

# Work Space

## Companies will keep top staff

If jobs have to go, the smart companies will protect their best and brightest to help with the eventual upturn, writes **Fiona Smith**.

The corporate "ship" is taking on water, as it is sucked into a financial maelstrom. The deckhands, cooks and cabin boys are cast into the waves like so much ballast, with only their lifejackets to keep them afloat until they struggle aboard some rescue craft.

Meanwhile, the captain orders the liferafts to be prepared for those whose lives cannot be sacrificed — the high performers. Food and blankets are stowed away to keep them comfortable as they attempt to ride out the storm.

This maritime metaphor describes the preparations taking place in the corporate world, as we are drawn towards a new year of economic uncertainty.

Thousands of people are headed towards a subdued Christmas, having already lost their jobs in a savage round of retrenchments, while others dare not take leave because of insecurity about their own positions.

But, unlike previous downturns, these job cuts have not been across-the-board. The long-term problems of skills shortages mean that workforces are being divided into those who are expendable, and those whose skills will be essential to get through the economic crisis and ramp up the business when the climate improves once more.

Gone are the days when a leader could pull a percentage figure out of the air and demand that managers sack staff until they met it.

Now, there is an "A team" that is being featherbedded and protected. These people's bonuses are intact, or may even rise, at the expense of those who haven't made the grade.

Regional practice leader for Hewitt Australia's Talent and Organisational consulting services, Richard Kantor, says skills shortages have taught leaders that they cannot afford to lose their best people through this downturn.

"Over the past few years in Asia, in some macro shocks — like the currency crisis, SARS [severe acute respiratory syndrome] and the tsunami — mistakes have been made. Organisations over-reached and cut too far, too fast and too widely," he says.

"But in this market, with a very hot war for talent, it needs a much more considered approach and more steps are being taken to protect the high performers. It is actually very encouraging that they have learned through previous experiences."

According to Hewitt's *Survey of Economic Impact, 2008-2009*, an overwhelming 90 per cent of companies in Australia and New Zealand have indicated they are treating high performers differently to their other employees.

"Organisations are going to try to insulate those high performers," he says.

In the US, only 67 per cent are taking the same stance, according to the survey of more than 700 countries in the Asia-Pacific region and 400 companies in the US. This difference can be explained by the severity of the recession in the US and the intensity of the skills shortages in this region.



Photoillustration: KARL HILZINGER

Despite concerns about the economy in the coming 18 months, many organisations are quarantining performance pay — aware that they need to keep their top people motivated and loyal.

Nearly half of Australian companies (44 per cent) expect performance pay to be untouched, compared with 51 per cent in the US. In New Zealand, where the bonus structure is not as widespread, only 31 per cent are preserving performance pay and companies are showing an intention of spreading the pain more widely in their organisations.

Where falls in performance pay are expected, 53 per cent of Australian companies think they will be significant (more than 10 per cent).

There does not appear to be a great rush to redesign the incentive programs to take into account the new conditions, with only 11 per cent of New Zealand companies planning an overhaul, compared with almost one-third of Australian respondents.

The most significant difference between the way countries were responding to the crisis, says Kantor, is that none of the New Zealand companies plans to freeze salaries, compared with 12 per cent in Australia and 15 per cent in the US.

Some companies are considering having split budgets for incentive payments, which means the high performers will retain the level of their bonuses, while others may have to put up with reduced payments. In Asia, however, 17 per cent of companies expect bonuses to be increased, as a way of convincing people to stay.

The differences in the ways the countries are responding to the credit crisis is largely due to how much they have been affected by the shortage of skilled people.

Kantor says organisations from countries with the biggest skills shortages are, by necessity, being the most proactive and creative in finding ways to retain people at this time.

New Zealand, which has been struggling with an unemployment rate as low as 3 per cent, has been less "draconian" than other

countries in its response to the slowdown, says Kantor.

"Employers in New Zealand are loath to take steps that may result in skilled people leaving — they have spent the past 10 years chasing those 'skills,'" he says. "They are taking a more considered approach."

The brain drain of educated people overseas has been a "huge issue" in New Zealand, where 25 per cent of those with a tertiary education are living overseas.

Employers there have had to think creatively to find ways to keep people, when opportunities and salaries are so much better elsewhere. One of the biggest selling points is lifestyle, says Kantor.

New Zealand companies are more likely (than Australian companies) to be considering offering alternative work arrangements to staff, keeping incentive structures in place, and spending on learning and development.

More than half of New Zealand organisations are considering alternative work arrangements,

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Hewitt Australia

compared with 27 per cent in Australia. This might mean the opportunity to work shorter weeks or work from home.

"I think some of the innovation is not around the hard dollars."

Kantor says he views the survey's findings on intended spending on learning and development with a mixture of "great scepticism and great hope".

More than half the NZ respondents are looking to improve job skills of existing employees, compared with 38 per cent in Australia.

Kantor says there is "clear and compelling data" gathered during a long period that companies that invest in educating and skilling their people during downturns are the best performers when the good times start rolling in once more.

"I think people know it is the right thing to do — it is the politically correct response," he says. However, he is waiting to see whether the good intentions stated in the survey translate into action at a time when everybody is battenning down the hatches.

"I was speaking to a [chief executive] of one of the best employers in Thailand in the middle of October and he was telling me about his company's response to the economic climate," says Kantor.

"They had finished their financial planning at the end of August and, in September, had to do the budgets again because everything was changing so fast. And now their newest best case scenario was lower than their worst case before."

"But this CEO told me that the one thing they didn't cut was the learning and development and research and development budgets — they will still need good ideas and talented people."

Kantor says New Zealand's response to the economic crisis is similar to that of companies in Asia, which have also been struggling to find enough skilled people.

Australia's response lies somewhere between that of New Zealand and that of the US, where 55 per cent of respondents are planning or implementing lay-offs, compared with 32 per cent in Australia and just 23 per cent in New Zealand.

### Blue-collar winners

The job market is not looking too hot for merchant bankers and financiers, but newly minted apprentices have no problems at all, according to the *Student Outcomes Survey*, published by the National Centre for Vocational Education Research. Almost 94 per cent of trade apprenticeship graduates were employed six months after training — the highest employment rate among all vocational education graduates.

### Watch for cyber-snoops

Workers are prepared to fight back if they feel their jobs may be at risk, according to a survey by software vendor Cyber-Ark Software, published in *Computerworld*. Taking inspiration, perhaps, from the biblical "an eye for an eye" world view, 71 per cent of the 600 people surveyed in the UK, Netherlands and the US said they would steal sensitive data and use it to take to a new employer, or to negotiate with their present boss. They would also snoop around or bribe IT staffers to try to discover a list of those people who were due to be fired.

### DIY Christmas cheer

In another survey — bound to increase the growing division between "us and them" — 20 per cent of staff in the UK admitted to having exaggerated expense claims and 10 per cent would do it again because of economic difficulties this Christmas. According to expenses service provider GlobalExpense, 28 per cent of the 2000 respondents said they would fudge expenses if they felt they were not paid a fair salary.

### A matter of balance

And now, here's some good news: flexible work arrangements have been rising. Access to compressed hours has risen 15 per cent since 2003, according to the Equal Opportunity for Women in the Workplace Agency's *Survey on Workplace Flexibility*, funded by Alcoa. The ability to work from home is up 13.5 per cent and access to part-time work is up 20 per cent. Child care assistance is only up marginally. EOWA says 83 per cent of women and 73 per cent of men considered an organisation that genuinely supported work/life balance to be extremely important when job seeking, while 12 per cent of women and 11 per cent of men said they left their previous job due to a desire for greater work/life balance. There are still bad bosses: 17 per cent of women and 21 per cent of men said their employers offered no flexibility whatsoever and more than half the respondents said they did not have access to flexible working hours.

### No pain, no pay

Illustrating the supportive side of human nature, workers at the CAMI Automotive assembly plant in Ontario, Canada, have voted to share the pain and will endure rotating lay-offs between January and April, rather than see 600 of the 2400 workers laid off for four months. The workers at the plant, a joint venture between General Motors and Suzuki, will work two weeks on and two weeks off.

### Choking news

As if we needed another reason to cut exorbitant bonus payments, researchers at the Rotman School of Management in Toronto say that people who are encouraged by moderate payments will "choke" and not perform well if these go beyond a certain threshold. Marketing professor Nina Mazar said very high incentives did not work for tasks involving creative thinking, problem-solving or memory skills.