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By Bob Kelleher

The Storm is Approaching

Staff Turnover Will Return with A Vengeance!

Over the past year, I've met with many business leaders and spoken at many conferences. I heard a common theme expressed by business leaders and Human Resources professionals alike - these are indeed tough times, but "thankfully, our employees are hanging in there with voluntary turnover numbers at record lows".

Beware! Your turnover metrics might be akin to fool's gold, because there is a high probability your work environment did not suddenly turn to Camelot. Quite simply, your employee had no place to go, so they stayed put. Companies have been in survival mode, with shrinking backlog, cost cutting, and layoffs being the norm over the past 18 months. This lack of growth, coupled with fear and insecurity ("I don't want to be anyone's low man on the totem pole"), resulted in historic staff turnover lows in all industries. Workforce experts are reporting that the majority of companies reduced their voluntary turnover by two thirds (e.g. if your historic turnover was 15%, you're now at 5%).

In The December 2008 issue of The Economist, Lucy Kellaway predicted that 2009 would be the "The Year of the CFO", and "*The biggest loser in the struggle for power will be the HR Director....there will be a cease fire of the War For Talent.....companies will worry about the performance of those at the top of the pyramid, while everyone else will be managed like a commodity. "Talent" will be a word we wave goodbye to. In 2009 the word "staff" will make a comeback, as will "headcount".*

Who can argue about the accuracy of Ms Kellaway's predictions within many firms?

Now that we're seeing an economic recovery, your employees are beginning to gain confidence in the job market. Are they beginning to look for new a new job?

The past 18 months has taken its toll on your employees. Training budgets have been slashed, wages frozen, and promotions delayed as employees were asked to "do more with less". Ms Kellaway predicted that 2009 would be the era of the CFO. I'm projecting that 2010 will be the era of the "disengaged" as many employees seek alternatives elsewhere. Companies will start hiring again soon, employees will again believe that it is OK to be someone's low man on the totem pole, and the musical chair aspect of job movement will take root. Is your company prepared?

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I'm also projecting that firms will not simply return to their pre recession turnover levels. For instance, if your traditional voluntary turnover dropped from 15%, to 5%, the 10% of the workforce that didn't leave during the past year is now in queue , and will be **in addition** to your traditional 15% voluntary turnover. Can your company handle turnover levels of 25% or higher? How will this impact employee engagement? Client satisfaction? Your bottom line?

I don't think I'm being an alarmist. In fact, Deloitte's September 2009 Special Report, "Managing Talent in A Turbulent Economy", based on a recent Deloitte survey revealed the following statistics that should keep leaders and Human Resources executives awake at night:

- Nearly half (49%) of employees surveyed in August are either **looking** for a new **job** or plan to do so after the recession ends.
- In fact, 30% are already actively seeking new employers—a figure that could rise as more employees venture into the **job** market once the recession ends.
- 22% of surveyed Generation X employees have been actively **job** hunting over the past year
- Among surveyed Generation X members, only 37% plan to stay with their current employer, while 44% of surveyed Generation Y members expect to remain in their current **job**. at night:

I anticipate significant job movement as we head into the second half of 2010, and accelerate into 2011. Your retention and engagement investments (and goals to become "The Employer of Choice") should not be analogous to a light switch – you shouldn't just turn them on or off. You need to have a strategy in place that can sustain the good times, and the "not so good times'. Think of your engagement investments and efforts as a dimmer switch – during financially challenging times, you lower slightly, and during boom times, you elevate slightly, while continuously communicating with your employees the realities of your business challenges and successes.

Companies need to focus on their engagement and retention strategies **today** to be prepared for tomorrow.

> [Editor Note: If you're looking for solutions, attend the March HR Summit in Newport Beach, Ca hosted by PSMJ and The Kelleher Consulting Group where industry expert and workforce thought leader Bob kelleher will present his "10 Essential Engagement Practices"]

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