

THE RETIREMENT AND DEATH WARS



Why company officers must integrate external, third-party, Internet based training and testing (referred to as Interactive Distance Learning or IDL) as a corporate requirement of a successful and surviving businesses in the immediate future to avoid charges and accusations of due-diligence negligence under the Sarbanes - Oxley Law compliance theories.

A Research and Development White Paper
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The Retirement and Death Wars have begun.
Is your company ready for both waves named retirements and deaths?

The Retirement Wars

Retirement Wars - The 1960's hired baby-boomers are retiring in record numbers and most corporations, companies and privately owned businesses are neither prepared nor planning adequately for this first wave of a two part labor inversion and insurrection. Workers hired for all industries in the 1960's are reaching retirement age. This is also true in all other industries. Replacements must be found, hired and trained. Extending the careers of older employees will still be faced with the more severe, trailing wave of the storm... the Death Wars.

Reduced Labor Pool.

In the next 10 to 15 years there will most certainly be a shrinking labor pool and fewer skilled workers. Many of the traditional labor industries and Fortune 500 companies are forecasting retirement rates of 50% of their workforce within the next ten to fifteen years.

Small Company Struggles.

Small companies will be at a competitive disadvantage because they could never afford to produce the same quality and types of benefit packages and the critical, internal training and testing materials as the large corporations with embedded training and testing personnel and systems.

Corporate Due-Diligence.

Identifying, hiring and training replacements from both inside and out should be an immediate priority for all small businesses, sole-proprietors and all corporate Chief Executive Officers, Chief Financial Officers and all upper management.

Internal and External Hiring.

New hires must also be trained and cross-trained for advancement to fill all positions of labor and management as they are vacated by upward promotion of experienced individuals, planned and unplanned retirements and deaths. The domino effect of internal promotions represents a massive amount of new training and testing that companies must recognize as a core business requirement. This will evoke and demand a major migration of personal skill sets. Job and company specific skills will demand immediate focus to enable company survival.

Benefit Package Bribes.

Older, experienced workers will become more valuable and costly than precious gems and harder to obtain and retain. Medical and benefit packages for the mature and senior

employees will be the currency of their workforce when dealing with all companies of every size.

Outsourcing Interactive Distance Learning.

The generation entering the workforce today is the most computer literate group in history. Each successive generation will be even more advanced. As an alternate to recurring, outside hiring, internal lateral transfers and vacancy filling promotions, Interactive Distance Learning (IDL) companies will use the clients' business content in software applications to create and administer complete, global campus training and testing over the Internet.

The available job applicants and the emboldened job shoppers will use the internet as never before to see what is available and test the waters. The Internet will be what newspaper, radio and television was to the past generations. Training and testing over the Internet will be so common as to be a boring conversational subject.

Interactive Distance Learning will trade on the fact that every person with a connection will have an available library resource newer, greater and more comprehensive than the content of the United States' Library of Congress. Private websites, online newsletters, email lists, blogs, anti-company websites and pro-company websites will and shall anonymously disclose everything that a company employment-environment offers or does not offer.

If there are only 10 people to interview for a company's 100 open positions, those ten people will soon learn they can make outrageous demands and can be expected to bring new meaning to the term, "job-shopper." "Company loyalty" may become an extinct term.

The Internet and IDL will become two indispensable terms. The companies that embed these processes in their corporate culture now will mitigate a lot of the coming damage and maximize the advantage of outsourcing to educational training and testing companies whose core responsibilities have included the generation and deployment of mature IDL systems and software.

The Death Wars

If this first wave of Retirement War's crisis is not enough basis to take immediate actions and mobilize your corporation then you are certainly not ready for the subsequent wave of Death Wars. Price suppression will evolve from the glut of products being converted to cash by the children of the baby-boomers. Objects will sell cheaply in a buyer's market. As the purchasing power of a dollar increases the inverse is also true regarding workers' motivation. The inducement power of an employer's wage dollar will drop as the wants and desires of the new workforce are satisfied from an ever increasing supply volume of cheaper products and things.

When workers will get even.

A payback for the years of small business and large corporations' disloyalty to their employees may be coming. A previously simple growth plan will require constant attention and innovative and company unique solutions. The maintenance of a stable market share will require diligence when coupled with the loss to retirement and death of experienced members of the workforce. This "brain drain" will cause both experience and labor intensive companies to struggle. Cash rich companies will be required to invest heavily to maintain an adequate workforce of qualified

employees. Companies with marginal profitability, or uncommitted inheritors, will fail to obtain, replace and maintain an adequate workforce and will surely fail. No organization will be immune from this problem when only 10 laborers apply to fill 100 open labor positions. The other 90 may have new middle management jobs because they can provide at least some experience to restore work lost as a casualty to the 50% retirement and death wars. What will these needy entities do?

Bigger salaries and more benefits.

The best salaries and benefits will secure the best employees during this cycle. It will require a larger payroll to retain the remaining half of the workforce and new ways of thinking, in addition to larger benefit and salary packages, to replace and retain those workers lost to the retirement and death wars.

Less buyers, but for more, cheaper things.

This reduction by 50% of the workforce pool of buyers of big-ticket item will drive the prices of those same big-ticket things down and increase the buying power of the workers' already increased salary packages. Simply, they will be able to buy more goods from an ever increasing pool of available goods, for less. As always, this unbalanced equation will result in an increased demand for time off of work. A day's pay will not carry the same importance as it did during your grandfather's day.

Demands for more leisure time.

The inevitable results will be the workers demand for more leisure time to spend their expanded-value paychecks and incomes. Forced overtime and long workweeks will become objectionable and the source of unrest, dissatisfaction and employee migration. The high demand for the same workers at businesses that do not require forced overtime and long workweeks will shape the employee movement and temporary destination markets.

More assets and things available for less dollars.

The Death Wars will depress estate and garage sale prices for every item duplicated in the baby-boomer's homes, garages, barns and storage buildings. Their inheritors will most surely try to convert these inherited or gifted items (which they themselves have bought and duplicated in newer models) to ready cash... As death envelopes this pool of retirees, owned objects of every type will flood the down-sized workers' market. Everything from large homes to automobiles to the simplest hand tools of the retirees will be marketed for cash by the survivors of these deaths of the baby-boomer retirees. This will create (1) an over-saturated market of used, medium-sized and big- ticket things, (2) price depression of new, similar-products, and (3) a period of retail and commercial price wars.

50% of all houses, cars and boats for sale... Cheap?

The most inflexible market will be the mortgage and new homes industries which will lose approximately 50% of its owner / buyers to death over a 10 - 15 year time period. Inheritors will attempt to (1) convert these houses to cash or (2) move into these houses and place their house on the market. This glut of for-sale houses will evolve into a market for 1st time home-owners and drain apartment dwellers from the apartment industry. This also will deplete the investment based expectations of the multi-family housing industry. The migration from apartments to houses will trigger a repeat of the horrors of the massive, empty subsidized housing complexes seen during the Savings and Loan crash. The same pattern can be forecast for used luxury cars, boats, jet skis, RV, airplanes, second homes, lake houses, farms, ranches, hunting and fishing lodges.

In-House vs. Out Sourcing - Deflating the IDL Myths

In the late 90's Silicon Valley was the sight of massive lay offs and firings, and finally, company closings. After the various company's software was written the programmers were an expense, not a profit center. The mystery was gone and the bodies were sent out the door. It was learned by the general public that a computer programmer was not a generalist and, in most cases, was the holder of a vary limited and focused skill set. Teams of programmers, each often the master of a different computer language, created products. A single programmer might just be useless. They then joined the ranks of the under-employed in IT Departments across the country and world.

The question of internal or outsourced training and testing services face opposition from internal IT Departments. They quite possibly can write the code to make their system work but rarely can they envision all of the features required to service their training and testing needs. Their in-house cost advantage is almost always lost in their false-starts, reworks, omitted but necessary features and schedule delays. IT Departments defend themselves with two basic arguments: (1) We can create the software so that we can do it cheaper in-house and (2) we must own the software to prevent continuing or recurring costs. Both arguments are myths.

Two of the most damaging myths embedded in corporate cultures relate to IT Departments. The demand of CEO's and CFO's to internally control the benchmarking and best practices lexicons may cause the delays that prevent a corporation from reacting in a timely manner. Additionally, the subjective attitude that every software package must be owned to prevent recurring cost is factually deceiving and intellectually dishonest. It does not consider the continuing development costs, the recurring, infrastructure and system operators' costs and the questionable contributions to core tasks and strengths. Moreover, a purchased software package faces obsolescence or recurring revision and update costs.

Top-Heavy, Internal IT Departments

The first strategy, benchmarking, has become so overbearing, time consuming and costly that CEO's and CFO's are watching details that have reached and exceeded diminishing returns. Instead of watching for situations that could kill their businesses, executive management is often so involved with benchmarking and fine tuning (micro-managing) daily operations, they have little time for the "big picture."

Embedded, Mystery Work

When businesses started using computers, computer operators, without any business experience, became the business controllers. Later, the turf wars and job protection antics of the internal IT Departments and computer programmers grew and became more obvious. When large, systemic canned or customized software packages were implemented in years past, programmers and analyst pirated the methods of the historical alchemists and wizards. For good or bad, everything became computerized and these parties became invaluable because others could not see what they do.

Historically, a ditch digger was immediately fired for digging a crooked trench or sleeping under a tree, because his boss and other bosses could see it. This isn't the case with internal IT Departments, computer analyst, programmers and software. When asked how long a particular new project will take to accomplish, who has ever received an answer that was within time and budget requirements?

The ongoing development and modification of an internal, educational, training and testing software package rarely meets the economies of scale inherent in a mature, industry accepted system. Costly internal administration and modifications, allowing the internal system to "talk" to the rest of the company's system, is seldom measured and time verified as a "best value." If it doesn't work, the chant is usually, "It's a software problem but we know of another software package that will work."

Unlike the ditch digger above, watching an IT Department employee work often yields no understandable measurements. When tasked to create an internal training and testing program, the IT Departments cannot assimilate and replicate a non-core trade that the formal educational field has been developing for decades. It becomes a misplaced effort to continually reinvent the wheel. This internal shared service center approach is rarely analyzed for its true, life cycle cost of ownership.

Outsource Non-Core Responsibilities

Simply, if it is not a company's core market, cost or profit center, then it is not within the specialty of the company and should be outsourced to allow manpower focus on core markets and profitability within the company.

An article by Joseph McCafferty, in CFO Magazine's July 2005 edition restates this concept clearly.

Lose the Yardstick

"If you're still running a shared-service center, you're way behind the curve."

Greg Hackett, a business guru who brought benchmarking and best practices to the corporate lexicon, has a new message for finance: forget about metrics.

Hackett says that most of the gains from measuring have been made, and that now firms spend too much time counting and computing only to make incremental improvements in efficiency. "It's time to move on," he says. "You can polish the apple only so much."

*So what has turned Hackett from a preacher of metrics and benchmarking to a critic of the practices? He says there is now a better alternative to all the number crunching: **"Outsource the damn stuff," he advises. "if you're still running a shared-service center, you're way behind the curve."***

Hackett says he recommends outsourcing not just because it works, but because it allows companies to focus on other things. In particular, he believes finance should start looking for outside threats to the business. "In this time of rapid change, someone needs to be on the lookout for what is going to kill the company," he says. "if the bulk of your resources are still being spent crunching numbers, there's not a lot of time for looking over the horizon."

Effects Of The Retirement and Death Wars

The Retirement and Death Wars can certainly kill a company. Every company's internal Computer and Finance Departments should be focusing on core responsibilities and not on designing and operating an Internet-based training and testing system. The training, testing and educational giants perfected these systems as a core responsibility of their markets and business.

When the projected retirement rate of 50% materializes, who will learn, operate and administer the company's internal educational system. Is this really a best use of the company manpower and assets? Is it a core responsibility that will support the company's net profit and operational goals?

The final question to consider is related to the article reproduced above. If Mr. McCafferty is correct, as he has been proven to be in the past, and the majority of a company's Finance and IT Department work is outsourced at some point in the future, who will remain and be available to run the IDL training and testing show?

This Decade's Demographics

1. All Occupations - 60 Million.

2002 Survey finds benefits more important than pay for many. More... 60 million will retire in next 15 years...¹

2. IT Workers in U.S. Government Agencies - 50%.

Government agencies recruiting IT workers... Report finds large portion of federal workforce is nearing retirement age...According to a report prepared in 2001 by the National Academy of Public Administration, there were 59,577 IT workers at the federal level at the end of 2000. Seventy percent were over age 40, and 29 percent were over age 51. And federal agencies have continued to recruit from an older base of workers. It's estimated that half of the federal IT workforce will be eligible to retire by 2004. "While one cannot assume that over 50 percent of federal IT professionals will retire in the next three, four or five years, it is probably safe to assume that over 50 percent of current federal IT professionals, or around 30,000 workers, will retire within the next 10 years," the report said.²

3. Construction / Building Trades - 50%.

Nearly half of mainland building trades workers will be ready to retire in the next 10 to 15 years.³

4. Petroleum Industry - 50%.

Chevron Overseas Petroleum Inc. (COPI), for example, expects that half of all its workers will retire within the next 10 years.⁴

5. Railroad Industry - 50%.

The Brotherhood of Maintenance of Way Employees' Union web page reports it clearly. "The number of railroad retirements in January 2002 was four times greater than January 2001," said Hank Crowe, a Florida district manager of the U.S. Railroad Retirement Board. He stated he was expecting 2003's retirements to be double 2002's total.⁵

6. Civil Service Workers - 45%.

Civil service set to go on hiring spree. About 45 per cent of permanent federal workers will retire in the next 10 years...⁶

7. Retirement Wars retirement average:

IT Workers in U.S. Government Agencies	=	50%
Construction / Building Trades	=	50%
Petroleum Industry	=	50%
Railroad Industry	=	50%
Civil Service Workers	=	45%
Average	=	49%

All Occupations - 60 million in the next 15 years..

¹ See sacramento.bizjournals.com/sacramento/stories/2002/08/26/smallb5.... - 2002-08-26 - Sacramento

² See <http://classifieds.dallasnews.com/employment/it/021603ccCareersTechGov.1bcaaf7.html>, 02/16/2003, By Victor Godinez / Dallas Morning News.

³ See www.herald.ns.ca/stories/2003/01/10/pOpinion102.raw.html

⁴ See www.chevron.com/about/chevronnow/2001/jan_feb/Feature2/pg2.shtml

⁵ See <http://www.bmwe.org/nw/2002/02FEB/75.htm>.

⁶ See www.globeandmail.com/servlet/ArticleNews/TPStory/LAC/20030804/PFF...