



## Loyalty is the holy grail of retention strategies

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by Chris Le Coic

WE are experiencing once-in-a-generation global market conditions. Yet despite the looming slowdown, demand for quality candidates has not diminished, nor has the skills shortage eased.

Given predictions that challenging economic conditions will persist beyond 12 to 18 months, something has to give.

Clearly, the financial services industry has been hardest hit, with employees now looking over their shoulders as more and more firms are caught in the crisis. There is growing unease in this sector as we wait to see which financial institution will fall next. Redundancies are suddenly a real prospect.

By and large though, financial services is the exception. Most industries are still seeking quality candidates. Engineering remains severely candidate-short, as inadequate investment in attracting high school students over the past 10 to 20 years takes its toll. This shortage has been exacerbated by the current mining and resources boom. Infrastructure, too, is set to continue growing over the next five to 10 years, fuelled



by government investment.

Social factors are contributing to the current candidate-short market. On the one hand, we have an ageing population preparing for retirement, and on the other we have Gen Y candidates seeking to fast-track their careers, with growing numbers moving overseas to do so.

The Australian Bureau of Statistics (ABS) projects that by 2051, more than 25 per cent of Australians will be over 65 and around 44 to 48 per cent will be over 50 years. More worrying still, the proportion aged 15 to 64 years (that is, the working population) is projected to decline from 67 per cent to between 57 per cent and 59 per cent in the same period. Given that people over the age of 65 already make up 52 per cent of all people working part-time, we will see a tightening of available staff.

China has emerged as another key factor in Australia's candidate shortage. At present China is short of some 50,000 executive managers, and this shortage is dampening its growth aspirations. Increasingly, talented Australians are being lured offshore to take up short-term roles, often with salaries two to three times above those available in the local market.

In this environment, sourcing talent has become a major strategic issue. Employers need to be clear about what they can offer, though that does not necessarily mean competing with offshore salaries. Chandler Macleod's research shows that only 14 per cent of candidates who frequently move between jobs do so for higher salaries.

A more common reason - cited by one in five employees - is poor management. "Job-hoppers" are simply looking for employers to offer more in terms of flexibility, work-life balance and responsibility. If they want employee loyalty in this candidate-short market, employers have to meet their expectations.

Recent statistics suggest that loyalty is an increasingly rare commodity. Only 24 per cent of employees in Australia and the US classify themselves as loyal and committed to their organisation, compared with 33 per cent of employees who are not committed at all to their organisation.

As conditions tighten and both candidates and employers seek job assurance, employers need to understand the importance of staff loyalty. Every time an employer engages new talent, he or she has entered a psychological contract with that candidate. This is the ideal time to begin developing loyalty. One could argue that loyalty is the holy grail of retention strategies. That said, "loyalty" means different things to different people, and fostering loyalty requires commitment and investment to ensure all staff can realise their personal career goals.

The question remains: how should businesses go about attracting new candidates? Currently, the top five sourcing tools are retained agency recruitment, employee referrals, temp-to-perm, contingent agency recruitment and job boards. All have a place, but we are





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seeing a renaissance in newspaper advertising.

We expect to see a resurgence in print advertising as organisations target passive candidates. This is because job ads in the general news sections by-and-large target candidates who are not necessarily reading the job sections of the newspapers. The internet, on the other hand, reaches those actively seeking a career change.

Recruitment firms and HR departments will need to continue to call on all their referrers, networks and affiliates to identify and lure talent. Proactive approaches will become more commonplace as businesses work harder to put the right people in the right jobs.

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