

# Energizing your Human Capital for Organizational Resiliency

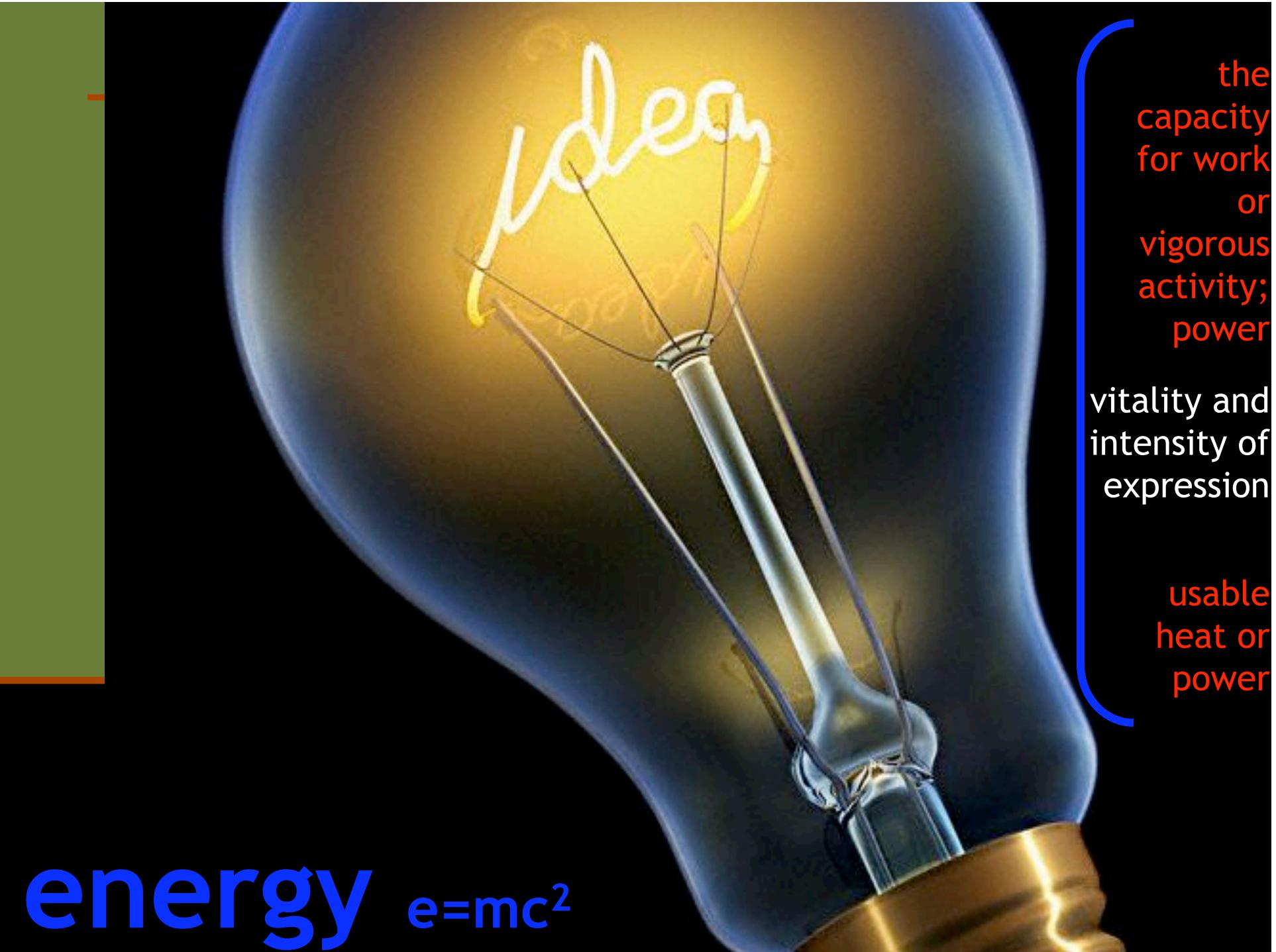
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## The Business Case for Work/Life Initiatives

Smart Start Conference  
May 8-9, 2007

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**energy**  $e=mc^2$

the capacity for work or vigorous activity; power

vitality and intensity of expression

usable heat or power

# What is Resilience?

Resilience is:

- The ability to bounce back or recover quickly from adversity... buoyancy, elasticity.
- The ability to remain productive and healthy in pressured and demanding times of disruptive change.
- The ability to learn, to be transformed and to thrive, having experienced adversity.

*Resilient employees feel confident that they can manage the pressures of their work and maintain performance during upheaval and change.*

$$F_1 = -F_2$$

Resilience is:

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**renewable energy**

usable

vital

capacity  
for work

powerful

intense

adaptable

changing form    strong

# What are Human Capital Initiatives?

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- Dependent Care
- Health and Well-Being
- Financial Support/Benefits
- Convenience Services
- Community Involvement
- Work Redesign/Flexibility



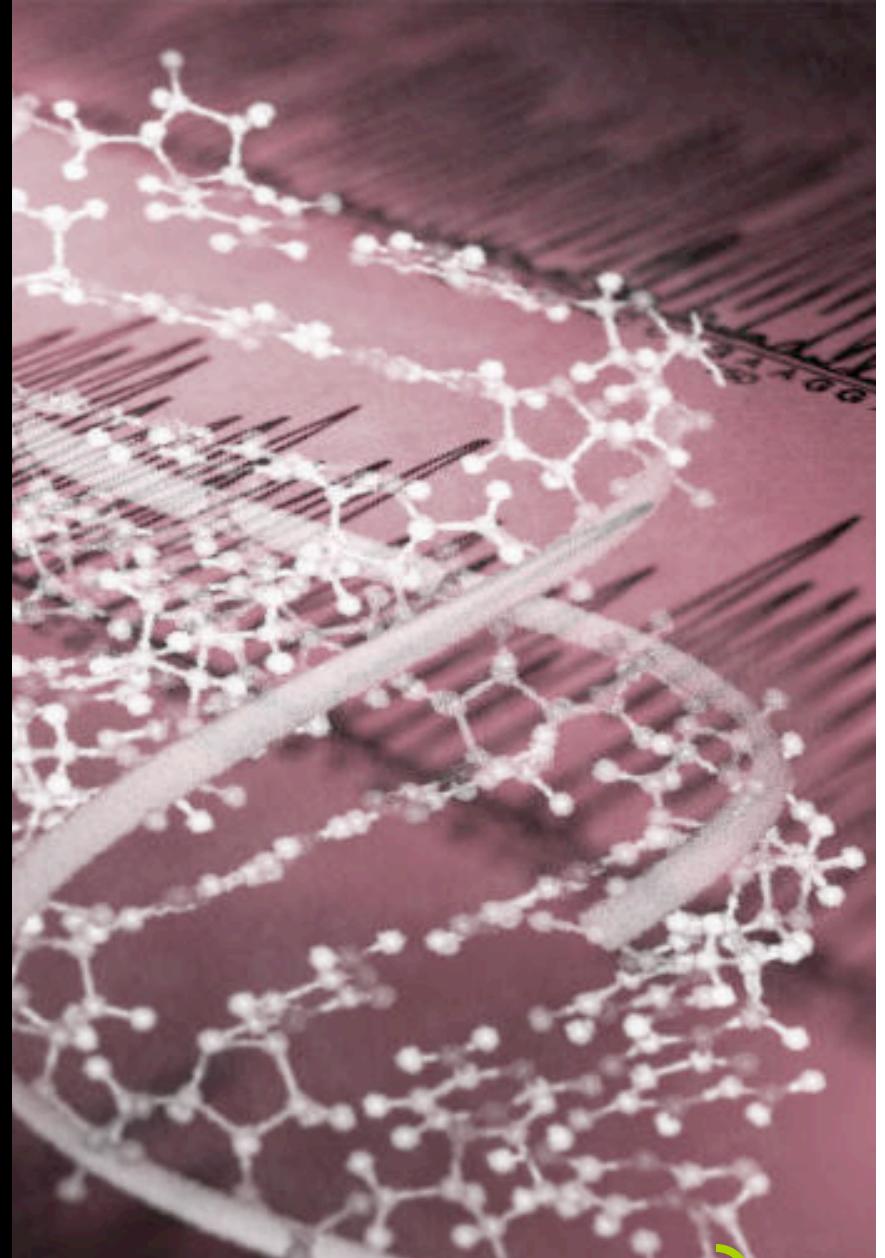
# Top Ten Reasons Companies Invest in Human Capital Initiatives:

- ✓ Attract and retain employees: Reduce employee turnover
- ✓ Reduce employee absenteeism
- ✓ Increase productivity, commitment and engagement
- ✓ Increase morale and job satisfaction
- ✓ Reduce health care costs
- ✓ Improve image/create brand
- ✓ Bolster local economic development
- ✓ Increase profits
- ✓ Attract customers and investors
- ✓ Build a resilient workforce

saving energy...

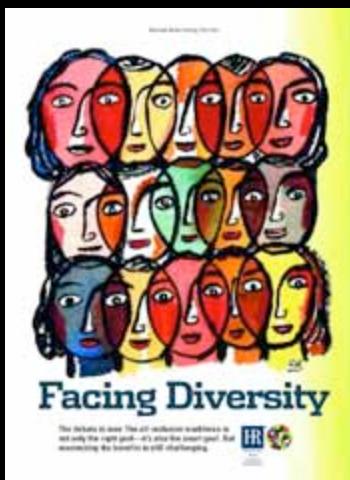
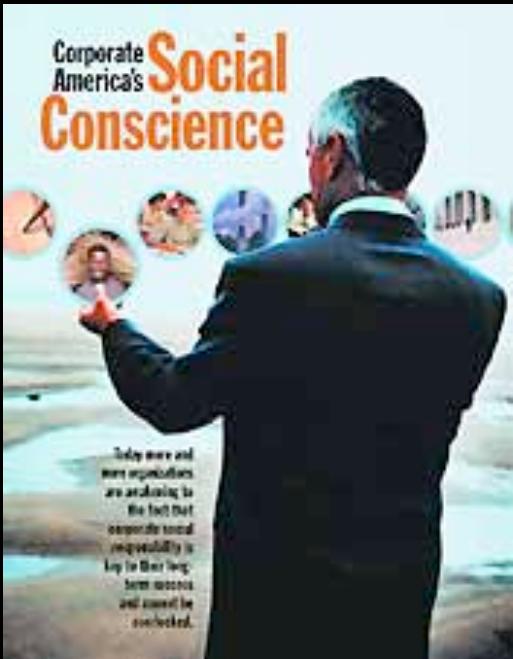
**These days smart companies, large and small, are viewing work-life initiatives not as favors but as strategic business tools that help keep valuable workers and make it easier to attract new ones....and the bottom line impact can be quite dramatic.** *Karol Rose, Fortune Magazine, 2005*

**In fact, resilient companies are “viewing these programs in much the same way that R&D and technology are seen: as part of the corporate DNA.”** *Sandra Burud, Leveraging the New Human Capital, 2004*



transform energy

# Changing Business Environment



Global e-Commerce  
24-7 Marketplace  
Demographics  
War for Talent  
“Employer of Choice”  
Metrics/Profits  
Customer Focus  
Mergers/Downsizing  
Technology  
Overwork



# Accelerating Pace of Technology

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- There are over 2.7 billion searches performed on Google each month. (What happened BG?)
- The number of text messages sent and received every day exceeds the population of the planet.
- There are about 540,000 words in the English language.  
...About 5 times as many as during Shakespeare's time.
- More than 3,000 new books are published ... Daily.
- It's estimated that a week's worth of New York Times . . Contains more information than a person was likely to come across in a *lifetime* in the 18th century.

{ renewable energy... }

Source: Karl Fisch  
Did You Know?

# Accelerating Pace of Technology

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- As late as the 1940s, the product cycle (idea, invention, innovation, imitation) stretched to 30 or 40 years. Today, it seldom lasts 30 to 40 weeks.
- Eighty percent of the scientists, engineers, and doctors who ever lived are alive today - and exchanging ideas in real time on the internet.
- All the technical knowledge we work with today will represent only 1% of the knowledge that will be available in 2050.

[ renewable energy... ]

Source: HRI

# Accelerating Pace of Technology

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- Third generation fiber optics recently tested -
  - Pushes 10 trillion bits per second down one strand of fiber.
  - That's 1,900 CDs or 150 million simultaneous phone calls every second.
  - The rate currently tripling about every 6 months and is expected to do so for at least the next 20 years.

[ gain/loss energy?... ]

Source: Karl Fisch  
Did You Know?

# Accelerating Pace of Technology

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It's estimated that 40 exabytes (that's  $4.0 \times 10^{19}$ ) of unique new information will be generated worldwide this year.

- That's estimated to be more than in the previous 5,000 years.
- The amount of new technical information is doubling every 2 years.
- It's predicted to double every 72 hours by 2010.

[ renewable energy... ]

Source: Karl Fisch  
Did You Know?

# Business or Busyness?

67% of employed parents say they do not have enough time with their children, 63% of married employees say they do not have enough time with their spouse and more than 50% say they do not have enough time for themselves. (Waters Boots, 2004)

*It's not enough to be busy, so are the ants.  
The questions is what are we busy about?*

***Henry David Thoreau***

# Business or Busyness?

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- The “standard workweek” is defined as 35 to 40 hours 5 days a week, Monday through Friday. Only 29% of Americans fit this definition. (Waters Boots, 2004; Presser, 2003)
- Since 1969, family time for a working couple has shrunk an average of 22 hours a week. (Fisher Vista/U.S. Government )
- Over the past 25 years, the combined weekly work hours of all couples - up from 70 to 82 hours. For dual earner couples with children under age 18, up from 81 to 91 hours since 1980 (Bond, Thompson, Galinksy, & Prottas, 2002)
- And... yes, we work more than the Japanese - more than any other industrialized nation.

( kinetic energy ... )

# The Hot Button Resilience Issue:

## Managing Workload

Less than 10% of organizations say that they are doing well at managing workload and close to 50% surveyed rate their organizations low.

( WFD Consulting, 2004)



# Overwork and Stress

- One million workers are out with stress related illness everyday!
- Industry loses about 550 million workdays/yr. due to absenteeism, 54% are stress related.
- 43% of all adults suffer from health problems due to stress. 75% - 90% of all primary care physician visits are for stress related complaints or disorders.
- Stress costs US businesses \$200-300 billion annually!
- Depression accounts for at least as much medical and disability costs as hypertension, diabetes, back problems and heart disease. Annual costs for lost productivity and absenteeism exceed \$3,000 per employee.

[ warning: fuel deficit ]

Source: Fisher Vista

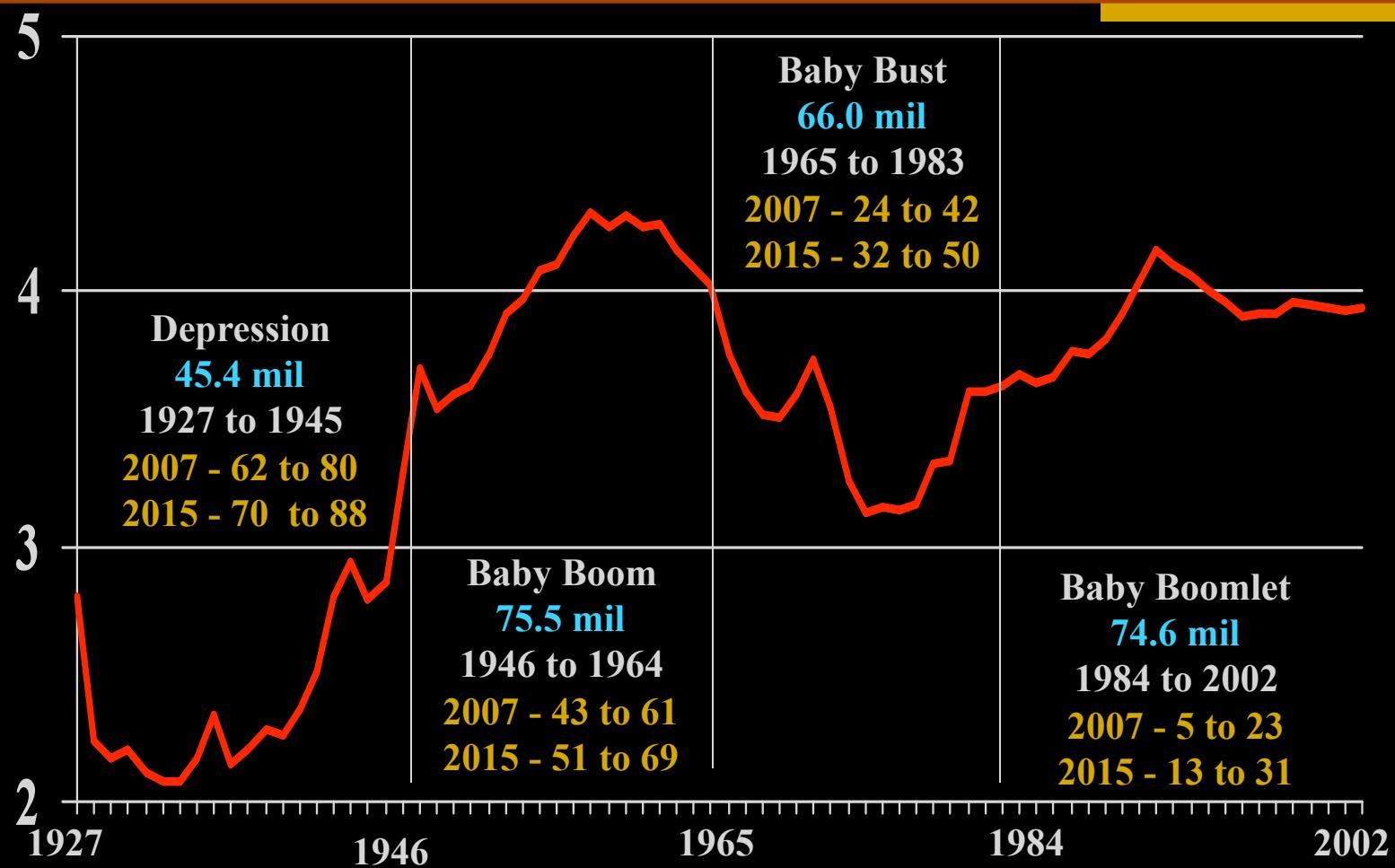
# Changing Demographics

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Workforce Participation  
Family Structure  
Aging Population  
Generational Expectations

# Actual Number of Births per Year in the U.S.



Source: U.S. Bureau of the Census and HRI

# Labor Shortage

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- Today: two workers exit the domestic workforce for every one entering. (BLS)
- The long-term labor shortage will continue to be a threat - 10 million-person shortage in U.S. by 2010, 40 million by 2015. (HRI)
  - The U.S. Bureau of Labor Statistics predicts that there will be 54.7 million jobs to fill between now and 2013 -- with the IT industry among the fastest-growing sectors. Add to that the fact that 77 million baby boomers -- people now about 43 to 61 years old -- will be hitting retirement age between 2010 and 2020.
- 43% of the U.S. civilian labor force eligible to retire in next decade.
- By 2015 there will be a 15% decline in 35-54 yr. olds, while labor demand will increase by 25%. (HRI)

( impending fuel deficit )

# The Changing American Family

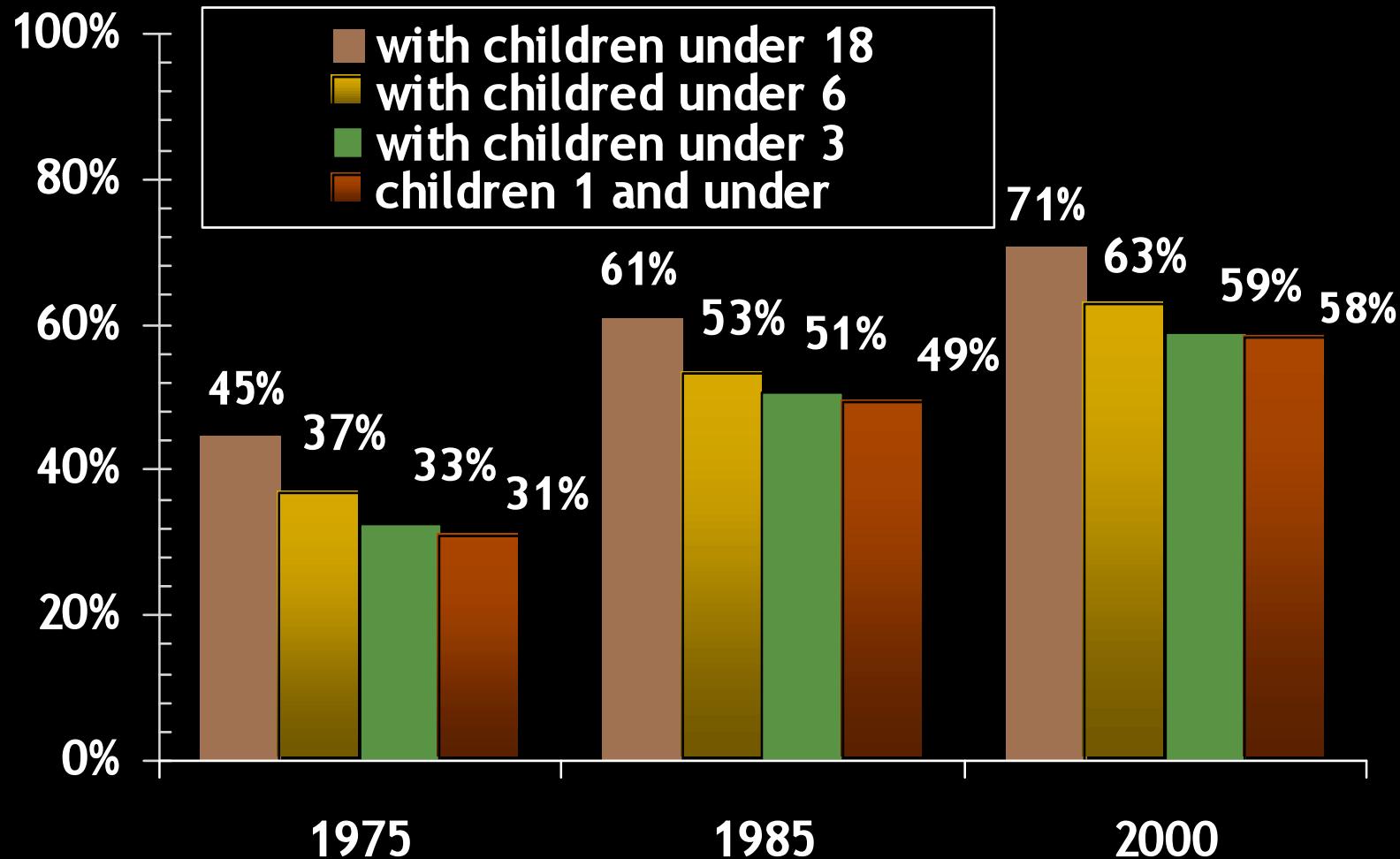
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In 2000, 47.7% of all families were two earner, married couple families, while one earner, married couple families dropped to 29.1% of the total.

(State of Working America, 2004/2005)

# Married Mothers with Children in the Labor Force



Source: Catalyst, New York, NY and HRI

# re-circulating energy.....

Dependents  
Chores  
Job pressure  
Work vs. conscience  
Non-ideal hours  
Shift work  
E-leash

Two earners  
Coworker support  
Supervisor support  
Benefits  
Earnings  
Stimulating work  
Meaningful work  
Time for self  
Technology

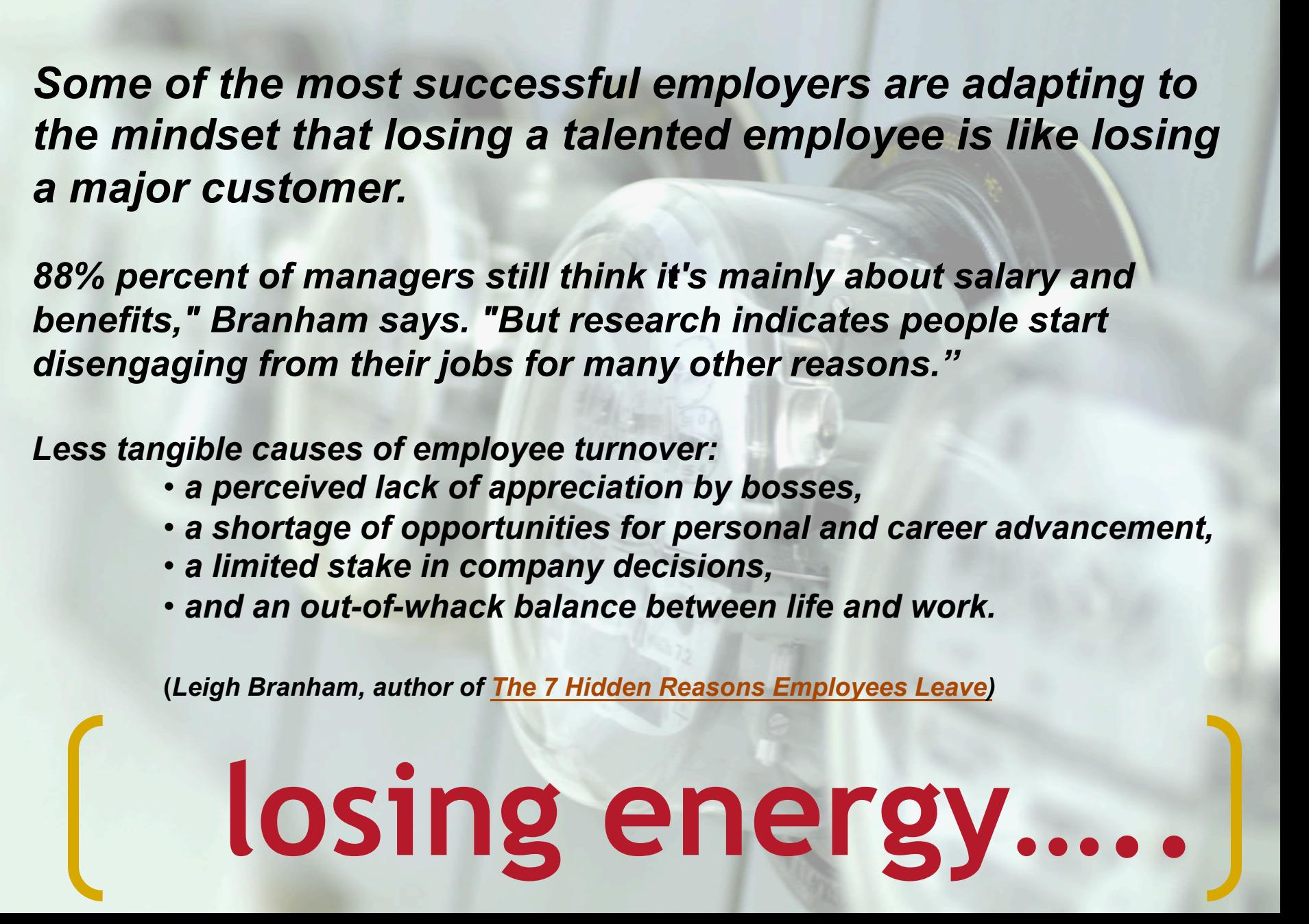
# Hidden Brain Drain

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- 1/3 of professional women drop out of the workforce at some point, most commonly for child care responsibilities. Average departure 2.2 years. Just 5% of women surveyed - and none working in banking or finance - wanted to return to their previous employer. *Hidden Brain Drain Task Force*



{ losing energy }



***Some of the most successful employers are adapting to the mindset that losing a talented employee is like losing a major customer.***

***88% percent of managers still think it's mainly about salary and benefits," Branham says. "But research indicates people start disengaging from their jobs for many other reasons."***

***Less tangible causes of employee turnover:***

- a perceived lack of appreciation by bosses,***
- a shortage of opportunities for personal and career advancement,***
- a limited stake in company decisions,***
- and an out-of-whack balance between life and work.***

***(Leigh Branham, author of The 7 Hidden Reasons Employees Leave)***

**[ losing energy.... ]**

# Aging Population



- **Nearly one in four households (23% or 22.4 million households) is involved in caregiving to persons age 50 or over.** (National Alliance for Caregiving and AARP.)
- **64% of caregivers are employed, most FT.**  
(American Council of Life Insurance.)
- **Most caregivers put in approximately ½ of a typical workweek - 17.9 hours per week providing care. This figure increases to 20 hours per week among those providing care to individuals age 65 and older. And.... One in five households ( 4.5 million of the 22.4 million) spend over 40 hours per week providing care!** (HHS, National Alliance for Caregiving and AARP)
- **Productivity due to absenteeism plus missed overtime by employees who must care for elders can cost a \$1,000-\$3,000 per employee per year.** (AMA)



**Employees with eldercare responsibilities are costing US businesses anywhere from \$17.1 to 33.6 billion annually.**

**Costs due to absenteeism, workday interruptions and employee attrition.**

**losing energy....**

# Generational Markers

Depression Generation	Baby Boom Generation	Baby Bust Generation	Baby Boomlet Generation
Great Depression Electrification World War II Cold War	Civil Rights War on Poverty Race to Space Assassinations Vietnam Impeachment	AIDS Video Games Homelessness Berlin Wall Technology Diverse Latchkey Kids Downsizing	Poverty The Environment Violence Columbine/VT Terrorism/911 Wired Medicated Diverse

inherent energy...

Source: HRI

# Generational Characteristics

	<b>Values</b>	<b>Ego</b>	<b>Lifestyle</b>
<b>Depression 1927 - 1945</b>	Patriotic Loyal Prudent	Personal Sacrifice	I like it, It's O.K.
<b>Baby Boom 1946 - 1964</b>	Idealistic Competitive Revolutionary	Personal Gratification	Should I really like it? Will others?
<b>Baby Bust 1965 - 1983</b>	Skeptical Resourceful Independent	Reluctance to Commit	I like it, I don't care what you think!
<b>Baby Boomlet 1984 - 2002</b>	Optimistic Wired	Inclusive	Who are you anyway? You're old.

Source: HRI

# Generational Characteristics

	Org. Values	Leadership	Authority
<b>Depression 1927 - 1945</b>	Loyalty Similarities Relationships	By Hierarchy	Respectful
<b>Baby Boom 1946 - 1964</b>	Profitability Reputation “Sink or Swim”	By Consensus	Love/Hate
<b>Baby Bust 1965 - 1983</b>	Stimulation “Integration” Feedback	By Competence	Unimpressed and Unintimidated
<b>Baby Boomlet 1984 - 2002</b>	“Diverse Environment” Support System	By Pulling Together	Polite

Source: HRI

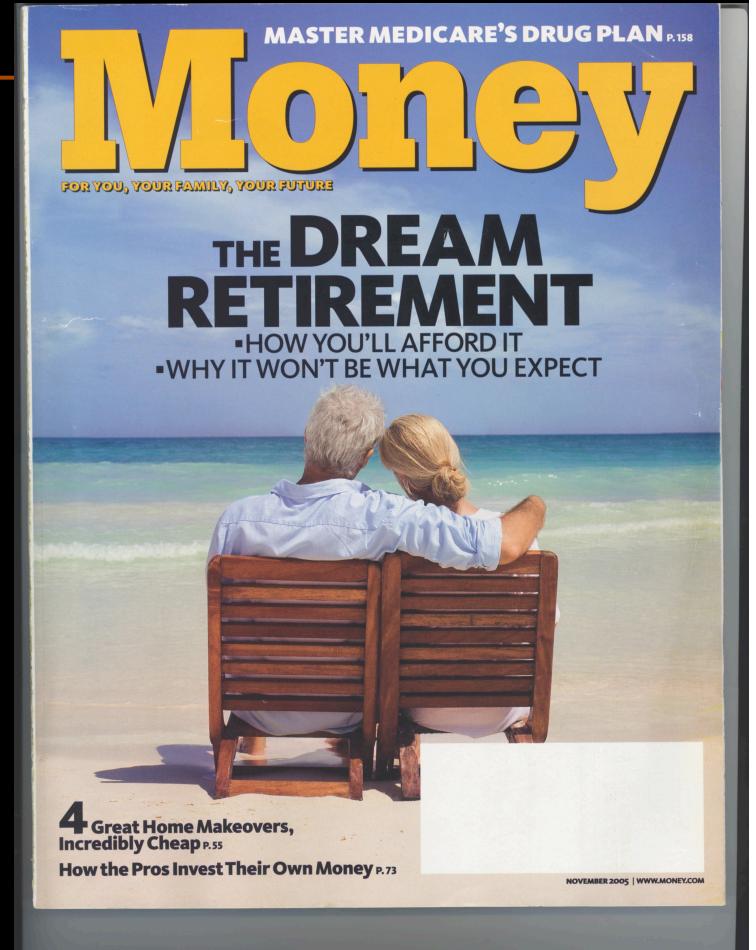
# Is the Dream Real?

## Baby Boomer View



Source: HRI

[ lost energy...? ]



# Can We Really Keep This Up?

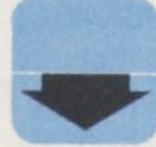
We're retiring earlier and earlier, even as we are living longer and living better. Most experts say the early-retirement part of that equation has to change.



Average retirement age



Life expectancy at 65



Poverty rate of seniors



Median income of seniors



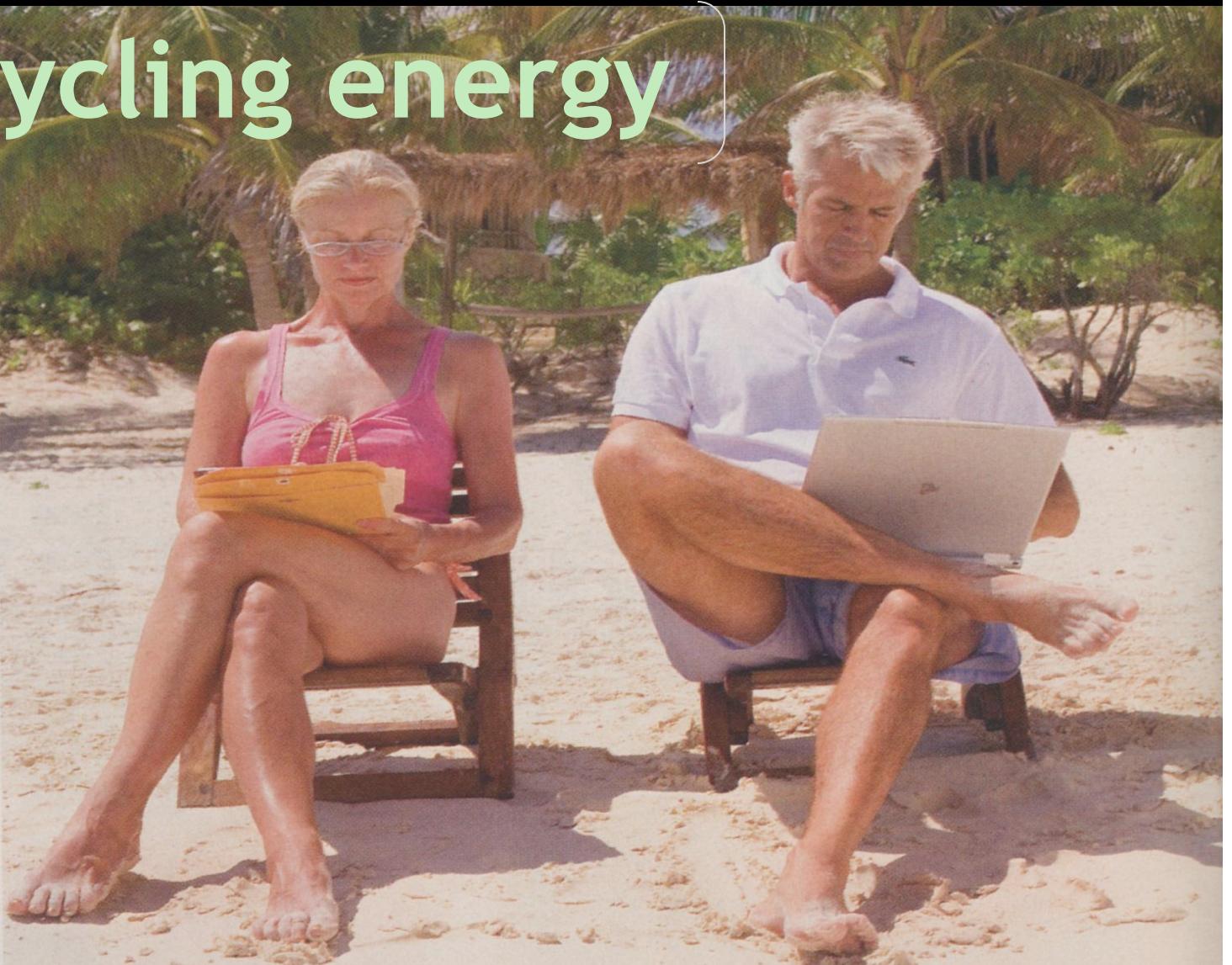
% of income replaced by Social Security

	1950s	1970s	TODAY	2030s
Average retirement age	66 67	63	62 61	?
Life expectancy at 65	78 81	79 83	81 84	83 85
Poverty rate of seniors	35%	15%	9%	5%
Median income of seniors	N.A.	\$17,700	\$26,000	\$36,000
% of income replaced by Social Security	19%	32%	42%	36%

NOTES: Income replacement rate is based on what the Social Security Administration considers a "medium" earner. N.A.: Not available. SOURCES: Murray Gendell, Center for Population Research at Georgetown University; Social Security Administration; Urban Institute Dynasim3 projections.

Source: Money Magazine November 2005

re-cycling energy



Source:

Money Magazine  
November 2005

Rather than add staff, many companies now hire retirees to do high-end consulting.

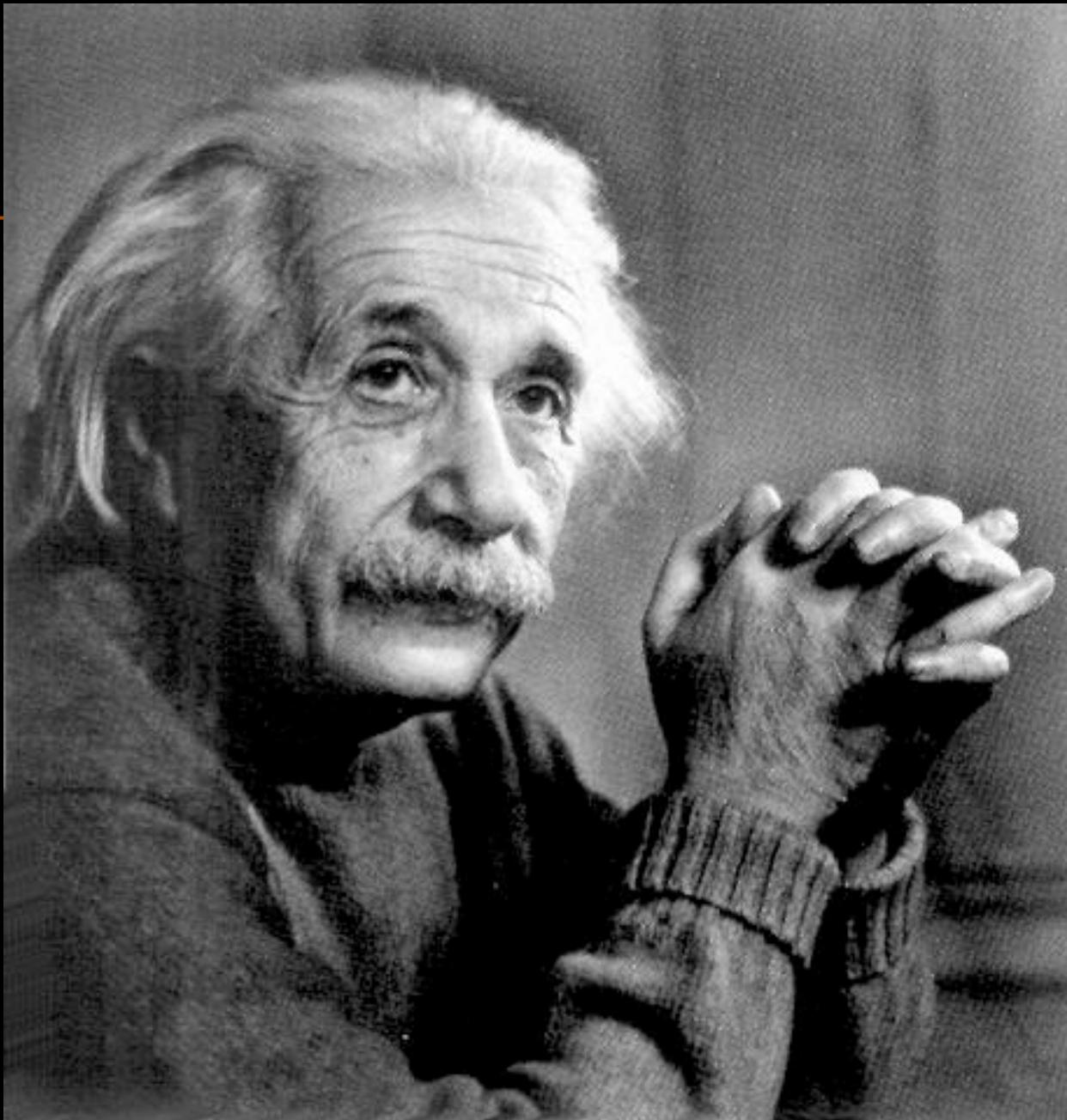
# The New Reality:

## Baby Bust View



continuous energy...

Source: HRI



"Do not worry  
about your  
difficulties in  
**Mathematics.**

I can assure you  
mine are still  
**greater."**

# Human Capital Research

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- *The Employee-Customer-Profit Chain at Sears* (Rucci et al., 1998). Very strong causal links between employee satisfaction, customer satisfaction and increased profits.

*“Every 5% improvement in employee attitudes drives a 1.3% improvement in customer satisfaction and a .5% growth in store revenues.”*

- First Tennessee Bank: Employee satisfaction → 7% increase in customer retention = \$106 million profit gain in two years.

# Human Capital Research

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- Watson Wyatt *Linking Human Capital and Shareholder Value* - 405 NASDAQ and New York Stock Exchange (NYSE) companies
  - Clear relationship between the effectiveness of a company's human capital and the creation of superior shareholder returns.
  - 3 year total return to shareholders: 112% for companies w/ high commitment employees vs. 76% companies with low commitment.
  - Fortune's 100 Best Companies to Work For Outperformed similar companies and showed cumulative stock returns 50% higher than the market norm. Vanderbilt University and Hewitt Associates Study
  - Institutional investors, pension fund and money managers: "35 to 40 percent of portfolio allocation decisions are based on non-financial information - intangibles!" Cap Gemini Ernst & Young (CGEY).

## Costs of Work/Life Related Turnover

Of 2,727 survey respondents at ABC Company, 42.4% report actively looking or considering looking for a more flexible job at a different company to manage work and personal life.

Assuming 1/3 of those looking or considering looking actually leave ABC Company, the estimated replacement cost of work/life related turnover for these survey respondents at ABC Company is \$22,440,000.

*Calculation:*

Assumption: avg. salary (exempt) = \$50,000

Assumption: avg. salary (non-exempt) = \$28,000

Assumption: 70% of the population is exempt, 30% are non-exempt

42.4% of 2,727 employees = 1,156 employees

33% of the 1,156 employees looking to leave actually leave = 382 employees

Replacement cost per exempt employee ( $\$50,000 \times 1.5$ ) = \$75,000

Replacement cost per non-exempt employee ( $\$28,000 \times .75$ ) = \$21,000

267 separated exempt employees  $\times \$75,000$  = \$20,025,000.00

115 separated non-exempt employees  $\times \$21,000$  = \$2,415,000.00



*Total Cost: \$22,440,000 out of a payroll of over \$118 million. (includes only survey population estimates)*

## Absenteeism Calculation: Related to Employee Child Care Conflicts

Of Company XYZ survey respondents with children under age 13 (483), approximately 34.64% report missing 1-3 full workdays within the last three months due to child care conflicts. National statistics indicate that an average employee misses 8 - 9 days of work per year due to the breakdown of child care arrangements (Emlen & Koren, 1984; Carillo, 2004).

Assuming these employees miss an average total of 8 full days per year (conservative estimate), the estimated annual absenteeism costs due to child care conflicts for this 34.64% of XYZ survey respondents with children is approximately \$282,276.00.

*Calculation:*

Assumption: avg. salary (exempt) = \$70,000

Assumption: avg. salary (non-exempt) = \$33,000

Assumption: 59% of the population is exempt, 41% are non-exempt

8 days of pay per exempt employee (\$70,000) = \$2,153.84

8 days of pay per non-exempt employee (\$33,000) = \$1,015.38

34.64% of 483 employees = 167 employees

99 exempt employees x \$2,153.84 = \$213,230.16

68 non-exempt employees x \$1,015.38 = \$69,045.00



Total Cost: \$282,276.00 for the 167 survey respondents above (who report missing 1-3 work days each quarter due to child care conflicts).

Since the stratified random sample conducted in this survey is representative of all XYZ employees, the absenteeism costs of 34.64% of the entire XYZ employee population with child care responsibilities is \$3,413,435.00 (based on the above "days missed" and salary, % exempt and % non-exempt, assumptions.)

The above calculations do not estimate lost productivity costs due to additional hours (beyond full-days) needed by employees to resolve child care conflicts. The above calculations also do not include opportunity costs associated with employee absenteeism.

# Impact on Business

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I would argue that we're at the point that where we should be asking CEOs for the evidence that supports the business case for NOT offering these programs... The evidence is so overwhelmingly strong, I doubt anyone could make that case.

Kathy Lingle, AWLP and former Director of Work-Life Initiatives at KPMG

The major challenge for CEOs over the next 20 years will be the effective deployment of human assets... getting individuals to be more productive, more focused, more fulfilled, more engaged.   WFD Consulting

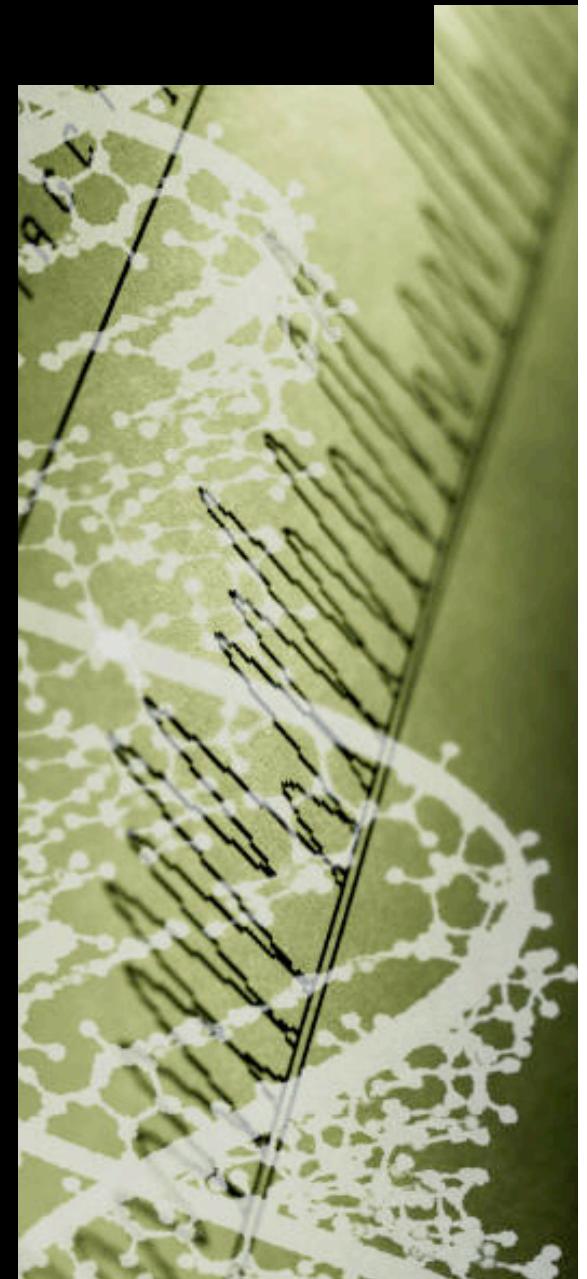


# What Defines a Resilient... and Energized Workplace?

Integration of human capital concepts and constructs into the corporate DNA!

- Involvement in multi-level decision making.
- Optimal degree of autonomy.
- Understanding of how individual work matters within the larger organizational picture.
- Workplace flexibility - experiment with how work gets done!
- Challenging, marketable and valued work ..... and continuous learning.
- Supervisor and co-worker support - treat as whole people.

{ **reconfigure & refuel** }

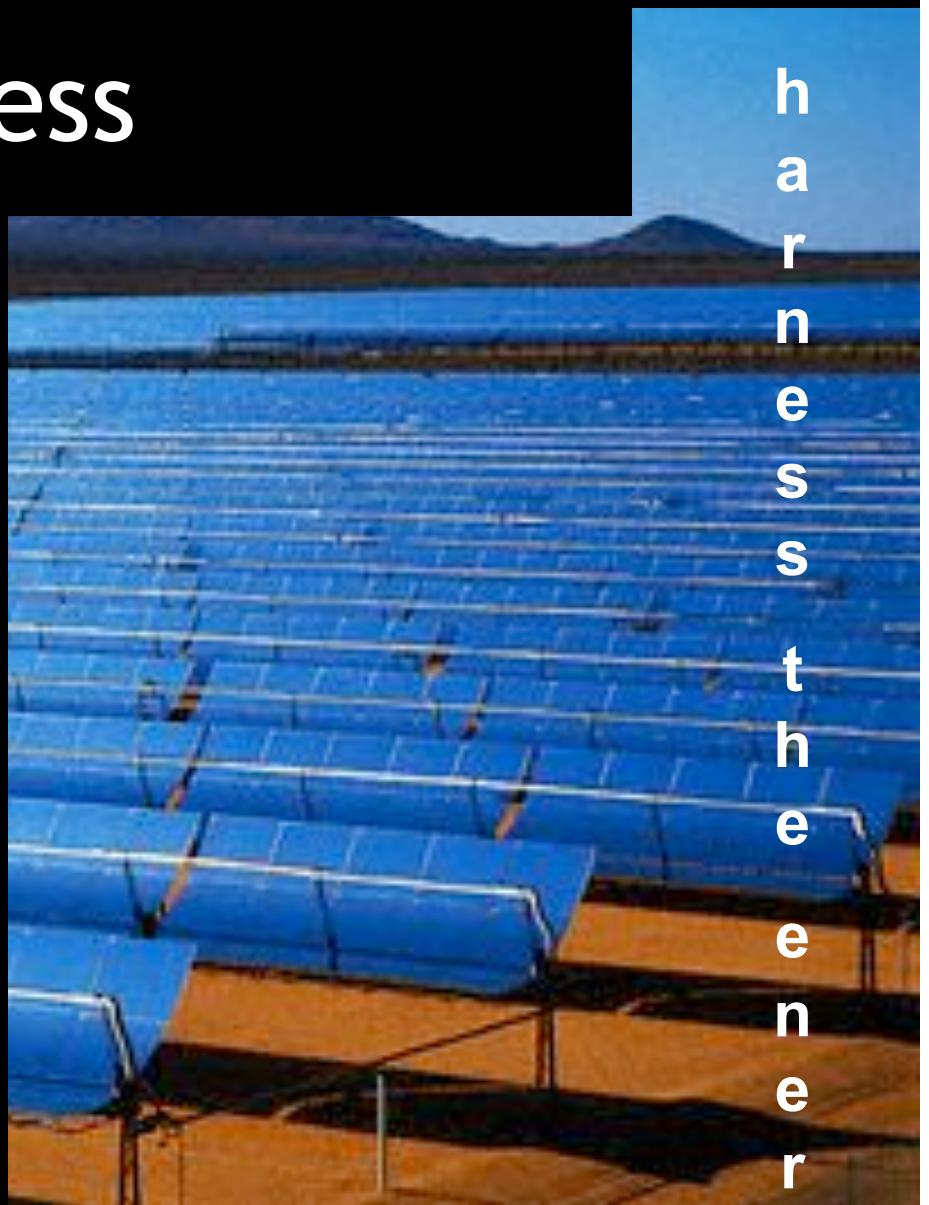


# Impact on Business

“ In a corporate environment that is changing at warp speed, performing consistently at high levels is more difficult and more necessary than ever. High performance depends as much on how people renew and recover energy as much as on how they expend it... on how they manage their lives, as much as on how they manage their work.

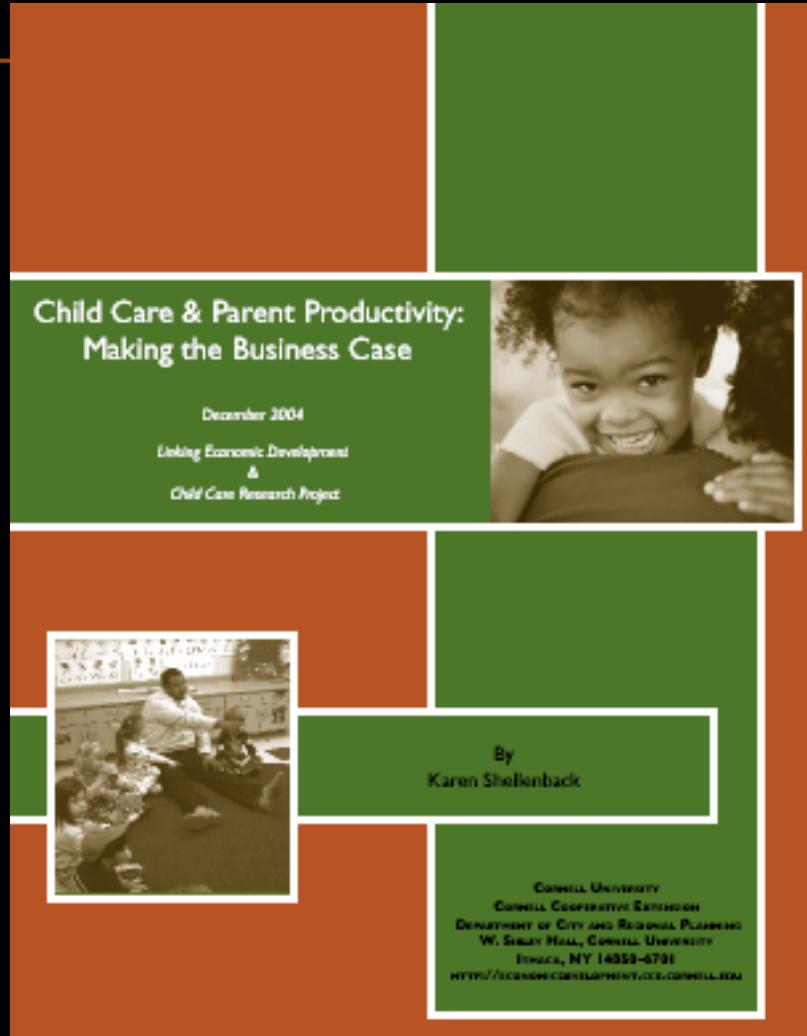
When people feel strong and resilient - physically, mentally, emotionally, and spiritually they perform better, with more passion for longer. They win, their families win and the corporations that employ them win!”

Jim Loehr and Tony Schwartz,  
Harvard Business Review, January 2001



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# Child Care and Parent Productivity



## Making the Business Case

By Karen Shellenback

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Available at: <http://government.cce.cornell.edu/doc/pdf/ChildCareParentProductivity.pdf>