

# 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

## Executive Summary

The 1960's hired "baby-boomers" are retiring in record numbers and most corporations, companies and privately owned businesses are neither prepared or planning for it. In the next 10 to 15 years there will certainly be a shrinking labor pool and fewer skilled workers. Training replacements, from both inside and out, should be an immediate priority for the Chief Executive Officer, Chief Financial Officer and all of upper management.

If this Retirement Wars crisis is not enough basis to take immediate actions and mobilize your corporation then you are certainly not ready for the subsequent Death Wars. 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 have themselves bought and duplicated in newer models) to ready cash... This will create (1) an over-saturated market of "used things", (2) price depression of new, similar-products, and (3) a period of retail and commercial price wars.

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.

New hires must also be trained for advancement to fill all positions of labor and management as they are vacated by upward promotion of experienced individuals and retirements. 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 a major migration of personal skill sets.

Older, experienced workers will become more valued than precious gems and harder to obtain and retain. Medical and benefit packages for the old will be the currency of the workforce.

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

As an alternate, IDL companies will use the customer's content in software applications to create and administer complete, global campus training and testing over the Internet.

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 the baby-boomers retirees.

Price suppression will evolve from the glut of products being converted to cash by the children of the baby-boomers. Objects will sell in a buyer's market. As the purchasing power of a dollar increases the inverse is also true. 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 cheaper products supply. The most inflexible market will be the mortgage and new homes industries which will lose a full 50% of its owner / buyers over a 10 - 15 year time period.

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 wars. A previously simple growth plan will require constant attention and innovative and company unique solutions.

The retirement and death wars have begun. Is your company ready... or doomed?

## **Recurring Layoffs**

Railroad executives reduce operating costs by periodically laying off railroad employees. This also makes the executives eligible for their bonus packages by meeting operating costs targets and providing the company profit and stock results that stockholders demand.

After they qualify for their personal bonus they start frantically trying to hire and train new employees to fix bad service and late delivery issues caused by their earlier actions.

A shortage in the projected labor pool will cause massive corporate effects if this practice is continued.

## **Cost of Training and Testing**

According to the U.S. national average, it takes \$7.00 of new sales to create \$1.00 of profit. As sales opportunities shrink anything that saves money on training and testing is critical to bottom-line profitability. The conclusion is simple. Corporate saving of \$1.00 on training and testing costs is the direct equivalent of \$7.00 of new sales or adding \$1.00 to profit.

## **IDL Is A Partial Solution**

Flexible and dynamic Interactive Distance Learning (IDL) providers will provide Internet based and distributed training content and real-time test score reporting evolved to specifically support recurring manpower replacement requirements, budget limitations, risk management demands and compliance obligations.

It is an accepted fact that a large portion of training and testing is destined to become Internet based and IDL. The global reach is great, availability is on demand and universally available from almost any geographical location and the cost is small. There is global product placement and penetration advertising and IDL is a universal, recurring and self-regenerating market.

IDL companies will supply industry-focused, online training and testing, including administration of content, and a wide range of training services including training process analysis, structuring of existing teaching aids, integration of new technology in the training process, updating and version management of course material and training and testing system administration.

Customer requirements will dictate other hardware, software and services developments.

This business model can quickly be reproduced, with minimum effort and cost, for other companies. The same model can be "copied and pasted" and used for any and all other light, medium or heavy industry customers.

More importantly, a system for one commodity can quickly be reproduced for a second customer within the same industry. There is never a need to reinvent the wheel.

The normal IDL global business model is the ultimate of the no-brick-and-mortar and work-from-home lifestyle envisioned and promoted by the global explosion of the internet. This enables IDL suppliers to market to every type of training and testing customer in every vocational, municipal, governmental and professional field conceivable.

This model can easily be expanded to all other occupations and requirements without any other hardware, software or services. Most dramatically, it can be rubber-stamped, or copied, to every other occupation, trade or hobby known to the human race.

### **Railroad Industry Example**

A simple example is contemporarily demonstrated by the railroad industry. The immediate focus is the railroad industry's required and repetitive certification training and testing requirement for locomotive engineers, yardmen and trainmen. This represents the highest count, repetitive, required testing and training among railroads with a common core set of shared rules. Compliance must be demonstrated for the Federal Railroad Administration or the employee cannot work. Every employee must be tested every two or three years. Physical distance from the testing center elevates both the difficulty and the cost of both training and testing compliance.

### **In-house Company Training and Testing**

Employment and certification training and testing is a core business requirement of almost every company. They must maintain their ability to perform this function in case their outsourced training or service suppliers catastrophically fail them for any reason. That being said, all companies will retain the ability to provide direct training and testing to certain groups and counts of their employees. This is a given proposition of due diligence and risk management that must remain in place for almost every companies. This may or may not be true for the next generation of employees that have grown up as computer users.

Our railroad industry target market is identified as two groups for their company's consideration:

1. Career driven employees and new hires are willing to train and test on their own time at no labor or travel cost to their company.

Many good employees want or need a better paying job. The motivated employees' goals are to provide an enticement to the company to consider them for future open positions with larger responsibility and wages.

The company's goal is to obtain a better trained pool of prescreened job candidates provided at a much smaller cost (because the employees virtually and voluntarily trained themselves to a certain level.) Any successful self-training of this type is a very measurable, massively recurring cost savings to the company, demonstrates the motivation of the employee. Any cost savings goes directly to the bottom line of the company's profit. Company trainers can now focus on those employees that need individual help and thereby directly and affirmatively influence all company performance and risk management matters.

2. Retirements and remotely located crews of short-staffed sites or locations.

Staffing levels currently cannot be considered excessive in cost conscious companies and can even be argued as perpetually short-handed. The next ten years will see the retirement and necessary new hiring and training of many thousands of new railroad employees worldwide as the current employees retire in mass numbers. Retirements are projected as 50% over 10 years.

The removal of one employee from a short staffed location can create recurring havoc in manpower, crew scheduling and covered work. The concept of Internet based electronic rules training and testing (ERTT) helps to address and possibly eliminate the general and administrative (G&A) cost and inconvenience of requiring the employee to "mark off" of the extra-board, travel to the training center, attend a training class, take the required test, incur cost for housing and meals and then travel back to his work area.

This estimated cost of doing business can range from \$300 to \$1200 per employee. No freight is moved by this employee during this process and no profit is generated for the company. The largest rail freight hauler in the United States allows employees to rest 8 hours, take the test over the Internet, rest for eight hours and then "mark-up" for work. If the employee passes the test with a score of 85% or better he or she is paid a day's pay and placed back in the work rotation or the so-called extra-board. If he or she fails the test, he or she must contact the supervisor within 24 hours to schedule a proctored or witnessed retest.

### General Market Analysis

The Interactive Distance Learning (IDL) market is universal, self-regenerating and recurring. All major companies in all jobs, trades and professions are considering or moving their training and testing to the Internet. Hardware prices have fallen precipitously but software and content are still the profit kings.

Training and testing will be required for a large portion of the new employees hired to replace some 60 million retiring U.S. workers. They are scheduled to retire in the next 15 years and approximately 50% of the railroad workforce is projected to retire in the next 10 years. These replacements will be computer and Internet literate and will probably expect and prefer Internet based training and testing.

Recurring television and music royalties are the business model for IDL software content providers. Once content is created, it can be reproduced for virtually no cost and licensed over and over for recurring profits. This is the absolute opposite of selling one valve, building one valve, delivering one valve and then repeating the process. The Beatles recorded their song "Yellow Submarine" once and then sold millions of copies globally.

All markets are potential targets for future PCS's IDL expansion and penetration. The railroad industry has been targeted first because of the universal and recurring commonality of their operating and safety rules and the self-regeneration of employee and corporate customers facing a 50% retirement and replacement of their workforce.

Fortune 500 companies and cash-rich companies should be quietly accelerating a long term business strategy to acquire every type and form of mature, IDL related service provider available as one of the most obvious self-sustaining, future profit centers.

### Demographics of Retirements in This Decade

1. All Occupations - 60 Million. 2002 Survey finds benefits more important than pay for many. More... 60 million will retire in next 15 years...<sup>1</sup>
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

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<sup>1</sup> See [sacramento.bizjournals.com/sacramento/stories/2002/08/26/smallb5....](http://sacramento.bizjournals.com/sacramento/stories/2002/08/26/smallb5....) - 2002-08-26 - Sacramento

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.<sup>2</sup>

3. Construction / Building Trades - 50%. Nearly half of mainland building trades workers will be ready to retire in the next 10 to 15 years.<sup>3</sup>

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.<sup>4</sup>

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.<sup>5</sup>

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...<sup>6</sup>

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

<sup>3</sup> See [www.herald.ns.ca/stories/2003/01/10/pOpinion102.raw.html](http://www.herald.ns.ca/stories/2003/01/10/pOpinion102.raw.html)

<sup>4</sup> See [www.chevron.com/about/chevronnow/2001/jan\\_feb/Feature2/pg2.shtml](http://www.chevron.com/about/chevronnow/2001/jan_feb/Feature2/pg2.shtml)

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

<sup>6</sup> See [www.globeandmail.com/servlet/ArticleNews/TPStory/LAC/20030804/PFF...](http://www.globeandmail.com/servlet/ArticleNews/TPStory/LAC/20030804/PFF...)