programs may be a catalyst, but already workers and their employers are making adjustments. For example, the shift from defined benefit to defined contribution pensions has changed incentives for early

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retirement. On the other hand, extending the work life to older ages will require abandoning the assumption that people can spend an entire work life in a single occupation, or that career ladders can be climbed in only one direction. Echoing young adults, healthy older adults seem to be living a life stage increasingly characterized by diversity, combining regular, intermittent, and self-employment, with school, travel, and leisure pursuits, in no particular order.

In sum, during their working ages, Americans pass through several stages that determine what they contribute in the workplace and what they want from their work lives. Also having roughly equal numbers of people at all working ages will mean that the labor force will include people at each of these life stages. This spells the need for a greater range of working conditions and benefits than ever before.

### Changes in Job Context

Ongoing changes in economic organization and operations are also tugging the nation's labor force into new ways of working. Underlying many of these changes is the continuing shift of the nation's employment into the service sector. Technology continues to improve productivity in the traditional manufacturing industries, where output growth has outpaced employment. Meanwhile, services are expected to account for three of every four U.S. jobs by 2010 (Thomson 1999). Some of this growth in services is attributable to the same demographic changes reshaping the population — for instance, the growth in health services reflects a longer-lived population reliant on continued advances in diagnosis, treatment, and care. Yet many others are rooted in productivity-enhancing industries such as computers and communications. These are important growth industries in themselves, and the way they reshape business is also enhancing productivity in business services, management and public relations, research and testing, personnel services, and renting and leasing.

From a workforce perspective, some of the industrial restructuring involves outsourcing jobs that were previously performed in-house, moving them to new specialized companies. To some extent, then, such outsourcing is eliminating rungs from the career ladder, as positions that were formerly filled through on-the-job exposure and training now develop career ladders of their own outside traditional large employers. This shift challenges some companies to supervise and carefully manage the employees they “own” versus those they “rent.” This challenge is rendered even more interesting by different employment spells for different skills and tasks, including the growing use of temporary employees (see Camden this volume; Houseman this volume). These employees work for a set period on a contractual or fee basis, thus adding a new set of diversity issues — tenure, training, status, pay, mobility, and the like — to the demographic diversity palette.

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#### Occupational Shifts

Changes in the structure of occupations are also ahead. The twenty occupations predicted to grow most rapidly in the future are mainly in computing and health care, where they will offer relatively high wages and require a relatively educated workforce. Nevertheless these represent less than 20 percent of the overall growth in employment projected by the Bureau of Labor Statistics for this decade. By contrast, the thirty occupations accounting for nearly half the projected job growth pay lower-than-average wages, and require no more than on-the-job training. Put another way, 70 percent of the fastest growing occupations generally require post-secondary education or training, compared to only a third of the occupations with the largest numerical growth.<sup>9</sup>

From a socioeconomic perspective, these trends might imply a twenty-first century version of the two-tier or hollowed-out workforce, with growth in high-paying occupations requiring human capital investment, and growth in low-paying occupations without such requirements. The Bureau of Labor Statistics notes that occupations requiring an associate's degree or higher, which accounted for 25 percent of all jobs in 1998, will account for 40 percent of the job growth by 2010. Meanwhile, jobs requiring just a high school education and short-term on-the-job training will account for 57 percent. As a result, these trends suggest a continuation of today's skill mix, expressed in terms of educational attainment. It is interesting, nonetheless, that both groups of growing occupations concentrate in the area of personal, human, and business services, where people tend to work with people. Meanwhile, technological and other well-known changes are reducing the demand for numerous occupations where people work with "things." A natural consequence of the trend is that there will be a broad need for more training and standards relating to interpersonal skills.

It should also be recalled that focusing on changes in occupational demand misses the largest labor force pattern, where new employees will simply replace older ones in occupations where demand remains steady. These occupations may be found in every sector, but they are most concentrated in traditional manufacturing and agricultural-related occupations. In many cases, "older" is a literal description of people who have completed their work life and moved into a new life stage. In many other cases, particularly in low-paying service occupations like food preparation, "older" simply means "previous," as young workers move on to other fields. So-called "poor" jobs may never be appealing to many during their peak working years, but they could become attractive to people transitioning into or out of the working life.

The longer work lives produced by demographic trends suggest that workforce planners need to sharpen their understanding of career paths, including interruptions, reversals, and changes of direction for both women and men in their industries as well as the economy as a whole. Similarly, the

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rise of contract, temporary work is broadening the portfolio of workforce attachments as well as workforce settings. It is probably time to acknowledge the new work-life models, instead of remaining wedded to old concepts. Certainly the fact that many employees undergo lengthy transitions into and out of peak working years suggests that even "poor" jobs can play a role for workers at different stages in their lives.

### *Mobility and Migration*

Trends in cross-national mobility are difficult to predict, since they are a function of political as well as economic and demographic influences. The Census Bureau has recently moved to project the impact of international migration on the U.S. population based on current trends instead of continuing past tradition of assuming a constant value.<sup>10</sup> These trends include population growth rates in the sending countries, since job-seeking is normally the driver of migration for young adults who make up the bulk of migrants. Estimates suggest that the United States should expect increasing numbers of immigrants from high-growth countries in South Asia, Sub-Saharan Africa, and the Middle East between now and 2020. At the same time, the Bureau expects a slowing in family reunification patterns from Mexico, and a slowing of refugees from the Balkans. Overall, falling fertility rates in the Western Hemisphere should be expected to slow Hispanic immigration, while high rates in other regions should increase the inflow of Black and Asian populations.

Several changes should be expected in the makeup of the U.S. workforce between now and 2020 (though changes in public policy can obviously turn around migration projections). First, over a million immigrants are expected to arrive each year, mostly of working age and seeking employment. Second, immigrants will be increasingly Black and Asian, and they will come from cultures that are generally very different from the dominant U.S. culture. Finally, immigrants can be expected to concentrate at the two extremes of the educational scale: highly educated and barely educated.

Traditionally immigrants have concentrated geographically as they locate with countrymen who came here before them. Over the last two decades, most immigrants to the United States have concentrated in a few states, mostly on the East or West Coasts. Subsequently, competition for jobs and housing in coastal states led unskilled U.S.-born workers to migrate to places in the country's interior, particularly non-Hispanic whites and blacks (Frey 1993). Another factor is the effect of industrial restructuring on unskilled and semiskilled blue-collar jobs that may have prompted less educated workers to move in search of new opportunities (Wright, Ellis, and Reibel 1997). In any case, managing racial and ethnic diversity in the workplace will be an even greater challenge across different parts of the country, as the immigration flow continues.

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Continuing globalization will also expand how managers handle work, pay, and benefits. For instance, the flow of foreign-born workers who return home to seek new work or to retire, can be expected to increase. This is true to the extent that improved communications and transportation technology allow foreign-born workers to maintain ties to their homeland while they are here. Also there are simply more foreign-born people in the U.S. working-age population today, as a result of high emigration patterns in the past (U.S. Bureau of the Census 2001). Such patterns pose a challenge for handling issues such as long-term pension vesting, retiree health benefits, and deferred compensation.

Globalization is also prompting more U.S. companies to move operations overseas. Economic integration is increasing, just as unprecedented numbers of young people in developing countries are swelling the world's labor force. In the past, massive migration of working-age people resolved regional imbalances between labor supply and labor demand. In the future, migration will still be a partial solution, but the numbers of job-needy workers are far larger than industrialized nations are willing to absorb. Instead, globalization permits employers to export jobs, thus creating a new global division of labor (Riche 2001b). Benefits managers in such multinational enterprises are having to redesign benefits within a broader, global perspective, and they must confront the challenge of a wider array of workers and worker needs and preferences.

#### **Pay and Benefits Implications**

Many misinterpreted the earlier landmark study, *Workforce 2000*, as suggesting that women and minorities would become a majority of the future workforce, rather than simply a majority of *net entrants*. In the present context, we hasten to point out that the U.S. labor force will continue to grow over the next two decades, even as net inflows are changing. During this period the U.S. workforce will become older, more evenly divided among men and women, and more racially and ethnically diverse, both across and within groups. And it will become less engaged with simultaneously raising families, while more concerned with meeting individual interests. Consequently, employers will need to consider a broader range of worker need when shaping pay, benefits packages, and working conditions.

#### *Implications for Age-Related Benefits and Pay*

As work lives lengthen, they may feature more interruptions than in the past, and undoubtedly they will involve more movement between employers, occupations, and industries. As a result, benefit portability will become an increasingly important issue. Managing turnover to maximize organizational effectiveness will also challenge human resource managers. As an

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example, low employee turnover has recently been linked to declining corporate performance (*New York Times* 2000). Benefits may become as much a tool for managing worker departures as for managing recruiting and retention.

On-the-job education and training is also likely to be perceived as a career-building benefit, as life-long learning becomes a necessity in a fast-changing employment environment. Employer reluctance to invest in training that might give a competitor a short-term boost may become less salient from a work-life perspective. Echoing the medieval apprentice system, employees might find it useful to trade pay now for skill investments that promise future higher pay. Employers who provide valuable credentials could also offer skills-acquisition in lieu of pay.

An adaptable employer in the future might make a virtue of accommodating interrupted and intermittent labor force participation, abetting career and job changes. For instance, young adults have long gained experience and information about the world of work from seemingly "dead-end" jobs, while earning money to pay for higher education. Similarly, mid- and late-career adults sometimes outgrow the careers they prepared for while lacking methods to build new ones. Internships and mentoring techniques could be used to attract new employees, just as employers currently profit from outsourcing to temporary employees whom later they may convert to permanent hires.

The changing workforce will also require employers and employees to rethink careers. Traditionally, career mobility has been seen as a steady upward progression, with retirement at the top. This was a useful premise when organizations had pyramidal career structures, and there were fewer workers at successively older ages. In the future, lateral and downward mobility will be needed to accommodate a long-lived workforce with roughly equal numbers at all ages. If status issues can be handled with care, flexible career ladders may better accommodate workers' changing health and physical needs, as well as their family and financial needs, in the future.

Geographic mobility normally diminishes at older working ages, but new tools may also help employers turn geographic flexibility into a benefit over the work life. For instance, employees can work from remote locations, at home, or out of a satellite office to save time and money commuting to headquarters. Geodemographic search tools may be used by employers seeking pockets of untapped skills among retirees, or the underemployed who are not willing to leave their communities. In some cases employers may even establish plants where people prefer to live.

The key principle in this reformulation of pay, benefits, and working conditions is that managers must understand where a given job can fit into workers' life stages, and then design pay and benefits appropriately. For example, part-time fast-food jobs traditionally appealed to teenagers still in school; when a dearth of baby bust teenagers developed, McDonald's turned

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to semiretired workers who valued the flexible scheduling and human contact. The U.S. military is currently having trouble recruiting and keeping young adults, particularly when they start having families. As a result, the armed services seeking skilled people are now considering mature recruits interested in travel and saving for retirement.

#### *Implications for Household-Related Benefits and Pay*

Increasing diversity of workers' family and living arrangements also has implications for pay, benefits, and working conditions of the future. Perhaps the most important is due to the compression of family obligations into stage 1 of the work life, as it is squeezing working parents for time and for money, whether they are single or wed. Employers seek ways to ease that squeeze by providing daycare and sometimes allowing parents to bring new babies to work. They also provide benefits that address the financial squeeze as in the federal government's move to allow agencies to repay college loans for recruits with highly needed technical, professional, and administrative skills.<sup>11</sup>

A challenge in this area is that companies must be even-handed vis-à-vis benefits for workers not currently raising children. In addition to empty-nest couples and singles, this includes workers living in subfamilies (families living with another family member) and cohabiting. Cohabiting, in particular, will continue to be common as the share of workers raising children declines. Longer life spans also raise issues of generational care needs within families, and employers should be aware that most care, whether in the form of time or money, goes from older to younger family members. In any case, employers must avoid favoring one family "arrangement" over another, if only because workers can transition rapidly between these.

Helping workers manage their time can be a substantial benefit for people committed to families, as well as for those with other preoccupations. Alternative work schedules can be a boon; so too can time-saving help from employers via managing administrative chores for health plans. Ford Motor Company offers an interesting example of adaptive benefits over the life course, establishing centers for social services ranging from child care for working parents, to book clubs for retirees. The firm's union sought improved childcare and services for school-age children, to which the firm added benefits including time- and trouble-saving features for older workers like tax planning and travel assistance.

Longer work lives are also heightening women's role in the workforce, as the primary growth in labor force participation is among women at an age with few or no traditional family obligations. Employers can probably expect a surge in work intensity and interest from midlife women employees. Focusing benefits on the individual worker, rather than the worker's family, may become more effective in the future, given the fact that women

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and men may face different timing issues over the life course. The key idea is to give workers a broader array of choices, and employers who analyze the needs of people in their labor market will be better equipped to target benefits and pay for effective recruiting, retention, and turnover.

### Other Diversity Issues

In the U.S. context, “diversity” implies acknowledging and managing racial and ethnic differences in the workplace. In the future, these issues will continue to be salient, and ongoing racial and ethnic changes will surely reinforce the need for “diversity management.” Possibly, however, over the next twenty years the dwindling (in relative terms) majority may become more accustomed to accommodating a wider array of people, and an increasingly multiracial population might blur racial and ethnic distinctions. Nevertheless, labor markets vary enormously in their geographical, racial, and ethnic makeup, so employers might be called on to manage this variation by, for instance, counseling key employees to become more sensitive to diversity issues. At the same time, there is a greater need for employees with good interpersonal skills, as the growth occupations tend to be those that deal with people. This means paying attention to managing diversity among customers, such as knowing when to have sales people sensitive to customer needs. Geographic concentration in demographic characteristics will always require tailoring policies and practices to the appropriate labor market, whether in terms of race/ethnicity, age structure, or worker’s living arrangements.

### Conclusion

Challenging workforce transformations await the employer of the future. Greater gender and racial/ethnic diversity will be paired with more diversity in workers’ ages, and more diversity with regard to workers’ household/family characteristics. These changes will powerfully shape what workers need and want in the way of benefits, and what companies offer to attract, retain, and manage the workforce of the future.

### Notes

1. The United States Bureau of Labor Statistics (BLS) produces short-term projections of the labor force at regular intervals. A recent projection appeared in 1999 and extends to 2008 (Fullerton 1999). See also <[www.bls.gov](http://www.bls.gov)> for further information.

2. All the population (but not household) projections in this chapter come from the middle series produced by the United States Census Bureau for 1999–2100, and released on January 13, 2000 at <[www.census.gov/population/www/projections/natsum.html](http://www.census.gov/population/www/projections/natsum.html)>. Household projections are the responsibility of the author and are

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based on the Census Bureau's population projections (Riche 2001a). These projections extend farther into the future than official household projections. Like labor force participation, household projections are subject to unpredictable variation in tastes and traditions and should thus be viewed as purely illustrative of the direction taken by current trends.

3. A household consists of all people who occupy a housing unit. A house, an apartment or other group of rooms, or a single room is regarded as a housing unit when it is occupied or intended for occupancy as separate living quarters; that is, when the occupants do not live and eat with any other persons in the structure and there is direct access from the outside or through a common hall. There are two major categories of households, "family" and "nonfamily." A family household includes the related family members and all the unrelated people, if any, such as lodgers, foster children, wards, or employees who share the housing units. A non-family household can be a person living alone in a housing unit, or a group of unrelated people sharing a housing unit such as partners or roomers. The count of households excludes group quarters.

4. Women spend slightly more of their lives parenting, men slightly less, as women tend to retain custody of their children after divorce. However, given remarriage rates, men spend about twice as much time as women as custodial than biological parents, as well as mixed (biological and custodial) parents. Overall, white men spend an estimated 93 percent of the time white women do in parenting; African-American men spend an estimated 83 percent of African-American women's time.

5. For statistical purposes, the official definition of children is "under age 18, living in the home."

6. Since Hispanic is an ethnic not a racial identification, it is possible that a shift in identification patterns could reshape these Census Bureau projections. The Census Bureau reports that most Hispanics indicate they are white when they are required to elect a race on a survey. Currently government policy allows people to specify more than one race, generating more than sixty combinations. It is not yet clear how population projections will account for this broader array of self-definitions.

7. For these and other demographic facts not specifically referenced, see Riche (2000).

8. Data are from the March 1999 Current Population Survey, tabulated for the author.

9. Several occupations are contained in both groups, mostly in computing, health care, and social services (Braddock 1999).

10. The Census Bureau does not have a dynamic model, as no unifying theory of future change exists. Instead it is based "on a large amount of underlying current detail, coupled with some consideration of factors that could influence its change in the future" (U.S. Bureau of the Census 2000b).

11. Effective 2001, federal agencies are authorized to repay federally insured student loans when necessary to recruit or retain highly qualified professional, administrative, or technical people.

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