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Fact Sheet: ***The Coming Shortage of Executive Talent***

Powerful demographic forces are converging to produce a talent shortage in the executive labor market sooner rather than later. Across the financial services industry, as well as many others, organizations will soon have many more executive roles to fill than seasoned top-level managers to fill them.

Consider these facts:

- With the baby-boom generation beginning to reach traditional retirement age and the younger X generation fewer in number, three-quarters of managers expect a talent shortage to emerge in the next three to five years, according to Deloitte.
- RHR International claims that America's top 500 biggest companies will lose half their senior managers within the next five years or so.
- The National Bureau of Labor Statistics (BLS) says a shortfall of 10 million skilled workers is projected by 2010, and that the coming talent gap will widen at an accelerated pace through 2030.
- The Commerce Department says that 60 percent of new jobs in the 21st century will require skills currently possessed by only 22 percent of U.S. workers.
- According to the Computing Technology Industry Association Inc. (CompTIA), by 2012, there could be as many as 21 million vacant jobs but only 17 million workers to fill those posts.

Given this rapidly-approaching talent gap, it's surprising that less than one in five companies is well positioned to attract and retain top talent and some 60 percent of organizations do not account for workforce aging demographic trends in their long term staffing and hiring planning.

So where are the accomplished professionals who will fill those jobs? Contrary to popular assumptions, much of the answer will come not from foreign workers off-shore, but from the ranks of the boomer generation itself. Life expectancy is increasing and the National Center for Health Statistics says that Americans who blew out 50 candles on the cake in 2003 will on average live to see their 80th birthday, leaving a lot of potentially productive time after. Boomers in between full-time employment and full-time retirement are offering their services in a new type of strategically-targeted interim engagement that delivers strong business advantages for the companies that engage them.

Some 80 percent of baby boomers expect to continue to work in some form after they reach age 65, according to AARP. The BLS says that the labor force participation rate for American men aged 65 to 69 rose substantially over a 10 year-period ending in 2006, from 27.5 percent to 34.4 percent. And for women in that age group, the proportional increase was even greater, from 17.2 percent to 24.2 percent. In addition, second careers and flexible work schedules are becoming more acceptable in the workplace. And the combination of increasing competition and more rapid cycles of innovation has accelerated everything, including the need for just-in-time executive talent.

With most companies ill-prepared to meet their business challenges by relying on traditional recruitment models, a high-growth marketplace of accomplished professionals is emerging. These are C-level executives with significant track records who can meet the needs of companies facing the senior executive talent gap – but far more cost effectively than under full-time, fixed-cost employment.

Today, increasing numbers of senior executives are looking for the flexibility of being a free agent, enabling them to achieve a more satisfying work/life balance. This makes







Evolution of Employer-Worker Relationships			
<u>Era</u>	<u>Years</u>	<u>Relative Cost</u>	<u>Value of People</u>
Manufacturing and Industrial Focus	1945-1990		
Transition to Services Focus, Cost Cutting	1990-2006		
The New Engagement Model	2007-		

Figure 1 – Since the early 20th century, the employer-employee relationship has been marked by three main eras. In the first, the model was full-time company employment, which placed high value on people but carried a high cost. In the second, the 1990s period of corporate downsizing, reengineering and outsourcing greatly reduced personnel expenses, but had a devaluing effect on the contributions of employees. We are now at the dawn of a third era in which a new “engagement” model will spread rapidly. Interim executive engagements offer variable rather than fixed costs and limited times vs. “permanency.” They also will help companies meet the coming talent gap as millions of baby boomer executives and professionals approach and re-invent traditional retirement.

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them a high-value, variable-cost asset, ideal for short-term strategic engagements, such as opening a new division, launching a product or service, guiding start-up businesses through initial hurdles or ensuring operational success through temporary transitions such as mergers, acquisitions or successions, or opening a new country or region.

The Evolving Work/Talent Marketplace

Today's new engagement market for accomplished professionals is the result of a gradual evolution in employer-employee relations that's been taking place since the 1920's (see *Figure 1*). Following WWII, companies were the central focus in the economy with high fixed business costs. Full-time employment was the dominant model for non-farm workers and a high value was placed on the people who were needed mostly to manufacture goods. During the post-war period leading up to the 1960s, the shift of large segments of the population from farm to manufacturing work that had begun in the late 19th and early 20th centuries grew to become the dominant employment type. This employment paradigm was perhaps best represented by William H. Whyte's 1956 best-selling business book, "The Organization Man."

In today's model, costs need to remain low but people need to be more highly valued. But, value itself has been redefined. Today's value is about relevance, cost-effectiveness and business agility – people today deliver value and then move on to other projects or opportunities. This is the foundation of the new engagement marketplace, in which the security of lifetime employment with a single company has been replaced by a different kind of security, that of providing value to many companies in order to avoid business downturn from a single source of work. By spreading their efforts among multiple companies, people working in interim engagements reduce their overall risk of ever being totally out of work.

The old economic models were based on high fixed human resource costs. In today's economy, to manage profit margins, personnel costs need to be more variable. Companies continue to invest in people, but can no longer afford the permanent fixed costs of a large core staff. Rather, companies are seeking to maintain smaller core staffs, and leveraging a variable cost, project-based model that guarantees agility and flexibility. With this new type of interim engagements, companies gain the lower costs of right-sizing senior executive talent combined with an approach that highly values people and their contributions.

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