

Heading off a resume tsunami

Act now to avoid a future retention problem or worry about it if and when it hits?



In a tough economy, voluntary turnover isn't considered much of a problem. In fact, companies struggling to reduce costs any way they can might even welcome the idea of people leaving voluntarily. At the same time, most employees are hunkering down and not even bothering to look for other jobs.

Of course, when the economy starts to turn around, it could be a whole new ball game. As companies scramble to find qualified talent, workers who suffered through years of anxiety and belt-tightening may defect in droves for better opportunities. Is this a real problem that business leaders should worry about now? Or should they wait and see what happens?

Here's the debate:

	Point	Counterpoint
<p>Voluntary turnover is a clear and present danger.</p> <p><i>We should prepare for the recovery by taking action now to improve employee loyalty and avoid voluntary turnover.</i></p>	<p>Retaining people is far less expensive than replacing them. Every knowledge worker we lose costs us at least \$100,000 in lost time, productivity, relationships, and know-how.</p> <hr/> <p>Voluntary turnover generally doesn't become a problem until the economy improves; however, the seeds of discontent are planted during the preceding downturn. We need to address the problem now.</p> <hr/>	<p>When times are tough, every penny counts. Replacing people later might cost more down the road, but by then we'll be in a better position to take the hit.</p> <hr/> <p>Employment trails economic recovery by several months, so we won't need to worry about voluntary turnover for at least a year.</p> <hr/>

	Point	Counterpoint
Voluntary turnover is a clear and present danger.	When the economy bounces back and we're fighting for talent, we'll wish we had done more to proactively address the turnover issue. Actions we take today can position us to capitalize on the recovery. If we wait for turnover metrics to show a problem, it will be too late.	We're too busy keeping the business afloat to worry about coddling people. We'll deal with turnover when it happens.
	Our best people – the ones we can least afford to lose – will probably be the first to go, since they have the most value in the marketplace. We must do everything we can to support and acknowledge them now.	People who leave when a better offer comes along weren't that loyal to begin with. Who needs them?

	Point	Counterpoint
Turnover problem? What turnover problem. <i>For now, we should focus on more pressing issues. We'll worry about voluntary turnover when it becomes a problem.</i>	Right now, our people should be happy just to have jobs.	That attitude only makes the problem worse. Sure, many of our employees are grudgingly content that they weren't laid off. But any goodwill they might be feeling probably won't last. To avoid a resume tsunami when the economy improves, we need to do more – starting today.
	During an economic recovery, turnover is inevitable. Since we can't stop it, why bother trying?	Although there is no way to completely avoid voluntary turnover, we can certainly contain it. In particular, we need to focus extra attention on our top talent and critical workforce segments.
	Voluntary turnover is a process of self-selection. We should focus our time and energy on people who really want to be here.	Employee loyalty isn't chiseled in stone. The actions we take have a big impact on job satisfaction. If we treat people right, they'll be more loyal.
	We're already doing everything we can.	That would be great if it were true. But the fact is we could be doing a lot more.

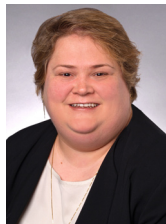
My take

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The turbulent labor market is at a critical juncture. For well over a year, companies have faced tremendous pressure to reduce costs through salary cuts, layoffs, and other major cost-cutting measures. Yet the long-term talent shortage didn't go away – it simply got pushed into the shadows for a while. Even now, the U.S. job market has more than 3 million unfilled openings in search of the right talent.¹ And when the economy bounces back, the problem will only get worse. We expect many companies will face a “resume tsunami” of defections, just as they are scrambling to rebuild their workforces and take advantage of the recovery.

¹ "Help Wanted: Why That Sign's Bad", Business Week, April 30, 2009



When economic conditions improve, a certain amount of voluntary turnover is inevitable. But if addressed early and managed correctly, the turnover doesn't have to be debilitating. Here are some small steps to consider taking now to avoid big problems later:

Take care of top performers and critical workforce segments. These employees are the heart and soul of your business. Their skills will enable them to succeed anywhere, which is why they are attractive targets for poachers – particularly when business conditions start to improve. Communicate one-on-one with these key people so they don't even think about leaving. Let them know they will not be cut, and pre-empt competitive offers by providing them with valuable development opportunities that are worth more than money.

Hold managers accountable for retention. When times are tough, companies typically encourage leaders and managers to focus on short-term financial performance at the expense of everything else. In the process, people issues often get pushed to the back burner. To help avoid this problem, companies must make a deliberate effort to hold leaders and managers responsible for retention – and support them with the right tools and training. One of the main reasons talented people leave an organization is because they don't like or don't trust their immediate bosses. Tying managers' performance and compensation to retention gives them a tangible incentive to keep their people both happy and productive.

Don't kill survivors by drowning them with extra work. After a round of layoffs, it's tempting to pile all of the old work on the few people who were "lucky" enough to keep their jobs. In many cases, the end result is that the talented people you wanted to keep burn out and leave anyway. To avoid this pitfall, you must accept the fact that some of the old work simply won't get done. Set clear priorities, rather than trying to do it all with a fraction of the staff. Also, make sure people get the training they need to succeed with their new responsibilities.

Be careful about cutting compensation. These days, a growing number of companies are using across-the-board pay cuts as a way to share the burden and avoid lay-offs. Some workforces respond well to this "enlightened" and egalitarian approach. Others don't, and wind up with a mass exodus of top talent. Think carefully about your company's culture and how your people are likely to react. Discreetly talk to key employees to get their personal read on the situation. Organizations that emphasize teamwork and rely on contributions from people at every level tend to favor a shared approach. On the other hand, organizations that emphasize individual performance and personal heroics might actually prefer lay-offs.

Tell the truth. If you tip-toe around the truth, people will spend all of their time speculating and worrying about what is really going on. Also, your best people will start formulating exit strategies and contingency plans. You might get away with fibbing for awhile, but when you eventually get caught your credibility will be lost forever. At that point, even telling the truth won't work.

These pre-emptive actions can help companies hold onto their top talent and keep future turnover to a manageable level. That's one of the keys to outmaneuvering your competitors and capitalizing on the recovery.

A view from the retail sector

Dale Jenkins, Partner, Deloitte LLP

In June, the retail industry continued to edge down, losing another 21,000 jobs.² So why should retailers bother thinking about a turnaround? As the retail workforce has contracted, productivity has steadily climbed – employees are doing more with less. This has been a good thing for retailers, enabling them to get more out of their employees in difficult times. However, fear of job cuts is a temporary motivator at best. Savvy retailers recognize that while current economic realities require immediate action to stay profitable – or even just survive – their ability to engage retained employees is critical to keeping customers happy and positioning for the recovery.

Many economists are predicting a market upturn in the fall. Retailers that are caught on their heels could find themselves critically short of qualified talent if demand for sales and services picks up for the holidays. In 2008, retailers were able to upgrade their workforces with highly capable employees who could not find work elsewhere. But as the overall job market bounces back, many of these workers are likely to return to the industries they came from.

² U.S. Bureau of Labor Statistics

Here are a few steps that forward-thinking retailers should consider taking to help position themselves for the recovery:

Get ahead of the curve. Seize the opportunity now to bring in and develop quality people while labor demand remains soft. Otherwise, you may find yourself scrambling to rebuild your workforce in time for the holiday crunch.

Focus on employee engagement. Numerous studies have shown a clear link between customer satisfaction and employee engagement. In a tough economy, it's natural for worker engagement to dip, which can hurt short-term sales and fuel voluntary turnover when the market recovers. By taking steps now to keep the workforce engaged, you can help shorten your recovery curve and better position your business for a lucrative bounce-back.

Renew growth strategies. Many retailers put their growth plans on hold when the recession hit. Now is the time to capitalize on bargains that the recession created. Prime opportunities include: acquisitions, international growth, and new market strategies.

Capitalize on retail failures. The downturn hurt some businesses more than others. Several large retailers have gone through major rounds of store closings. Others went out of business altogether. Savvy retailers can capitalize on the talent, customers, and acquisition opportunities that these situations present.

Every economic downturn produces significant opportunities, and this one is no different. It's time to prepare for the turnaround and position your workforce to make it happen.

A view from the life sciences sector

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Life sciences companies know all about the threat of a resume tsunami. For years, legislative changes, consumer-driven choices, and other market forces have driven them to take a future-oriented view of talent. Additional pressure has come from workforce aging; a shortage of science and engineering graduates; rising operating costs; a need to drive future R&D growth and innovation; and, for some companies, a need to expand globally to reduce labor costs and increase the supply of technical, engineering and scientific talent. Beyond that, most life sciences companies have global operations, which require senior executives with leadership experience in different parts of the world.

The downturn in the economy has sharpened their focus on recruiting and retaining key workforce segments. For many life sciences companies, the heart of their talent strategies revolves around science. Their first priority is to attract and retain scientists who have the clinical expertise that drives innovation and market leadership. Most of that talent is no longer coming from Western nations such as the U.S., but from emerging markets. To compete for top math and science graduates, life sciences companies need effective global recruiting and retention programs.

In addition, life sciences companies face the challenge of appropriately organizing their R&D functions to work seamlessly with their marketing and sales functions to meet the demands of a more informed customer base. This increases the talent and organizational requirements in Marketing and Sales as well. The ability to work across functions is now a core competency. Yet, many life sciences companies continue to fall short in this area, impeding their growth and first-to-market strategies.

Most life sciences companies are aware of these challenges. However, given the increased activity in mergers, acquisitions, and biotech alliances, many organizations must find leadership capable of managing across functional capabilities and in a highly matrixed, complex global environment. Without that kind of leadership, it will be difficult to deliver on the promise of their product pipelines.

Although life sciences companies should consider taking advantage of downturn-driven opportunities to attract top talent, they must recognize that it's not just about supply and demand. It's about harnessing talent for competitive advantage. In addition, companies need a clear retention strategy that gives employees what they really want – meaningful and rewarding work, flexibility, professional development, and rewards programs that align with their true needs and priorities.

A view from the federal financial services sector

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In the wake of the financial crisis, many federal agencies have seen a significant uptick in job applications from people in the private sector looking for more stable employment – the opposite of a resume tsunami. Federal agencies continue to strategically expand their workforces through a combination of permanent hires, term hires, and outside sourcing. Yet even with this additional inflow, some agencies recognize the potential for a future talent crisis and are putting retention strategies in place. One is implementing a “workforce of tomorrow” strategy to enhance employee hiring, on-boarding, training, and the overall work experience. Others have innovative executive development programs where high potential employees are groomed through job rotations or leadership shadowing.

For many federal organizations, the downturn has actually helped ease the talent crisis – especially in the leadership ranks. Sharp declines in home values and retirement accounts have prompted many experienced employees to defer retirement. However, when the economy improves and people start to feel more secure, federal organizations may once again face a talent crunch. Agencies should use this temporary lull to rethink their work environment and improve their talent management capabilities. Key actions to consider:

- Estimate your future workload and determine the required size and composition of your workforce. Develop a prioritized roadmap for building your workforce of the future.
- Help your employees plan their careers and set development goals. Provide opportunities for growth and development through training, performance management, coaching, and mentoring.
- Establish succession management plans for your key leadership positions. Identify talented people early in their career and provide fast-track opportunities that prepare them to lead.
- Take time to make your employees feel valued, and be mindful of job overload. Many agencies are short on staff, which can create unsustainable levels of work and stress. Promote work-life balance and allow as much flexibility as possible. Focus on outcomes, not face time.
- Pay attention to culture, which has a significant impact on retention and performance. Concentrate on areas where employee behaviors currently don't align with your strategic goals.
- Invest in technology and innovation to attract computer-savvy Gen Y employees. Also, create knowledge management programs to capture valuable knowledge from retiring employees and critical workforce segments.

Actions like these can help federal agencies improve their performance and avoid a disastrous resume tsunami.

A view from the banking sector

Brian Johnston, Principal, Deloitte Consulting LLP

Between the economic meltdown and the legislative restrictions on Troubled Assets Relief Program (TARP) recipients, many banks over the past year have focused almost exclusively on cost reduction. While operational efficiency will likely always be an important aspect of a bank's business strategy, the landscape is gradually changing. TARP legislation is becoming less relevant and banks are starting to show signs of a renewed awareness around the need for top talent – the critical workers who drive performance and growth to achieve a competitive advantage.

We have seen some banks begin making investments again in workforce development and talent programs. It's a lesson learned from the past market corrections: once the economy picks up, no one wants to have to scramble to find and keep those qualified and skilled workers needed to meet the demands of their business – because it may be too late.

Until recently, banks have been filling many of the gaps in their workforce with part time or contracted employees. For those critical workforce segments across all categories, now is the time to focus on:

- Defining critical workforce segments – identify those segments of highly skilled, highly trained individuals who drive a disproportionate percentage of revenue growth.
- Recruiting – keep the pipeline current and continue to identify top talent. Talented employees always have options, regardless of the market conditions.

- Retaining – people want more from work than a paycheck; many companies still regard retention programs simply as compensation and benefits – a cost of doing business. Retention efforts and reward programs can link to business value. Companies should consider how employees perceive these programs; how these perceptions vary by workforce segments and generations; and how such programs affect behavior and business performance. And that’s not all – learning programs, work experiences, and culture can also impact employee retention.

To better position themselves as market leaders, banks should consider ways to take advantage of the talent opportunities in today’s environment. There are top performers in their organizations now, and more out there looking for opportunity. A recruiting and retention strategy in place that aligns with the needs of their business and will likely prepare them for the gradual shifts in the economic recovery.

For more information, please visit: www.deloitte.com/us/Debates/Retention.

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