



THE NEW RULES OF EMPLOYMENT

The shortage of available talent, continued high levels of employee turnover and the shift to a free agency employee market are increasingly forcing real estate organizations to rethink and restructure their hiring, employment and compensation practices. Real estate companies are now faced with a new set of rules for employment and decision on whether to build or buy employees. The lack of “proven talent” has created a bidding war for acknowledged stars. Annual performance bonuses have been retention or resigning bonuses to keep talent from leaving. The cost of employee turnover is now 1x that departing employee’s cash compensation. Today there is a talent shortage, a talent war and a talent employment crisis within the real estate industry.

Under the old employment rules, employees worked for the company and generally sought opportunities where they could work for several years. Presented with protracted opportunities to climb a hierarchical career path, these old rule employees had: specific job descriptions; defined authority; and manual-driven

The New Rules of Employment

Old Rules

Employee For Life

Work Is Defined By Location

Employees Work For Company

Hierarchical Career Path

Managed Employees

Defined Jobs

Fixed Hours

Employer-Employee Relationship

Salary

Companies Centralize Information

New Rules

Everyone Is A Contingent Worker

Work Follows The Employee

Employees Work For Themselves

Rewarding Career Development

Empowered Employees

Ever-Changing Responsibilities

Work Any Time And All The Time

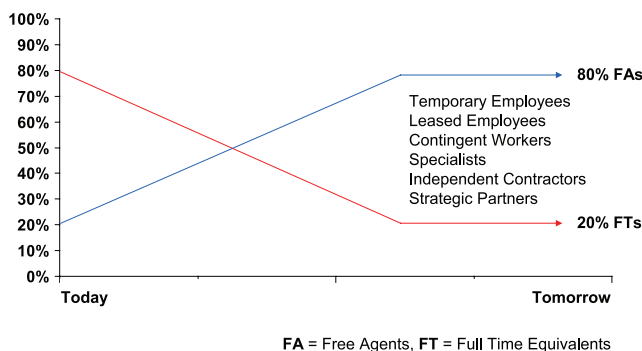
Employer-Customer Relationship

Pay-For-Service

Knowledge Is Controlled By The Individual

processes to follow. Governed by command and control leaders or Managers, these old rule employees were often given the “my way or the highway” speech and were expected to follow orders implicitly. Changing jobs was often done for compensation reasons and old rule employees were frequently judged by the-way-I used- to-do-it Executives. Old rule employees were, by design... employees, hired to do a job and who, it was expected, should be grateful for the opportunity to work. The aging workforce, lack of proven talent, technology advancements and a more sophisticated business environment over the past five years have transformed the rules of employment. Today, everyone is a contingent worker, who effectively works

THE NEW STAFFING MODEL



THE NEW RULES OF EMPLOYMENT *(continued)*

for themselves and who is seeking a rewarding career. The new rule employees increasingly control the knowledge, relationships and resources needed to successfully operate a real estate company. Working in a 24/7 environment, new rule employees have ever-changing job descriptions and are expected to assume greater authority and accountability. New rule employees want the organization to treat them like customers and are seeking workplace environments that enable a work/life balance to occur. New rule employees are not bound by an office or property and view each working day as an opportunity to move closer to their potential.

Compensation structures for old rule and new rule employees are dramatically different. While old rule employees were generally given discretionary bonuses; new rule employees are now eligible for multiple, performance-based incentives. Old rule employees rarely participated in long-term incentive programs; new rule employees expect to participate in such programs. Old rule employees worked for a paycheck. New rule employees work for the incentives. Old rule employees generally received cost of living adjustments; new rule employees demand merit increases. Old rule employees typically keep compensation matters confidential; new rule employees want compensation to be shared.

Over the next 10-15 years the percentage of full-time to free agent employees will switch from 80/20 to 20/80. The use of temporary employees, leased employees, contingent workers, independent contractors and specialists will increase dramatically. Entities such as Real Estate Talent Solutions (www.retsusa.com)

and realestatejobs.com should grow as real estate firms increasingly outsource their short-term staffing needs. The new Talent Value Model, highlighted below, will likely emerge as real estates firms categorize their employees into one of three classifications, those who: create value; add value; and protect value.

Training, career development, mentoring and regular performance evaluations are now priorities with most real estate organizations. Measuring employee satisfaction is now an annual event within Best In Class real estate organizations. Empowerment and decision-making authority are now a working reality vs. a hallowed promise.

Employees, not employers, are in control of the new rules of employment. To attract, motivate and retain outstanding employees, real estate firms must take a critical and independent look at their rules of employment and make the necessary adjustments in order to be competitive. Retaining existing rules of employment is not an option in today's highly competitive marketplace.

