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Survey finds UK business in favour of quota for annual staff cuts

Hudson releases study into healthy levels of staff dismissal

LONDON, UK – UK businesses are struggling to get rid of their underperforming staff, according to a new study released today by global talent management consultancy, Hudson. The report, “*Cull or cure: the secret of an efficient company?*”, shows that a majority (77%) of senior executives believes that a fixed quota for annual staff dismissal would boost financial performance and productivity. However, many business leaders are reticent to exit a higher number of staff due to the ongoing skills shortage in the available UK talent pool.

Hudson’s research, which questioned 562 ‘C-suite’ executives and senior managers in the UK, shows that a large number of UK bosses would like to introduce an annual target for dismissal of underperforming staff. One in six (17%) executives believes a company could target up to 20% of its workforce for dismissal per year without damaging productivity and morale. Almost half (43%) agree that dismissing up to 5% of staff is positively healthy.

Steve Ballmer, chief executive of Microsoft, caused a stir earlier last year, announcing to the Institute of Directors conference that he “culls” one in every fifteen company employees every year. He suggested that all businesses, large and small, would benefit from such an approach.

Ensuring strong team members are not carrying weaker ones was cited as the main advantage (60%) of deliberately releasing average or below-average performers in Hudson’s study.

Allowing underperforming staff to pursue a fresh challenge more suited to their abilities (50%) and increasing productivity (33%) were also rated highly.

But only 4% of companies deliberately dismiss a proportion of their staff currently, with almost one in four (22%) bosses admitting that the current employment climate, where available talent is scarce, means they would rather retain average or even below-average performers. Seventy-five per cent of respondents cited ‘introducing a culture of fear’ as a deterrent to a dismissal quota.

However, training and development is not necessarily seen as the solution, despite the recommendations for tackling the UK’s skills gap made in the recent Leitch Review. The views of British heads of business were polarised on whether the right training can help all members of staff perform effectively. Almost half (49%) agree that training is vital in tackling poor staff performance, but, surprisingly, a similar number (45%) take the contrary view, believing that training is just a temporary sticking plaster over the problem.

John Rose, chief executive, Hudson UK, said: “Clearly, this is a massive – and, to date, relatively taboo – area of debate for British business. Shedding staff in a climate where companies are desperate for talent is counter-intuitive, with retention the focus for UK organisations. But retaining for the sake of retaining will help solve neither the UK’s skills crisis nor its increasing productivity gap. And we have found that it’s not good for a company’s long-term health or the career progression of the individual.

“Businesses need to know how to assess the cultural fit, as well as the technical capability, of a recruit, as well as what training is required. Sometimes, the best career direction for an employee is out of the company. Companies must take care, of course, that they do not inculcate a culture of fear, instead providing underperforming staff with time and opportunity to improve their performance.”

Other key findings include:

- 72% of respondents admit that there would be less of a need to release staff deliberately if their recruitment process was more rigorous
- 13% of respondents believe that deliberately dismissing up to 10% of employees each year is healthy
- 24% of respondents think deliberately dismissing underperforming staff increases morale among the rest of the team
- 46% of respondents think deliberately dismissing underperforming staff damages the company's reputation

Hudson's Talent Management team is offering the following advice to employers keen to ensure they have an efficient and productive workforce and are maximising the performance of all employees:

- Identify your organisation's values and the skills required for maximum performance.
- During the recruitment process, rigorously compare candidates' capabilities against the long-term needs and objectives of the organisation. Ensure all those involved in the recruitment process, from HR to line managers to the Board, are aware of these terms.
- Similarly, assess all your current staff regularly, and compare their skills and aptitude against the organisation's requirements.
- Offer coaching to address specific needs. Nearly one third of organisations do not have individual training and development programmes for their staff.
- Engage employees to help facilitate good, if not excellent, performance. Provide strong development plans, good compensation schemes, ample holidays and a fun environment in which to work.
- Be honest - there is no point pretending that everyone is right in terms of their skills, attitude and cultural fit. Provide targets and timeframes in which underperformers must improve - and stick to them.
- Don't cover up. Should you dismiss any employees, be open and honest with the rest of your staff and make it clear that you are pleased with their performance and excited about the future direction of the business.
- Establish your dismissal figure for the year. With strong recruitment and talent management practices, work hard to reduce this in the following year.
- Identify the lifeblood of the organisation for the future. Conduct a talent inventory of current high performers, ensuring you know which employees can be 'fast-tracked' and how long the career progression path will typically be.
- Finally, continually assess whether you have the right people and invest in their development.

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Notes to Editors

Hudson commissioned research by YouGov in November 2006. A bespoke survey of 562 chairmen, chief executives, partners, MDs, FDs or senior managers was conducted. The sample was drawn from a cross-section of UK companies and public sector organisations.

A full report, “*Cull or cure: the secret of an efficient company?*”, is available and can be downloaded from www.hudson.com.

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