

Interesting findings from our friends in the compensation community...

PAS clients obviously include contractors of all types, sizes, locations, and specialties. Without them, we wouldn't be in business. But, our clients also include accounting firms, academics, construction users, management consultants, government agencies, law firms, labor researchers, and so on. And, oh yes, other compensation consultants.

One of our colleagues (Ann Bares) has a blog we visit on a regular basis. We've told Ann repeatedly that she saves us many hours of reading time by summarizing hot topics and relevant data in our profession. Ann has construction clients as well as clients in other industries, giving her a refreshing perspective of what's happening across all sectors. And she has the knack of providing common sense interpretations of the facts. And she does it in an enjoyable way. We've come to call her comments Ann-ur-isms.

The following excerpt was on Ann's "Compensation Force" blog (<http://compforce.typepad.com/>). The Ann-ur-isms are in bold and slightly larger type. The title of the piece is – **"Throwing in the Towel: Are Employers Resigned to Impending Departures?"** Enjoy.

60% of employees intend to leave their current employer in the next year, according to a survey of more than 900 workers by Right Management (<http://www.right.com/>).

When asked "Do you plan to pursue new job opportunities as the economy improves in 2010?"...

- 60% said *yes, I intend to leave*
- 21% said *maybe, so I'm networking*
- 6% said *not likely, but I've updated my resume*
- 13% said *no, I intend to stay*

In an unhappy parallel to these results, a recent [BLR.com poll](#) shows that half the employers surveyed believe that the top factor keeping their highest performing employees from leaving is the simple fact that no one else is hiring.

"Not much of a talent retention strategy, is it?"

Certainly the past year has been filled with bad news about layoffs, furloughs, pay freezes and reductions. For many organizations, these steps have likely been unavoidable. At least a few employers have approached them in an open and honest manner, working hard to honor their values as well as the principles of transparency and shared sacrifice. Others, as Margaret O'Hanlon notes in a post at "http://compforce.typepad.com/compensation_cafe", appear to have simply thrown in the towel with respect to employee commitment.

As Margaret notes, it is unrealistic to expect employee satisfaction to be riding high during times like these. But it is also true that the past year has presented leaders with a challenging but real chance to forge trust by the manner in which they shepherd their organizations through tough times. Some have stepped up to the plate. Many have not.

"And the consequences are apparently on their way."

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Continuation... *From our friends in the compensation community...*

Wow – great comments. Think about this - If 81% of the employees surveyed have already made up their minds to leave or said they may be leaving, the impact (or consequences) on recruiting, retention, and motivation will be huge. Even if the number is only half of that, the potential fallout and effect on wages may be something we've never seen before.

And as noted by the BLR.com poll, "that half the employers surveyed believe that the top factor keeping their **highest performing employees** from leaving is the simple fact that no one else is hiring". Then the impact on retention and motivation will be huge.

And (one more time), to corroborate Margaret O'Hanlon's comments about employee satisfaction, there is the recent report from the Conference Board that states only 45 percent of those Americans working are satisfied with their job. In other words, 55% of those people with a job indicated dissatisfaction with their current position at a time when there are a gazillion folks out of work. And yes, we do mean to sound redundant, the impact on recruiting, retention, and motivation will be HUGE.

We at PAS are slightly myopic, so we only see two themes in the proceeding paragraphs. Communication and Compensation. Of course, these aren't the only factors to consider. But if you think they haven't been critically important through this tough economic climate, then you have made a grave error. And if you think they haven't taken on greater importance going into 2010, you have made an even greater blunder.

In past years, the December issue of CCQ offered a check list and commentary of factors to consider when making pay adjustment decisions: The list has included...

1. The rate of inflation (Consumer Price Index or CPI)
2. Current industry costs of total compensation (Employment Cost Index or ECI - wages and benefits)
3. The market value of skilled and unskilled positions
4. The contribution individual employees have made to the company's performance
5. End of year profit/loss assessment
6. The company's economic outlook for the coming year

Last year we hit factor number 1 fairly hard as a key factor to watch, saying... "we also strongly suggest closely monitoring the CPI during 2009. ...individual wage increases have only been less than the Consumer Price Index twice during the past 30 years. And that was in 1979 and 1980 with average pay increases of 8% and 9.9% respectively. It just makes sense to take care of your key employees during these tough economic times".

This advice is still good for 2010. It now looks like we will end 2009 with the CPI showing about a 3% increase from December 2008. If history proves out, then pay increases will average over 3% in 2010 for professionals. Also, market values are changing. Pay close attention to current base pay rates and trends over the past 3 years. Professionals have left our industry and will never return, therefore impacting workforce availability... and subsequently forcing pay higher.

For those companies that froze or reduced salaries, delayed increases, reduced workforce, and so on, it's time to pay attention to the basics as we move through 2010. As these two pages have indicated, your employees may have a different idea of commitment to your company.

Remember the three goals of any compensation program – to recruit, retain, and motivate your workforce. As we said last year, "though you may experience a serious workforce reduction, keep your compensation planning focused on your key employees. When things get better, you want them working for you and not your competitors".

We can't make it any plainer!