



DELIVERING STRATEGIC SOLUTIONS ACCA'S 2000 ANNUAL MEETING

Recruiting and Retention Challenges

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Recruiting and Retention Challenges Recruiting represents the greatest challenge facing American business today. There are simply not enough people to maintain current economic growth.

Unemployment fell to its lowest level in 30 years in 1999 and the labor market will continue to be tight throughout 2000.¹

The shortage of workers will be felt the most in the IT sector. The Information Technology Association of America reports that Employers will create a demand in this country for roughly 1.6 million IT workers this year. With demand for appropriately skilled people far exceeding supply, half of these positions will likely go unfilled.²

How will those dot.coms that survive adapt?

A.Creative sourcing strategies are a necessity

Immigration

The world's population is expanding at the highest annual rates in history. Between 1995 and 2005, 800 to 900 million people will have been added to the population to reach about 6.6 billion. The vast majority of that growth will take place in a relatively small number of developing countries in Africa, the Middle East and South Asia.¹

Implication is clear that H1-B visa sponsorship by organizations (allowed to have up to 25% of their workforce be from H1-B) is one strategy to address the overwhelming shortage of trained recruits qualified to work in highly specialized occupations.³

Older workforce⁴

There are a wealth of older workers with skills that are top-notch, or who only need some updated training to freshen their skills. Many dot.coms are guilty of essentially ignoring this population and justifying the exclusion as a "culture-fit" issue. However, there are not enough Generation X or Y'ers to fill the jobs that will allow these companies to survive. If "culture-fit" is truly the issue, then companies will need to adapt their cultures to accommodate this under-utilized segment of the workforce.

Contingent workers

Currently there are about 10 million independent professionals in the workforce. There appears to be a bias toward hiring full-time people, due in part to the lack of knowledge about dealing with IRS regulations in connection with contingent workers. The workforce, however, is becoming more of a "free agency." The most successful companies will find ways to utilize this growing population.⁵

For example, HR itself can even make good use of the contingent workforce by hiring contract recruiters and paying them based on results.

Employee referrals

Programs which reward employees for their recruiting efforts on behalf of the company are growing. Statistics given by a few companies reported in "Workforce Online" report a healthy average of 30-40% of candidates referred by employees are subsequently hired.⁶

Culture fit tends to be greater than with the "average" candidate due to the pre-selection by employees who know what to look for and have already completed the initial culture-fit screening.

Alumni

Leaving the door open for employees searching for greener pastures should always be a strategy. Active follow up by former managers or HR at periodic points is advisable as employees may feel sheepish unless specifically invited to return.²

B.Effective retention tools

The winners in the new economy will be those that find the best mix of financial rewards, career opportunities and quality of life issues. But the bottom line is creating a bond between the employee and the company where the employee says "I might make slightly more money if I move across town, but why would I want to leave?"⁹

Both the challenge and the importance of these tools increase dramatically when managing a post-IPO transition and the stock price and employee morale can be directly linked.

How? Organizations that will be successful in the long term are those that (i) address some of the more short-term tactics by adding or modifying benefits offerings, and (ii) focus the lions share of their energy on building an organization that naturally attracts and retains people. This speaks to building a culture.

Other growing perks include EAP's which offer counseling on personal and career issues and programs that do dual duty and save the company money such as day-care programs or

recreational facilities that increase productivity or decrease absenteeism.¹³

However these will only work if coupled with the longer-term focus on building a satisfying culture and work environment.

Longer-term focus

According to a recent survey of 3,000 employees quoted in "Bottom Line Business" May 2000 issue, salary and competitive benefits rank 11th out of 18 reasons given by employees for staying in their current jobs. The most important? The intangible factors such as career growth and learning, challenging and meaningful work, recognition and being part of a team.⁸

(i) Work/life balance programs Dual-earner couples now comprise 45% of the labor force and will need to be accommodated in the workplace. According to a study by Catalyst, a New York based research firm, the sheer number of dual income couples in the workforce means employers will have to take their concerns and needs into consideration. Steps that may need to be considered include allowing employees informal flexibility so they can manage their day-to-day schedules; ensuring employees can take family leave when needed; offering cafeteria-style benefits to allow couples to mix and match options; and implementing policies to allow employees to work at home or on a formal flexible schedule.¹

Technology is changing the concept of time for many. Complete accessibility can mean employees are never completely away from work, even while on vacation. Helping employees guard against "Technology Creep" will be important for ensuring a healthy work/lifebalance.¹

Telecommuting will continue to be a tool used to help employees manage their personal balance. Introducing and managing the telecommuting process will continue to be a challenge for HR professionals.¹

Employers will continue to put more emphasis on adjusting the workplace to the needs of employees. Work/life programs and initiatives will continue as employers recognize the need to make the workplace more attractive and accommodating in order to attract, retain and motivate a productive workforce. Work/Life programs that are commonplace today were unheard of even a decade ago, and the trend is unlikely to reverse itself.¹

- ii. Career development/professional development
- iii. Opportunity to increase skills is named as one of top reasons for taking or staying at a job, yet many employers (dot.coms being very guilty) don't find the time to spare critical workers for a few hours to allow them to do this. Without these opportunities, even the best employee's skills and attitudes can get stale.

People want to stay with a company that is interested in their development. According to Jim Wall, national managing partner of HR for D&T, "You actually get to keep your very best people by preparing them to leave you". Creating a learning culture and an environment where people are intellectually stimulated is crucial when you are in a business that vies for intellect.⁶

A tuition reimbursement benefit or a set amount of dollars per employee to be used toward self-improvement/skill enhancement is a methodical way to ensure employees are able to pursue their goals and keep them motivated.

Clarifying a career path, setting goals and documenting progress towards next steps is key in motivating and developing employees. Employees who understand what choices exist

within their current organization and understand what it takes to get to the next level (and that there is a next level) are much more likely to stay put.

iv. Individualization of compensation¹²

Traditional compensation strategy was a one-size-fits-all for all employees except execs says Bill Smith, head of NW Comp Consulting Practice of Watson Wyatt Worldwide. Trends indicate that employers will be forced to design programs tailored to each person's needs. One person might receive 10k stock options, another may receive 5k options with higher pay.

More research and creativity needs to be put into finding ways to attain equity within the company, yet accommodate the differing needs of individuals.

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True long term focus—getting back to basics and employe

e feedback As mentioned, beyond the physical amenities, many employees point to things that are hard to express on a company fact sheet, such as the ability to work on exciting new projects, career advancement, corporate culture and rewarding work.

Knowing what is important to each employee is what sells and keeps them. Feedback is key. To some it's one benefit, to others it's another. But overall it is the collection of compensation, programs and benefits that demonstrate that employees are valued that are important, NOT quick and dirty solutions.

Charles Schwab, which has a lower than average turnover rate for its industry, believes that one crucial aspect of continuing a healthy productive corporate culture is to listen to employees. Annual surveys and frequent "pulse" polls offer useful feedback on employee attitudes.⁶

Access to executives, on both a formal and an informal basis, is a great motivator among employees who want a feeling of involvement.⁶ This can be as simple as monthly executive/staff breakfasts or as formal as small group meetings. One of the important "intangibles" that employee surveys continually uncover is that employees want to feel that they are part of a team, that they are a contributor to a shared vision. What better way for executives to instill a sense of teamwork and a confidence in leadership than through direct contact ?

C.Challenges in international employment¹⁴

Recruiting employees to work overseas provides some additional challenges. The competitive landscape in Europe, especially for tech workers, remain competitive. The main challenge overseas seems to be equating benefit packages with those of US workers. The following provides an idea of some of the additional requirements in hiring overseas (Switzerland is used for purposes of illustration):

- Standard in Switzerland are compulsory pension packages, which add about 20% to the overall costs of maintaining each employee.
- 4 weeks per year of vacation plus public holidays (about 5 in Zurich for example) are compulsory, with older workers receiving 5 weeks vacation by law.

- Bonuses run anywhere from 20-30% of base.
- Sales staff generally receives use of a company car while other positions often command a car allowance.
- Employment contracts usually contain termination provisions requiring 3 to 6 months notice, although one (1) week of notice may be provided by law during the initial 3 month probationary period. Termination for cause is permitted, but must fall within the legal guidelines.

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In summary:

An article by Dr. Jac Fitz-enz, who has written several leading books on HR management practices, really brings it [home.7](#)

"Being an employer of choice is not driven on innovative benefit programs alone. They do not create a sustainable competitive advantage."

"Being an employer of choice is a cultural issue." He likens it to starting a religious movement. What attracts people to the place of worship? Is it the stained glass or the cushions on the chairs? Those don't hurt of course, but none of those elevate this place of worship above all others.

People choose a new place of worship because of the message that is coming from the pulpit. "They like what the pastor stands for and the gospel that is preached. What does your pastor (CEO) stand for and what gospel (Vision) is being preached and lived?"

This drives home the point of the value of the quick fix vs. the long-term approaches to creating a culture.

Dr. Jac Fitz-enz put it most simply: "If you want someone to love you, do you give them toys? Or do you give them respect and support and listen to them when they talk to you? That's what an employer of choice does. This is the really big answer to the really big question."⁷

"If you want someone to love you, do you give them toys? Or do you give them respect and support and listen to them when they talk to you?"

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