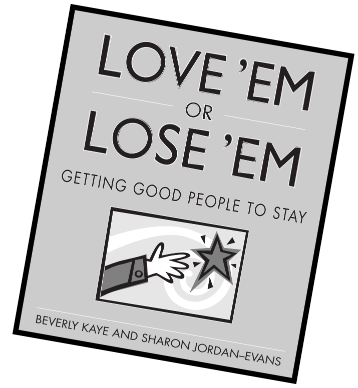
It’s the Talent, Stupid.

Despite an economic slowdown and widespread layoffs, two workplace experts offer seven reasons why employee retention remains critical and suggest what every company should be doing about it.



★ *Even though recession may be top of mind for U.S. workers, they remain resilient in their abilities, according to a January 2001 survey by Headhunter.net. Though 53% of those surveyed feel the U.S. economy is headed for a recession, only 12% feel less secure in their jobs compared to a year ago. And if they lost their jobs, a full 48% say they would hold out for a comparable job.*

Though the headlines are dour—reporting news of widespread layoffs and a possible recession—today’s job market remains remarkably strong.

Unemployment still hovers at a 30-year low, and recruiters say most laid-off workers are finding new jobs quickly. Even with dot-coms evaporating daily, people with computer know-how remain in high demand. And while some businesses are cutting jobs, many sectors are desperate for workers. Above all, despite the scary talk about a downturn, most experts expect sharp interest-rate cuts to cure the sluggish economy before it suffers two quarters of retraction, the classic definition of a recession. And hardly anyone expects the jobless rate to rise much above 5% this year—a better job climate than in any year in the 1980s and most of the ‘90s.

Employee-retention experts Beverly Kaye and Sharon Jordan-Evans, co-authors of the best-selling book *Love ‘Em or Lose ‘Em: Getting Good People to Stay* (Berrett-Koehler, $17.95), say these factors represent some of the reasons why companies can’t take their eyes off the talent game as they watch the economic scoreboard. In a talent-centric era, they offer seven reasons why employee retention remains critical and go on to suggest what every company should be doing about it:

1. **There are not enough workers to go around.**

   The U.S. Bureau of Labor Statistics projects there will be 151 million jobs by the year 2006, with only 141 million people employed—a labor shortage of some 10 million workers. In addition, current reports say some 850,000 information-technology jobs remain unfilled, with demand outweighing supply by more than 20% through 2005. And while managerial positions will increase by 25% over the next 15 years, there will be up to a 15% decline in 25 to 44 year-olds. And companies that think they'll import their talent going forward will have to think again. The problem extends well beyond the U.S., with 61 countries experiencing lower than replacement-level fertility, according to the U.S. Department of the Census.

2. **Workers’ attitudes and expectations have shifted—permanently.**

   Blind loyalty to an organization is a thing of the past. Employees may show devotion to a workplace, but only if it is earned. Job hopping is so prevalent today that younger workers are expected to have nine jobs by the time they hit 32. And the average quit rate in the U.S. is 17%, and a whopping 25% in companies with over 5,000 employees. Employees’ overall expectations have changed, too. If their work isn’t challenging, meaningful, and focused on growth and development, they won’t stay—a fact proven by Kaye and Jordan-Evans’s ongoing study of “retention drivers,” for which they’ve

— more —

★ *According to the 2001 Job Satisfaction Survey from CareerBuilder, workers are on the move despite being satisfied with their jobs. Nearly 40% of those surveyed plan to change jobs during the year, even though 69% report being satisfied in their current position.*

surveyed some 8,000 workers over three-years' time. Demanding a life outside of work, employees also want some control over how and when they get their work done. And, above all, they want a great boss—often leaving a company for no other reason than their boss is a jerk. (After 20 years of research and 60,000 exit interviews, the Saratoga Institute reports that 80% of turnover is related to unsatisfactory relationships with the boss.)

3. New employment options lure the best and the brightest.

The free-agent movement is beckoning countless workers. Twenty-six percent of today's workforce are temporary or contract workers, with the number projected to grow to a startling 41% by 2010. Employees fed up with too much bureaucracy, too little freedom, and a string of bad bosses leave the conventional workplace to become freelancers, independent contractors, part- or full-time temps, or consultants. Others launch their own companies or join start-ups in which they're guaranteed more autonomy and a bigger stake in the business.

4. Finding a new job has never been easier.

Even in a slowing economy, job options abound and are easier to find and pursue in the Internet age. Workers across all levels, functions, and industries can launch an aggressive and successful search during the workday—with 9 to 5 the most popular log-on time for job-search Web sites. If they're bored, see no career path, or dislike the boss, employees can log on and find plenty of attractive alternatives. On top of it, a cooling economy doesn't stop headhunters, who are always looking for the best people—the majority of whom are employed.

5. The cost of losing talent is high, no matter what the economic conditions.

During an economic slowdown, it's even more critical for companies to carefully manage their assets—especially their human assets. Experts across the board agree that the cost of replacing workers can rise to two and a half times their annual salary, not including the indirect costs of lost knowledge, declining morale, and rising inefficiencies. (One company estimated the cost of losing a talented engineer to its top competitor to be over $1 billion.) Organizations that "size it and price it" find that turnover is costing them millions of dollars each year. And many companies are answering to their shareholders about it, too—with a new study by consulting firm Sibson & Co. reporting that earnings and stock prices were depressed an average 38% as a result of turnover costs.

★ *A recent* USA Today*/ CNN/Gallup poll reports that workers continue to remain upbeat about their job prospects despite mounting signs of a sputtering economy. Nearly 55% of employees don't expect their own financial situation to get worse, and 71% think their job situation won't worsen in the next 12 months, according to the February 2001 poll.*

6. In times of downsizing, the risks for losing top talent are especially high.

Workplace experts report that downsizing "survivors"—the workers who remain in their jobs after the cutback announcements and departures—begin to flow out the door 6 to 12 months after the initial layoffs. Overworked and downtrodden, they hold little hope for the company—and themselves within it—and, in turn, look elsewhere and leave. Outplacement counselors call this phenomenon the "second wave" of departures and say it often includes the kind of talent that a downsized company can't afford to lose—the best and the brightest.

7. In the new economy, talent is the only differentiator.

In a global marketplace driven by ideas and charged by the Web, brainpower is the real source of competitive advantage. Hands down, the companies with the best talent win. And in the midst of a slowing economy and a take-no-prisoners stock market, finding and keeping top talent makes or breaks any company.

So What's a Company to Do?

During an economic slowdown, it's even more critical for companies to focus on three areas important to retaining their precious talent:

★ **Employee Development—Support Learning and Growth.**

- ✓ Find ways to continuously develop and grow workers' talents.
- ✓ Enrich and enliven employees' work, making every effort to increase the time they spend innovating and doing work they love.
- ✓ Help workers identify opportunities for moving laterally and vertically.
- ✓ Link workers to mentors, coaches, leaders, or colleagues who can offer guidance and support.

★ **Management Style—Inspire Loyalty.**

- ✓ Ask employees what they want from their work and what it would take to keep them.
- ✓ Provide constant feedback—clearly, truthfully, and respectfully—and, in return, listen closely and carefully.
- ✓ Look for creative, meaningful ways to recognize and reward workers.

★ *According to a February 2001* USA Today*/CNN/ Gallup poll, 64% of workers think it's very likely or somewhat likely that they could find a position just as good as the one they have now if they lost their jobs.*

✓ Create a culture of inclusion—valuing not only differences of race and gender, but of thoughts, experiences, and attitudes.

✓ Hold managers accountable for retention and give them the training and the tools to do it.

★ **Work Environment—Make It One That People Love.**

✓ Let fun happen.

✓ Share information freely and regularly.

✓ Give people space—providing the freedom to get the job done in ways that work best for them, from their schedule and attire to their approach and process.

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