

PwC People Forum

Balancing talent retention and cost reduction



An historic moment: One world united in crisis

Agenda

- **Crisis** - How are companies responding?
 - **(Un)Employment** - What are the labour market trends?

- **Talent Management** - Is it still a key issue for CEOs?
 - **“Gen Y”** - What do young people want and what do they get?

Crisis

How are companies responding?

Companies Focus on Survival

- Focus shifts from long-term success to survival, BUT long-term focus is still there (2001 vs 2008)
- 66% of CEOs are pessimistic about their 3-year growth prospects
- Companies' plans change as financing becomes more difficult (liquidity and access to capital are top of mind)
- CEOs clearly plan to cut costs and defer investments (69%)

Source: PwC 12th Annual CEO Survey

Companies Focus on Survival (continued)

- Most CEOs around the world are planning for slow recovery



**It's about balancing the long term
with the urgency of the short term**

Source: PwC 12th Annual CEO Survey

Employment

What are the labour market trends?

Labour market trends

- Freeze headcount or decrease (61% PwC, 69% BCG/EAPM)
- Staff reductions become more likely (26% PwC, 34% BCG/EAPM)
- Alternative means of containing costs are sought through cutting back on:
 - company events (54%),
 - bonus tied to performance (45%)
 - training (33%)

Sources:

PwC 12th Annual CEO Survey

PwC / IMAΔ Executive Circle

Creating People Advantage in Times of Crisis BCG/EAPM

Labour market trends (continued)

- Trends in Greece
 - flexible hours (PwC / IMAΔ Executive Circle)
 - fixed period shorter working weeks (PwC / IMAΔ Executive Circle)
- Effective means of retention or containing costs:
 - insourcing subcontracted activities
 - early retirement schemes

Sources:

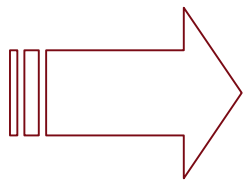
PwC 12th Annual CEO Survey

PwC / IMAΔ Executive Circle

Creating People Advantage in Times of Crisis BCG/EAPM

Labour market trends (continued)

- Ineffective means of containing costs:
 - cutting back on training
 - reducing base salaries
 - laying off full-time employees



Businesses can still save people without cutting headcount

5-10% of people cost can be saved through other means

Sources:

PwC 12th Annual CEO Survey

PwC / IMAΔ Executive Circle

Creating People Advantage in Times of Crisis BCG/EAPM

Talent Management

Is it still a key issue for CEOs?

Talent Management: still a key issue?

- Yes!
- Access to & retention of key talent critical to long-term success (97%)
- CEOs know that future talent gaps will be difficult & expensive to fill in

BUT...

- This priority slipped from Challenge No1 to No7

Talent Management: still a key issue? (continued)



**Businesses should keep focused on
long term people strategies,
not jeopardise their future ability to compete –**

BUT!

**Survival actions will have a negative impact on long
term growth**

Source: PwC 12th Annual CEO Survey

Talent shortages ...and difficulties with “Gen Y”

- Not enough of the right people with the right skills (69%)
- Governments are not responding to market needs in assisting in the creation of a skilled workforce (48%)
- Challenges in attracting and integrating younger (“Gen Y”) employees (61%)

Sources:
PwC 12th Annual CEO Survey
PwC Hour Glass

29 April 2009
Slide 13

Gen Y (...or “Millenials” or “Nexters”)

What do young people want?
What do they get?

D. Mind the Gap!

4 different working generations...

VETERANS

(Pre 1946)

“Work First”

BABY BOOMERS

(1946 – 1964)

“Live to Work”

GEN X

(1965 – 1977)

“Work to Live”

GEN Y

(1978 – 1994)

“Live then work”

VALUES

Formality

Hard work

Trust

Authority

Social order

Workaholics?

Competition

Hard work

Success

Anti rules

Fight for a cause

Privileged / Lucky?

Entrepreneurial

Quality work-life

Information

Independence

Creativity

Apathetic?

Teamwork

Positive attit. /CSR

Money

Diversity

Technology

Lacking Drive?

“Gen Y”

What motivates them?

Learning: 98%
want strong coaches and mentors

Social Responsibility: 88%
would leave irresponsible employers

Experiences: 80%
want job mobility & work abroad

Stability: 75%
want to work for 2-5 employers

Talent strategies followed by companies

61% focus on learning

62% create opportunities to engage in CSR activities

77% redeploy employees

36% Decrease headcount – job insecurity

Gen Y and CEOs: Deal or No Deal?

- **CEOs are not in sync with “Gen Y”:**
 - Millennials prize learning but – remember – training is at risk (Saratoga data shows that L&D budget is the first to be cut during difficulties)
 - Millennials prize stability which is currently at risk
- **Reasons for Optimism:**
 - Millennials offer loyalty when companies take their responsibilities seriously (CSR, training etc)

Conclusions

- **Past mistakes seem to be avoided:** Businesses are trying to avoid redundancies, balancing short term and long term
- **Talent Shortages:** Talent management is still top of the agenda but of lower importance at the moment
- **Mind the Generation Gap:** CEOs need to consider segmenting employees in the same way as customers and address their different needs, if they want to retain and manage talent



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