



Randy's Work *and You*

February Edition

Dear clients and colleagues,

We have often talked about the importance of employee referrals in hiring new employees vs. the Internet. The following is from my associate Susan Whitcomb, President of Career Master's Institute:

Employee Referrals in Job Search: One of the largest healthcare chains in the nation collected metrics on the value of using referrals versus other sources. Here is the referral versus use-of-the-Internet comparison as an example:

Measured Improvement of Referral over Internet

Cost of source	\$2,796 vs. \$1,877	-\$919
Offer Acceptance Rate	95.4% vs. 81.2% +	+14.5% higher
Voluntary Turnover	1 yr 9.3% vs. 22.1% +	+2.3 times better
Voluntary Turnover	1 yr 3.2% vs. 12.5% +	+3.9 times better
Termination rate	1 yr 1.2% vs. 4.4% +	+3.6 times better
Performance*	4.14 vs. 3.62	+14.36% higher

Source: Dr. John Sullivan, ER Exchange

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This month's topics:

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1. The Boom In Boomerang

What's a boomerang? An ex-employee who returns to work for the company they formerly

worked for--someone who comes back home. This is an increasing trend and strategy being used by forward-thinking companies that hire former employees because they are "cheaper to hire and often more productive than those recruited from scratch."

Five years ago, when Ann Berkowitch, CEO of SelectMinds, began talking about ex-employees as a recruitment channel, people were skeptical and "didn't understand what we were talking about." They do now. The firm, SelectMinds, an alumni relations management company in New York that pioneered this strategy, has grown 50 to 100 percent annually.

John Challenger, CEO of outplacement firm Challenger, Gray and Christmas, has seen a steady rise of boomerangs in the last three years, as well as an increase in formalized programs to support the phenomenon: the corporate alumni network (modeled after university alumni programs).

The social networks usually include a web site with a directory of members, a job board, and information about networking events and continuing education programs. Challenger says that because "people are so often terminated not because they're not capable, but because of layoffs and business cutbacks, it makes sense to tap into these ex-employees."

Berkowitch estimates the cost of boomerang recruitment in 2005 between a third to two-thirds of the cost of bringing in a new hire, and found that hiring a former employee costs about half as much as a new recruit.

Read the rest of the article to find out what Deloitte and other recruitment and outplacement firms, and what Microsoft and other corporations are doing regarding boomerangs.

Also, check out the companion article, "Encouraging Women to Boomerang." It addresses the value of alumni networks as an important source for bringing women back who left to raise children or care for family members.

Source: www.workforce.com

2. Managing the Best vs. the Rest

Companies Eschew Across-the-Board Increases To Give Top Performers a Bigger Slice of the Raise Pie

By ERIN WHITE *THE WALL STREET JOURNAL*

Business is good at the la Madeleine Bakery, Cafe & Bistro chain. The privately held firm is opening new stores. Profits are growing. And they're even planning to boost raises for restaurant managers this year -- but mainly for a slice of high-performing employees. The Dallas-based company's top performers will get about 3% to 5%, average performers 2% to 3%, and poor performers 1.5% or less, says human-resources director Tina Hebert.

Last year, "everybody probably got around 3.5%," she says.

It's a trend playing out across industries from chemicals to software. Corporate profits are up, but employers aren't awarding generous across-the-board raises like they did in the 1990s. Instead, many companies say they need to hold down payroll costs in the face of global competition, high-energy prices and rising health-care costs.

At the same time, employers know they have to reward key talent or risk defections as overall budgets for raises stay low while competition for the best workers heats up, particularly with unemployment falling below 5%. The result is a widening gap between raises for the best and the rest. Those most likely to get the fatter raises: high performers; employees with high potential; and workers whose skills are in demand, such as nurses, engineers and some tech workers.

For nonexecutive white-collar workers, employers last year gave their best performers 9.9% raises on average, according to a survey by the consulting firm Hewitt Associates. Average performers got 3.6%, and poor performers, if they got any raise at all, got 1.3%, the survey found. Those gaps have widened even in the past two years. In 2003, high performers on average got 8.9% raises, average performers 3.7%, and low performers who got a raise, 1.4%. This year, Hewitt projects budgets for raises of 3.6%, flat with last year. But that figure will mask a growing disparity among individuals, pay consultants say. The trend is one element of a broader shift to pay tied to workers' performance. And it helps explain why base pay is stalling, even as corporate profits increase. "It's a pretty significant shift," says Ravin Jesuthasan, managing principal at consulting firm Towers Perrin. "The high performers are making a lot more, but it's going to come from the lower performers."

Last year, nearly half of employers said they were taking special measures to retain workers, including merit raises, according to a survey by the Society for Human Resource Management in Alexandria, VA. Only 35% said they had special retention programs the year before.

Many employers have long granted graduated raises based on performance. That's particularly true at companies that use ranking systems for employees, such as General Electric Co. What's different now is that more companies are widening those raise gaps as part of a systematic compensation strategy, rather than substantially boosting overall budgets for raises.

The growing variation in raises can pose problems for managers, however. Many front-line bosses fear the tactic will sow dissension and weaken morale, important to team-oriented workers who depend on collaboration. Managers must explain to average workers -- typically a majority of their staffers -- why their raises remain low even though the economy is solid and profits are healthy.

At National Starch & Chemical Co., a Bridgewater, N.J., adhesives and starch maker, managers balked when executives asked them to hand out variable raises in 2003. Executives ultimately distributed the raises themselves that year, using employee performance ratings as a guide.

Since then, the 8,500-employee unit of Britain's Imperial Chemical Industries PLC has widened the gap between the raises given top performers and those given to everyone else. Last year, managers were told to give top performers raises about two percentage points bigger than those they gave average performers, according to Martyn Fisher,

director of talent management, performance and rewards. This year, Mr. Fisher wants to widen the gap further.

"As much as we would regret our average performers leaving," Mr. Fisher says, "we'd regret more an above-target performer leaving, and that is the tough choice we have to make." National Starch's trading profits were slightly down for the first nine months of 2005 when compared with the year-earlier period because of higher costs for energy and raw materials.

La Madeleine de Corps Inc. has also felt pressure from rising costs for ingredients because of fuel surcharges, Ms. Hebert says, and so the company needs to control payroll expenses.

To ease the transition to the new system, executives told the restaurant managers at a conference last summer, roughly a year before this year's raises would be awarded. They also added a mid-year performance review so that the managers would have a better idea of where they stood. "We did come from a little bit of the entitlement mentality," Ms. Hebert says. "It's a different world."

Software maker Symantec Corp. has widened the gap between rises for average and top performers over the past several years. This year, the Cupertino, Calif., company aims for a bigger disparity, of about three percentage points, says Rebecca Ranninger, senior vice president of human resources.

When Symantec introduced the system, some managers worried about discouraging staffers and handling awkward conversations with average performers. So the company bolstered training and expanded a human-resources hotline for managers.

Human-resources counselors advise managers to focus the discussions on employee performance and goals. Managers should remind employees that the raises are reasonable for the current economic climate.

Symantec reported a loss for the quarter ended Sept. 30, because of expenses related to its acquisition of Veritas Software Corp. Excluding those costs, Symantec said its profit would have risen 16%, compared with the year-earlier period.

Melanie Francis, senior director of marketing operations, says the trickiest conversations tend to be a new employee's first performance review. Some of them misunderstand the average score, which is called "meeting expectations." But she says she feels prepared for these issues after attending training sessions that taught her how to listen to employee concerns and coach them.

"You don't want them to conclude that 'meeting expectations' is bad, because it's not," she says. "You want them to know they've done a great job and also continue to motivate them."

3. Boomer Corner:

Shortchanging older workers:

Report challenges myth of the costly older worker

By Andrea Coombs MarketWatch

When you're an older person looking for a job, it's hard to get past the secret fear of many employers that you are going to cost too much. So how can you fight that bias?

Check out the ammunition in a new study done by consulting firm Towers Perrin for AARP. While it's hardly a disinterested report, given AARP's mission to promote the interests of older people, you'll find some compelling arguments that older workers can be cost-effective.

"We've heard for a long time that older workers cost more, they don't have technological skills, they're inflexible," says Deborah Russell, director of workforce issues at AARP. Those are "old-fashioned myths. There is a business case to be made for looking at 50-plus workers as part of your labor-force strategy," she said.

Older workers often do cost their companies more in employer-paid medical services, according to the report.

For instance, companies paid an annual average of \$7,622 in medical claims, from hospital bills to prescription charges, for workers age 60 to 64 (including their dependents), compared with \$4,130 for workers 40 to 44 and \$3,206 for workers 30 to 34, based on claims data in 2003 covering 7.5 million medical-plan participants.

More Motivated

But older workers offset those higher costs by being among the most motivated employees, according to a Towers Perrin survey of 35,000 workers at large companies. Highly motivated workers are those who say they're "extremely likely" to be able to, among other things, satisfy customers, affect product quality and control business costs. For workers of all ages, the average "motivation score," on a scale of 0 to 100, is 74.8. Among workers 55 and older, the average motivation score is 78.4. Among those 18 to 29, the score is 71.2.

"What was surprising, and may be contrary to conventional wisdom, is that the motivation level ... actually got higher for the older workers," says Roselyn Feinsod, co-author of the study and a principal at Towers Perrin in Stamford, Conn.

A high score on the motivation index indicates workers who are "more inclined to serve customers better."

Why should employers care? Companies with highly engaged workers perform better on average than their competitors on some financial measures, according to the study's look at 2003 data.

For instance, firms with motivated workers are likelier to exceed their industry-average revenue growth over a one-year period.

And Towers Perrin found an inverse relationship between motivated workers and the cost-of-goods-sold yardstick: At companies with a high percentage of motivated workers, the cost of goods sold was below average for that industry. Disengaged workers tended to work at companies with a higher-than-average cost of goods sold.

Perhaps because of their higher motivation, older workers are less likely to leave their jobs, which in turn reduce turnover expenses.

"The incremental cost of health care can be more than offset by the benefit of avoiding the cost of turnover," Ms. Feinsod says.

Innovators at Any Age

Another common belief is that older workers are less likely to be innovators. This, too, may be a misperception.

"There's a very funny preconception in our society ... that innovation is the domain of youth," says David Galenson, an economics professor at the University of Chicago and author of "Old Masters and Young Geniuses: The Two Life Cycles of Artistic Creativity."

But "some great innovators are young, some are old," he says.

Mr. Galenson says there are two main types of creativity, one based on breaking the rules and the other based on building on what's already been learned.

Individuals of the first type are "very iconoclastic," Mr. Galenson says. "They learn the rules of a new discipline and they say 'I don't like that rule.'" Think Picasso and James Joyce.

The other type will "get better as they get older ... They're collecting information. They're learning more about the world and getting better about using that information," he says.

Some companies may be "looking for these young conceptual guys to make these big leaps forward," Mr. Galenson says. But if they need a business plan, they might need people "who've been around the block. Companies, by and large, need both kinds of people."

Then, there's the belief that older workers are less likely to learn new tasks. Some say this doesn't hold water, either. "A popular bias is you can't teach old dogs new tricks," says Neil Charness, a psychology professor at Florida State University and an associate of the school's Pepper Institute on Aging and Public Policy.

"It ain't necessarily so," he says. "One thing managers and others have to get over is

4. Success Story

Robin Sweeny Age 80

"The woman who won't quit"

For Robin Sweeny, retirement is time to get up and go, go, go. Her dedication to civic service and volunteerism is simply a way of life. Robin is a retired nurse. She spent 28 years on the Sausalito City Council. She was the first female mayor of Sausalito in 1972. As well as the first female Rotarian in 1987. She has served on countless volunteer activities in her life.

And she shows no sign of quitting. She continues to volunteer, advise, organize or lead the way for many projects and groups. She works to raise money to operate, maintain and pay drivers for the Southern Marin Hot Meal Coalition that she help found in 1995. Once a week she is a docent at "The Icehouse", Sausalito's visitor center.

"I do not really know what propels me from one thing to another," Robin says. "I cannot sit around doing nothing. I get restless."

(Excerpted from a 12/4/05 article in *Marin the Independent Journal* written by Carla Bova).

5. Humor Department:

A man goes into a pet shop to buy a parrot. The shop owner points to three identical looking parrots on a perch and says, "The parrot on the left costs 500 dollars".

"Why does the parrot cost so much," asks the man. The shop owner says, "Well, the parrot knows how to use a computer".

The man then asks about the next parrot to be told that this one costs 1,000 dollars because it can do everything the other parrot can do plus it knows how to use the UNIX operating system.

Naturally, the increasingly startled man asks about the third parrot to be told that it costs 2,000 dollars. Needless to say this begs the question, "What can it do?"

To which the shop owner replies, "to be honest I have never seen it do a thing, but the other two call him boss!"

6. Words that Inspire

"Change can either challenge or threaten us. Your beliefs pave your way to success or block you."

Marsha Sinetar, writer, teacher and lecturer

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