

AGENDA

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As unemployment soars and the credit crunch bites, employee benefits specialist **Kevin Condon** warns of an impending 'knowledge crunch'

A new brain drain

We are all aware that it's gloomy out there at the moment. Business is tough so I hate to jump on to the bandwagon and be the harbinger of more bad news but I foresee another crunch. A knowledge crunch.

While we may all be starting to feel "crunched out", it is essential we take the looming threat seriously. Simply put, it could threaten the lifeblood that flows through the veins of all good businesses.

I define the knowledge crunch as the threat which commerce faces through the loss of its intellectual capital, its knowledge. Second only to cash flow, knowledge is of immense value. At a fundamental level it is what differentiates one business from another. More often than not, the larger part of this knowledge is stored in that most sophisticated of computerised jellies, the brains of the employees.

So why am I predicting a knowledge crunch and why should you take action to avoid it?

Well, all the ingredients to cook up the situation are currently in abundant supply. You need a population of influential baby-boomers who are close to retirement. You then need to add large-scale redundancies to the recipe and then sprinkle on some job insecurity and, hey presto, you have got a flow of vital knowledge and experience haemorrhaging from businesses.

The baby-boomers, in case you are unsure, were the result of a breeding explosion (anthropologists may gasp in horror at my simplicity, but it helps to get the point across), that took place in the late 1940s and early 1950s. The remainder of the baby-boomer generation is set to retire over the next five to ten years.

You may recall the "War for Talent" whereby the government challenged firms to fill the baby-boomers' high-ranking jobs when they started retiring in the late 1990s. Well, some larger corporations may have put succession planning strategies in place, but baby boomers are a defiant and powerful breed and when they walk out of their offices for the last time, I can assure you they will be carrying a treasure trove of experience, expertise and relationships which may not have been passed on.

I'll use a rather American business analogy to explain why you should take action. (apologies in advance if you've heard it before).

There were two guys sitting outside their tent in a forest campsite when they saw a huge angry bear charging towards them. One starts lacing up his trainers. The other says: "Are you crazy? You'll never outrun that bear!" The first says: "I don't have to outrun the bear. I only have to outrun you."

The effect of the knowledge crunch is set to hit just as the UK recovers from the credit crunch. But things could get worse, as firms implement their restructuring strategies to prepare for the down-turn and heads continue to roll, many of the baby boomers will flee to the fairways, five years earlier than they anticipated.

This could leave a gaping knowledge gap which exposes businesses to a distinct competitive disadvantage. All this at a time when they need to be "running from the bear".

Businesses should be implementing a structured strategy for knowledge transfer and succession planning. Organisations must not only retain the knowledge held by the aging baby-boomers, but ensure that the new generation of workers benefit from their skills.

The further risk that I have witnessed during these troubled and turbulent times is that employers are placing so much emphasis on streamlining their businesses, making cost savings and managing cash flow that they are putting the importance of their employees' welfare on to the back-burner.

At the moment, the majority of employees don't feel great. Many workers feel insecure about their future. On top of this their prime assets, their houses, are not worth what they were a year ago and they couldn't sell them if they needed to. A case in point: I recently overheard a downhearted Birmingham-based bank manager bemoaning the fact that their Christmas party this year had been cancelled. As I said, morale ain't good.

It is a sad statistic that stress-related illness is becoming ever more common among UK workers, with an estimated 442,000 workers saying they were experiencing work-related stress at a level that was making them ill (Labour Force Survey 2008). As fears regarding job



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security escalate, the potential health impacts will be wide-ranging; this in turn will affect workplace performance and sickness absence rates.

During these uncertain times it is vital that businesses retain their best employees and their knowledge. Any employee that feels threatened and insecure will test the market and potentially look for a job elsewhere. They may even seek assurances with competing firms, further compounding the risk of a knowledge crunch.

So what do I suggest?

The first thing that any business owner should do is communicate, communicate and communicate again. Don't be afraid of telling employees that we are in difficult times. The staff will know this already but it will give them reassurance that the business owner is concerned for the wellbeing of the staff. Another option is to bring in a third-party professional source to explain all the good and bad things that are happening. You will be surprised at how good a picture can be painted; explain to the staff the full range of benefits, starting at the basics from on-site car parking (saving them money), free coffee, tea-making facilities, right through to the bigger benefits such as the pension scheme. Once again you will be surprised how many of the staff do not appreciate or even realise they have such benefits; it costs nothing to communicate this.

Having a healthy, productive workforce is essential to business performance, particularly during these hard economic times. Good businesses need to become "employers of choice" more now than ever. To remain competitive in a down-turn, employees must be at their best, they must be delivering full value and working at peak performance.

The key to achieving this is to understand that workers are an asset to be enhanced and in which to invest. Businesses that take notice of their responsibility to look after the health and welfare of their staff will not only reap the benefits of a happier workforce but enhance on their business capital.

One of the key ways to achieve a happier and healthier workforce is to ensure that employers are investing in a market-leading employee benefits scheme

for their staff. Now more than ever it is imperative that businesses review their employee benefits schemes to ensure that they are delivering maximum return on investment.

As with all investments employers are currently looking to reduce expenditure. To reduce the cost of their employee benefit schemes, business owners should talk to their staff and organise a staff survey, you will be surprised how many staff do not value the pension scheme but would rather purchase extra holiday entitlement. They are probably doing this already by taking extra sick days.

Sick days cost all businesses an average of £700 per person per year. Multiply that by the workforce number and it is costing business owners a fortune. Firms should offer the flexibility of buying holidays, not only to reduce sick days, but also cut the salary and national insurance contributions your company is making.

To ensure a maximum return on investment on employee benefits schemes, business owners need to communicate with the workforce and ask them what they would value as a true benefit and then deliver it.

By benchmarking what they have now with what the workforce would appreciate, it can be surprising at how costs can be reduced; but as importantly businesses will be able to deliver the right benefits at the right cost for valued staff.

A business's workforce represents 70 per cent of its operating expenses.

Companies are right to be nervous at the moment, they are aware that they could lose their best people. Now more than ever, it is vital that employers take steps to reduce the impact of the knowledge crunch and review their employee benefit schemes to ensure that they are "employers of choice".

By following some relatively simple steps such as safeguarding knowledge and benchmarking their employee benefits schemes, businesses can keep ahead of their competition and "run from the bear to avoid getting crunched".

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