Managing talent in a turbulent economy

Clearing the hurdles to recovery

July 2009
Key findings

Many business executives around the world cautiously believe the worst of the economic crisis has passed, based on a recent Deloitte survey. With a more optimistic outlook on their horizon, they now have new concerns that a “resume tsunami” may be building, ready to hit once the economy turns and their employees begin to consider new opportunities. Are companies devising and implementing effective retention strategies to hold onto the key talent they will need to prosper when the eventual recovery comes?

To understand how the current economic crisis has affected talent, Deloitte has been conducting a longitudinal survey to gauge how top executives and talent managers across the global economy are reshaping their workforces as they confront the most challenging operating environment in generations. The May 2009 survey, similar to the January and March editions, tracked the ways select business leaders are shifting their talent strategies and priorities to meet the challenges of today’s sideways economy and how they plan to clear the hurdles to economic recovery. The results of the May survey revealed the following key findings:

• Pessimism about the broader economy has given way to the first hints of optimism. Senior corporate leaders surveyed still expect economic conditions to remain difficult but, for the first time this year, the number of executives who predict “the worst is yet to come” declined, while those who report “the worst is behind us” increased significantly.

• This budding optimism is reflected in the actions these executives are taking to prepare for an eventual upturn in the economy. While headcount reductions and other cutbacks remain prevalent, many surveyed executives are sharpening their focus on retention and employee development initiatives so they can be prepared when the turnaround begins.

• Once the recovery begins to take hold, these business executives and talent leaders can expect a “resume tsunami” as unemployment declines and voluntary turnover rises. While many of the surveyed talent managers appear to be updating retention plans and devising retention strategies in anticipation of a turnaround, Deloitte believes the depth and quality of these moves will separate the talent “winners” from the talent “losers” when the economy improves.

• Surveyed talent managers and executives are most concerned about losing younger employees from both Generation Y (under age 30) and Generation X (ages 30-44). To retain these future leaders, many are considering a mix of retention initiatives, including greater financial incentives and flexible work arrangements.

• Although retention planning is widespread, one fifth of executives surveyed report they are doing nothing to revise their workforce strategies to prepare for an eventual recovery. And few of these executives have a clear understanding of the negative impact that increased turnover will have on their company’s ability to perform or on their bottom line.
Preparing for an economic upturn?

In May, 319 senior business leaders—both HR and non-HR executives—participated in a survey conducted by Forbes Insights on behalf of Deloitte. These executives serve at large businesses (annual sales of $500+ million) across a range of industries and the three major economic regions: the Americas, Asia Pacific (APAC), and Europe, the Middle East, and Africa (EMEA).

As in the January and March surveys, participants clearly recognize the challenges their companies continue to face in the broader economy. However, despite a generally sober economic outlook, there was a marked shift in the May survey toward a more optimistic view of the future.

For the first time in this longitudinal study, the number of executives who reported the worst is yet to come in terms of the economy declined—and significantly, from 32% in March to 18% in May (Figure 1). At the same time, the group that believes the worst is behind us doubled to 16% from 8% in March and 5% in January. These executives may not be ready to predict an economic upturn, but more seem to think they can see the bottom from where they are today—a decisive departure from previous surveys.

Figure 1. Executive outlook on the economy: May vs. March vs. January

More issues competing with cutting costs for management’s attention

Both the challenges of the tough economy and the hints of optimism about a better future ahead are reflected in the strategic priorities that compete for attention among the top executives and talent managers surveyed. Cost cutting remains a paramount concern, yet there are signs that austerity measures may be abating.

In May, more than half of executives (56%) ranked cutting and managing costs as their top strategic issue—still the highest of any category, but down seven percentage points from March (Figure 2). In March, cost cutting outranked the next closest management priority, acquiring/retaining customers, by 23 points (63% to 40%); however, by May, the margin was down to 13 points (56% to 43%).

Digging Deeper: Strategic priorities differ depending on whether a company has already taken steps to align its workforce with today’s economic realities. Surveyed executives who are not expecting more layoffs are more likely to be looking at new opportunities compared to those who are expecting more layoffs in the coming quarter—those who are not expecting more layoffs are more likely to be expanding into new and global markets (23% vs. 10%), investing in innovation and research and development (15% vs. 4%), and acquiring and serving new customers (52% vs. 38%).
Managing talent in a turbulent economy – July 2009

Digging Deeper: Across a range of industries, surveyed executives are predominantly focused on cutting and managing costs and acquiring and serving customers. However, examining the full range of strategic issues shows some significant variations (Figure 3). Executives at Financial Services firms were more than twice as likely to list “addressing risk and regulation challenges” as a top strategic priority (41% compared to 20% overall). Nearly one-third (30%) of Technology/Media/Telecom (TMT) companies are focused on expanding into new markets vs. 16% overall.

Surveyed executives who are not expecting more layoffs in the quarter ahead are more likely to be expanding into new markets, investing in innovation, and signing-up new customers.

Figure 3. Current strategic issues by industry

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Consumer/Industrial Products</th>
<th>Life Sciences/Health Care</th>
<th>Technology/Media/Telecom</th>
<th>Energy/Utilities</th>
<th>Financial Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cutting and managing costs</td>
<td>Cutting and managing costs</td>
<td>Cutting and managing costs</td>
<td>Improving top and bottom line performance</td>
<td>Cutting and managing costs</td>
</tr>
<tr>
<td>2</td>
<td>Acquiring/serving/retaining customers</td>
<td>Acquiring/serving/retaining customers</td>
<td>Acquiring/serving/retaining customers</td>
<td>Cutting and managing costs</td>
<td>Addressing risk and regulation challenges</td>
</tr>
<tr>
<td>3</td>
<td>Developing new products and services</td>
<td>Managing human capital</td>
<td>Developing new products and services</td>
<td>Acquiring/serving/retaining customers</td>
<td>Acquiring/serving/retaining customers</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Managing human capital (2-way tie)</td>
<td>Managing human capital (2-way tie)</td>
<td></td>
</tr>
</tbody>
</table>

In a sign that these executives are also focused on the future, developing new products and services rose by seven points on the management agenda, with 28% of executives ranking it a top priority. Managing human capital has also been a consistent strategic priority for these business leaders—ranging from 27% in January to 30% in March to 33% in May.
With layoffs continuing to capture headlines and unemployment rates rising worldwide, it is not surprising that reducing headcount remains a significant focus for surveyed executives when it comes to managing talent. When asked to rank their current talent priorities, 42% of respondents in May put reducing employee headcount at the top of the list—on par with both March (39%) and January (38%) (Figure 4). Measured against other talent priorities, reducing headcount outpolled the next highest by an 18-point margin (42% to 24%).

Talent managers who are focused on reducing headcount usually report layoffs and the May survey was no exception. More than six in ten executives who participated in the survey (61%) indicate their companies had laid off workers during the last three months—a high for all three surveys and a 19-point jump over January (42%) and 14 points higher than March (47%) (Figure 5). For the first time in the three surveys, a greater percentage of executives see layoffs ahead (50%) compared to those who do not (43%).

As in past surveys, it seems that layoffs are difficult to anticipate. In March, 42% of executives predicted layoffs over the next three months, yet 61% of executives report they actually experienced layoffs in May. Layoffs also appear to be concentrated among certain companies. Three-quarters (75%) of those who report they had layoffs in the last three months expect more layoffs in the next three months; however, only 11% of those who have not had layoffs in the last three months expect to conduct layoffs in the next three months.

**Figure 4. Current talent priorities: May**

<table>
<thead>
<tr>
<th>Priority</th>
<th>May</th>
<th>March</th>
<th>January</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reducing employee headcount</td>
<td>42%</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>Training and development</td>
<td>24%</td>
<td>34%</td>
<td>30%</td>
</tr>
<tr>
<td>Retention</td>
<td>22%</td>
<td>34%</td>
<td>28%</td>
</tr>
<tr>
<td>Recruitment</td>
<td>12%</td>
<td>16%</td>
<td>26%</td>
</tr>
</tbody>
</table>

**Figure 5. Organizations conducting layoffs: May vs. March vs. January**

<table>
<thead>
<tr>
<th>Time Period</th>
<th>May</th>
<th>March</th>
<th>January</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experienced layoffs past three months</td>
<td>61%</td>
<td>47%</td>
<td>42%</td>
</tr>
<tr>
<td>Anticipating layoffs next three months</td>
<td>50%</td>
<td>42%</td>
<td>38%</td>
</tr>
</tbody>
</table>

**Digging Deeper:** Participating companies in the Energy/Utilities sector were least likely to experience layoffs: 33% reported layoffs in the past three months and 27% anticipate layoffs during the next quarter. Consumer/Industrial Product companies were the most likely to experience layoffs in the previous quarter (67%). Going forward, Financial Services executives were the most likely to anticipate layoffs with 53% reporting layoffs were likely in the coming quarter.
A global perspective: Regional differences

For a global perspective on talent trends and attitudes, Deloitte’s study canvassed the views of top executives and talent managers in the three major economic regions: the Americas, Asia Pacific (APAC), and Europe, the Middle East, and Africa (EMEA).

While the May survey revealed cautious optimism among business leaders that the worst of the economic crisis is behind us, this opinion is not universally shared from region to region. Executives in the Americas, in particular, appear somewhat more hopeful about their economic futures than their counterparts in APAC and EMEA. According to the survey, only 11% of EMEA executives and 15% of APAC executives believe the worst is behind us, compared to 21% of Americas executives.

Executives in different regions of the global economy also appear to be employing different strategies to survive difficult times. By a 14-point margin (61% to 47%), executives in the Americas were more likely to name cutting costs as a top management priority compared to APAC executives.

This regional variance in strategies is also reflected in how international executives ranked their current talent priorities. Reducing employee headcount remains the top current talent concern for surveyed executives in the Americas (48%) and the EMEA region (51%), but ranks lower for APAC executives—only 26% of APAC talent managers called it their top concern, compared to 38% of APAC executives who listed training and development. Less focused on headcount reductions, APAC executives also foresee fewer layoffs, with only 37% of APAC respondents predicting layoffs in the next quarter compared to 58% in EMEA and 54% in the Americas.

When it comes to trends in recruiting and hiring, EMEA executives appear to be trailing their colleagues around the world. Just 26% of EMEA executives who participated in the May survey expect to increase experienced hires in the year ahead, compared to 47% in the Americas and 39% in APAC. EMEA executives also report they are less likely than their global counterparts to recruit more critical talent in light of the economic climate, trailing both Americas executives and APAC executives by double digit margins (40% for EMEA vs. 50% for APAC vs. 51% for Americas).

A major focus of the May survey is the “resume tsunami” that will likely hit when the economy eventually turns, resulting in heightened competition among companies to keep and recruit critical talent. The study suggests that APAC executives have already gotten a jump on their competitors: 48% of APAC talent leaders report their company has a retention plan ready for the economic rebound, a greater percentage than companies in both the Americas (30%) and EMEA (29%).
While the data suggests that surveyed executives cannot predict with certainty when the recovery will take hold, there are clear indications that their companies are putting plans in place to capitalize when the recession ends. One significant development in the May survey was how executives expect to shift talent priorities over the next three months.

Looking forward to the coming quarter, surveyed executives and talent managers predict that employee development and training initiatives will rival headcount reductions as their top talent priority. When asked to anticipate their company’s talent priorities three months from now, 34% of survey participants rank reducing headcount first, closely followed by training and development at 31% (Figure 6).

Almost two out of three executives surveyed (64%) expect training and development to be their number one or number two talent priority during the coming quarter, compared to 50% who rank reducing headcount high on their list. Nearly half of executives (47%) also report that their companies plan to invest in building new skills in their workforces, another sign that companies are preparing for the future.

**Digging Deeper:** Surveyed executives in TMT are particularly focused on training and development as a top talent priority in the next quarter: 47% list it as their number one concern compared to 31% of overall respondents who report it is their number one concern. Financial Services executives rank training and development very low on their list of priorities—only 17% report it is a number one concern.

<table>
<thead>
<tr>
<th>Talent priority</th>
<th>Top priority</th>
<th>Medium priority</th>
<th>Low priority</th>
<th>Lowest priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reducing employee headcount</td>
<td>34%</td>
<td>16%</td>
<td>17%</td>
<td>33%</td>
</tr>
<tr>
<td>Training and development</td>
<td>31%</td>
<td>33%</td>
<td>26%</td>
<td>10%</td>
</tr>
<tr>
<td>Retention</td>
<td>24%</td>
<td>30%</td>
<td>26%</td>
<td>20%</td>
</tr>
<tr>
<td>Recruitment</td>
<td>11%</td>
<td>21%</td>
<td>31%</td>
<td>37%</td>
</tr>
</tbody>
</table>

*Figure 6. Talent priorities: Next three months*
As employee development efforts take on additional importance over the coming months, many surveyed executives are ramping up specific training programs within their companies. More than four in ten executives report they plan to increase training and development programs related to high-potential employee development (46%) and leadership/management development (42%), while 35% are expanding onboarding initiatives and 33% anticipate greater investments in regulatory, security, and risk training (Figure 7).

This renewed emphasis on developing employees can be seen most clearly when comparing May’s survey results with past surveys. Compared to March, the percentage of executives who anticipate an increase in leadership/management development training jumped by 15 points (42% to 27%), with double-digit increases also occurring in high-potential employee development training (46% to 34%) and onboarding programs (35% to 25%).

**Figure 7. Areas of increased focus on training and development over the next 12 months: May vs. March**

- High-potential employee development: 46% (May) vs. 34% (March)
- Leadership/management development: 42% (May) vs. 27% (March)
- Onboarding, orientation: 35% (May) vs. 25% (March)
- Regulatory, security and risk training: 33% (May) vs. 24% (March)
- Job-specific – sales, customer service: 30% (May) vs. 24% (March)
- Job-specific – operations: 26% (May) vs. 23% (March)
- Job-specific – IT, finance, HR: 22% (May) vs. 24% (March)

**Digging Deeper:** Faced with greater regulatory scrutiny, Financial Services firms are stepping up their training efforts, with 47% reporting they plan to increase regulatory, security, and risk training over the next year. One in four executives in Life Sciences/Health Care (39%) and Energy/Utilities (40%) sectors also plan to increase regulatory, security, and risk training.
Talent managers emphasize experience and leadership

As training programs ramp up, surveyed executives are also looking to add experience and leadership to the ranks of their workforces. While graduating college students, part-timers, contract hires, and outsourced hires can all expect the tight job market to continue, employees with experience and leadership are in demand at many of the surveyed companies.

47% of all executives surveyed plan to recruit more critical talent to manage the current economic environment—up 13 points from 34% in the March survey.

Looking at the numbers, 38% of executives surveyed in May plan to increase recruiting of experienced hires—an 11-point jump from March’s 27% (Figure 8). In fact, experienced hires are still the only category that can expect a net increase in recruiting attention by surveyed companies over the next year—a trend evident in all three surveys. Overall, recruiters at these companies plan a net decrease of campus hires, contract hires, part-time hires, and offshore/outsourced hires.

Nearly half of executives and talent managers (47%) surveyed report their companies plan to recruit more critical talent to manage the current economic environment—a significant jump since March when the figure was 34%. About four in ten executives (41%) expect to acquire hard-to-find leaders, compared to 29% in March and 30% in January (Figure 9).
Nearly three out of four executives (73%) report that their company either has a retention plan in place now or is actively developing one. Despite this strong evidence of retention planning, a significant 20% of business leaders and talent managers admit they are doing nothing to manage their workforces in preparation for better times (Figure 10).

The coming “resume tsunami”
Following previous recessions, many companies experienced a “resume tsunami” as employees with the desire to move on took increased confidence from the improving economy. Voluntary turnover rises as unemployment falls, and talent once again becomes a scarce commodity.* Have business leaders learned from past experience? That remains to be seen.

Despite today’s tight employment market—where layoffs remain prevalent and recruiting is down—many talent managers are currently preparing workforce plans to get in front of the economic upturn that will eventually come. Yet a surprisingly significant number are at risk of being blindsided when the talent market heats up again.

As part of the May survey, we shined a spotlight on talent retention—the plans executives are making to retain key employees, the potential hurdles they see to keeping their core workforces intact, and the specific tactics they are using to meet their overall retention goals. These efforts will help determine whether a company is positioned to charge ahead during a recovery or whether that company finds itself on the defensive as its top talent and leaders head for the door.

Digging Deeper: In the race for talent, many employers attempt to separate themselves by offering an employee value proposition that distinguishes the unique advantages of their companies. Yet 47% of survey participants report their organization either does not offer a specific employee value proposition or they do not know what an employee value proposition is.

Turnover concerns: The flip side of retention

An effective retention plan calls for analyzing more than just what causes employees to jump ship—talent managers must also understand which employees they are most at risk of losing. Many talent managers know from experience that when the economy heats up again, they risk losing key employees to competitors. About half (46%) of executives recalled that voluntary turnover at their companies either increased or increased significantly after the 2001-2002 recession ended.

Looking ahead to the end of the current recession, 52% of surveyed executives predict an increase in voluntary turnover at their companies, while just 13% predict a decrease. Not surprisingly, executives exhibited the highest levels of concern about losing “high-potential talent and leadership” and “critical talent.” Specifically, 65% of executives report they have a high or very high concern about retaining high-potential talent and leadership in the year after the recession ends, and an identical number are either highly or very highly concerned about losing critical talent.

Talent managers and business executives see greater turnover potential among younger employees. Generation Y (under age 30) workers are considered most likely to be on the move, with 63% of executives predicting an increase or a significant increase in turnover among this group, followed by Generation X (ages 30-44) at 46%. Only one in four expect an increase in departures by Baby Boomers (ages 45-64) or Veterans (over age 65) (Figure 11).

Nearly two-thirds of executives (65%) are highly or very highly concerned about losing high-potential and critical talent in the year after the recession ends.

Digging Deeper: By a ten-point margin (17% to 7%), companies that expect to conduct more layoffs in the coming quarter are more likely than those not anticipating layoffs to believe their voluntary turnover rate will significantly increase in the year after the current economic downturn ends. 72% of executives at these companies are especially concerned about losing critical talent—an 11-point margin over those who do not expect layoffs (61%).

Figure 11. Expected change in organizations’ voluntary turnover rates among different generations 12 months after recession ends: Increase/increase significantly vs. decrease/decrease significantly
For some companies, this concern is becoming a reality, with many executives already seeing their competitors poach their best talent. More than one in four executives (26%) report an increase in turnover of high-potential employees during the last three months—the highest percentage in any edition of the survey by a ten-point margin (Figure 12). Overall turnover was also up, with 25% of survey participants reporting their companies experienced an increase—again the highest percentage in the three surveys.

**Digging Deeper:** Post-recession, surveyed Life Sciences/Health Care executives appear to be much more concerned about voluntary turnover than any other industry. 68% of these Life Sciences/Health Care executives predict such turnover will increase or significantly increase—12 points higher than the next closest industry (TMT at 56%) and 16 points higher than the overall average of 52%.

**Turnover of high-potential employees is on the rise: 26% of executives report an increase, the highest response rate from previous editions of the Deloitte survey series.**

Figure 12. Impact of the economic climate on turnover: Companies reporting an increase in May vs. March vs. January
Identifying the hurdles to retention

Effective retention planning starts with a hard-headed analysis of a company’s assets and liabilities when it comes to attracting and keeping key employees—including a catalogue of each company’s retention barriers. The survey suggests that, at a time when executives are clearly worried about competitors poaching high-potential employees and company leaders, their talent managers have a pretty clear idea where their companies currently fall short.

According to survey participants, the economic downturn is clearly taking a toll on retention. When asked to list the most significant barriers to retaining employees today, survey respondents rank financial issues highest, including the lack of compensation increases (44%) and the lack of adequate bonus or other financial incentives (28%) (Figure 13). Managers pressured to do more with less in a difficult economy also cite excessive workload (30%) as a significant hurdle to retaining employees.

Figure 13. Top barriers to retaining employees: Today vs. 12 months after recession ends

<table>
<thead>
<tr>
<th>Barriers</th>
<th>Today</th>
<th>12 months after recession ends</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of compensation increases</td>
<td>44%</td>
<td>27%</td>
</tr>
<tr>
<td>Excessive workload</td>
<td>30%</td>
<td>21%</td>
</tr>
<tr>
<td>Lack of adequate bonus or other financial incentive</td>
<td>28%</td>
<td>21%</td>
</tr>
<tr>
<td>Lack of job security</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>Lack of career progress</td>
<td>13%</td>
<td>21%</td>
</tr>
<tr>
<td>Inadequate or reduction in benefits (i.e., health and pensions)</td>
<td>14%</td>
<td>22%</td>
</tr>
<tr>
<td>New opportunities in market</td>
<td>14%</td>
<td>39%</td>
</tr>
<tr>
<td>Dissatisfaction with supervisor or manager</td>
<td>13%</td>
<td>14%</td>
</tr>
<tr>
<td>Lack of challenge in the job</td>
<td>13%</td>
<td>15%</td>
</tr>
<tr>
<td>Lack of trust in leadership</td>
<td>10%</td>
<td>12%</td>
</tr>
<tr>
<td>Poor employee treatment during downturn</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Too much travel</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Declining perception of company</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Lack of training and development opportunities</td>
<td>7%</td>
<td>9%</td>
</tr>
<tr>
<td>Lack of flexible work arrangements</td>
<td>7%</td>
<td>9%</td>
</tr>
<tr>
<td>Limitations due to new government regulations (e.g., TARP)</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>7%</td>
<td>6%</td>
</tr>
</tbody>
</table>
Interestingly, surveyed executives anticipate the barriers to retention will shift when the recession subsides. These talent managers are evidently worried that employees are simply biding their time until the upturn comes, with 39% reporting that new opportunities in the job market will be the biggest hurdle to retaining employees in the 12 months following the end of the recession.

There was also significant concern that the lingering effects of a poor economy will make it difficult to offer the financial incentives talent managers need to keep employees on board: One-quarter of survey participants report lack of compensation increases (27%) and lack of bonuses (25%) will pose a significant barrier to retention after the recession ends.

**Digging Deeper:** Surveyed Energy/Utilities talent managers appear concerned that they will not be able to keep pace with other industries once the recovery begins. More than half (53%) predict that new opportunities in the job market will be their number one barrier to retention—well above 39% overall—and 43% of Energy/Utilities leaders report that an inability to provide adequate bonuses or other financial incentives will make it harder to retain employees, 18 points higher than the overall response (25%).

**A red flag for talent managers and business executives**

The retention spotlight raised one big red flag: Few surveyed executives seem to have a clear understanding of the negative impact that increased turnover will have on their company’s ability to perform or on its bottom line.

Replacing employees—particularly critical talent and high-potential employees who are the biggest departure risks—is extremely costly. After taking into account the loss of intellectual capital, client relationships, productivity, experience, and other job skills, plus the cost of recruiting a new hire, companies can expect the cost of replacing a lost employee to be 2-3 times that employee’s annual salary.

Despite these costs—or perhaps unaware of them—nearly half (44%) of surveyed managers believe voluntary turnover will actually increase their company’s profitability. Only 17% report it would decrease profitability.

Clearly retention will be a major focus as these companies prepare their talent strategies and programs for an expected revival of economic growth somewhere down the line. And just as clearly, the actions their executives take to retain critical talent over the next 12 months will have a significant impact on the companies’ financial performance.
Clearing the hurdles

In the May survey, Deloitte asked the participating executives (most of whom likely come from the ranks of the Generation X and the Baby Boomer generations) what retention tactics would be most effective in retaining employees from the Y, X, Baby Boomer, and Veteran generations.

Surveyed executives believe that retention priorities should be driven by generational differences.

By a fairly significant margin, these executives believe that Gen Y and Gen X employees would respond most favorably to financial incentives such as greater compensation and larger bonuses (Figure 14). According to survey participants, workers from the Baby Boomer and Veteran generations would prefer an increase in other benefits, such as health care and pensions. Interestingly, surveyed business executives and talent managers rank flexible work arrangements high on the list of retention tactics for all generations.

Figure 14. Executive perceptions of most effective retention initiatives by generation

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Gen Y (under age 30)</th>
<th>Gen X (ages 30-44)</th>
<th>Baby Boomers (ages 45-64)</th>
<th>Veterans (over age 65)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Additional compensation (46%)</td>
<td>Additional bonuses or financial incentives (37%)</td>
<td>Additional benefits (i.e., health and pensions) (42%)</td>
<td>Additional benefits (i.e., health and pensions) (36%)</td>
</tr>
<tr>
<td>2</td>
<td>Additional bonuses or financial incentives (30%)</td>
<td>Additional compensation (33%)</td>
<td>Additional bonuses or financial incentives (30%)</td>
<td>Flexible work arrangements (26%)</td>
</tr>
<tr>
<td>3</td>
<td>Flexible work arrangements (29%)</td>
<td>Flexible work arrangements (25%)</td>
<td>Flexible work arrangements (28%)</td>
<td>Additional compensation (22%)</td>
</tr>
</tbody>
</table>
Implementing effective retention tactics

The survey also suggests that some talent managers are already looking at ways to reshape retention initiatives as part of an overall effort to prepare for an eventual economic recovery.

For the first time since this longitudinal study began in January, more executives report they are focusing on increasing rather than decreasing compensation levels. While the majority (59%) expects compensation levels to remain unchanged, talent managers who anticipate raising compensation levels outpoll those planning to reduce compensation by 11 percentage points (25% to 14%)—a near reversal from March when 15% predicted compensation increases vs. 25% who predicted compensation decreases. The number of executives who are looking to increase benefit levels has also been on the rise—from 13% in January to 21% in May—although slightly more still anticipate decreasing benefits (23%).

Digging Deeper: Nearly half (48%) of Consumer/Industrial Products executives report they will focus on flexible work initiatives in the next 12 months, closely followed by 44% of Life Sciences/Health Care talent managers.

Digging Deeper: Leaders in a range of industries reported that they are more likely to increase compensation than decrease compensation in the year ahead, including Consumer/Industrial Products, Life Sciences/Health Care, and even the hard-hit Financial Services industry.

Few surveyed executives ranked flexible work arrangements as a major hurdle to retaining employees, with just seven percent reporting it is currently an issue at their company. Nevertheless, surveyed talent managers believe that each generation highly values flexible work arrangements such as telecommuting and reduced workweeks. This may explain why 37% of executives plan to increase their focus on workplace flexibility in the year ahead, compared to just 23% in March.

Deloitte believes the actions companies take today will separate the talent winners from the talent losers once the economy begins to rebound. Retention promises to be a growing challenge when more employees feel confident enough in the economy to test the job market again. Ultimately, the effectiveness of your company’s retention strategies will determine whether your high-potential employees become your future leaders—or the future leaders of your competitors.
In this third edition of Deloitte's longitudinal study of talent trends and strategies, 319 international executives participated in an on-line survey conducted by Forbes Insights. Survey participants were typically senior leaders in their companies, with 40% occupying the CEO, CFO, or other C-suite position (Figure 15).

All respondents served at large organizations (all above $500 million in annual revenue, a majority with more than 5,000 employees, and 34% more than 10,000) (Figure 16). These executives came from a mix of publicly traded, privately owned, and non-profit organizations.
The survey was well balanced geographically, with 37% of participants located in the Americas, 33% in Europe, the Middle East and Africa, and 30% in the Asia Pacific region (Figure 17).

A wide range of industries were represented, including Consumer/Industrial Products (28%), Financial Services (22%), Technology/Media/Telecom (14%), Life Sciences/Health Care (10%), Energy/Utilities (9%) (Figure 18).

The fourth edition of Deloitte’s longitudinal survey will be published in October. Deloitte also plans to publish a fifth edition in January 2010 in order to complete a year-long study designed to track talent trends and attitudes through the depth of the recession and into the first hints of economic recovery.
About the survey
This survey—the third in a five-part longitudinal study—was conducted for Deloitte by Forbes Insights. This third report features results from a May 2009 survey that polled 319 senior business leaders and human resource executives at large businesses worldwide in the Americas, Asia/Pacific, and Europe/Middle East/Africa. A more detailed demographic profile about the respondents can be found at the end of this report.