



## **GET A GRIP GEN-E'S**

Last week I read some startling statistics on layoffs in a number of industries. The numbers are for cutbacks or RIF's since October 2007:

83,000 banking industry jobs  
23,000 automotive industry jobs  
22,000 airline industry jobs  
11,000 hospitality industry jobs

That's over 125,000 jobs lost in just four industries in the past  $\frac{3}{4}$  of a year! Everyone I know is only one or two degrees removed from someone who has lost a job in the last year. By all accounts, the layoffs in the financial services sector (as in most of the rest of the industry categories) is far from over and an article on the Huffington Post in April predicted that layoffs in our sector could hit 200,000 before the end of 2009. As a result, my colleagues and I have been surprised by some of the things we've heard from candidates lately. We've started referring to these candidates as "Gen E" candidates – shorthand for Generation Entitlement. It has nothing to do with their chronological age either, it has much to do with the mentality they have developed about their career and what they are "entitled to" just for showing up.

Last week, I sat in on a call with Laura Lloyd, our Candidate Relations Associate, where a candidate went on for 10 minutes about how he wasn't sure he should accept an offer from a venture capital firm to join as a venture partner because it meant a cut in his current comp to leave his consulting job. It was with an established venture firm and they were offering compensation that was well within the range for someone with his level of experience and a small piece of the carry. He admitted that this job was his "dream come true" and that he loved the people and the industry, he was just didn't think he should have to take a cut in pay to make a career switch and wanted us to help him get together data to pressure the firm to match his current comp and give him more carry. Laura wisely advised him that he needed to either grab the brass ring or let go of his dream, but that an opportunity like this doesn't come around every day, especially for someone switching careers.

Another fellow I've known for several years, who has bounced around from job to job, has turned down a number of opportunities to lead portfolio companies because the leadership wasn't willing to grant him enough "founder's equity" (in addition to the CEO salaries he was being offered). My efforts to explain to him that he wasn't a founder, he hadn't taken the initial risk and that he was getting market based comp as the mid-stage CEO fell on deaf ears because he can't stop thinking that he's worth more than he's being offered. And, so he remains unemployed.

Over the past month, we have had a number of candidates who have asked for sign-on bonuses or tried to negotiate for higher comp packages – and each of these candidates had been out of work for quite some time. Their comments were that the compensation that was being offered wasn't "market rate" or that they had paid their dues and had earned the right to more than what was being offered. Two of them had their offers withdrawn when they tried to negotiate, one got the sign on bonus but the client told us confidentially that they'd likely reduce the year end bonus by that amount or more.

Another candidate responded to my question "What are your compensation expectations?" by telling me what she had earned two and three years ago during her "best boom years", as if that information was relevant given the changing current market conditions.

So, I thought it was useful to offer a couple of insights to Gen-E's who need to understand the basics of the current recruiting market we're in.

First of all, "market compensation" is driven by the market! Someone who is looking to one of the compensation charts floating around out there to determine what their compensation should be isn't paying attention to the conditions in the market. Compensation is trending downward. Likewise, looking to what your compensation was even one year ago may not be a relevant marker for this year or the years ahead. Gone are the days of sign-on bonuses, guaranteed bonuses or even certainty of your employment. All indicators are that layoffs will continue through this year and next and that the recruiting market will tighten up considerably. For those of you who think you need your prospective employer to "make you whole to leave a bonus on the table" at your current employer – wake up! Your bonus at your current employer is uncertain – ask any of the folks who were cut right before bonus season last year! Opportunity is about seeing the future, not hanging on to the past.

Many of the candidates in the current market are too new to the industry (or fell and hit their heads) so they don't remember the last downturn in hiring in our industry. The financial services market is cyclical and, although it may have seemed like things (including salaries and bonuses) could only keep going up, a cycle always includes downward trends, too.

Last week I was interviewed for an article on hiring trends in the Private Equity and Hedge Fund markets. ([www.efinancialcareers.com](http://www.efinancialcareers.com)) I'll paraphrase here what I told the reporter. We haven't seen a significant decline in recruiting but all the warning signs are there for it.

Understand the impetus for Private Equity firms' hiring decisions. Simply put, there are two times in the life of a firm when they can make a hire:

1. When someone leaves
- or
2. When the firm raises a new fund.

Otherwise, there's no money for a new hire. No matter how much the partners like you, it's highly unlikely that anyone is going to pony up part of their salary (or carry) to cover your salary and bring you on board. That's why hiring opportunities come from someone else leaving, or the firm raising new money.

In pre-MBA situations, the natural cycle of young associates heading off to b-school makes "replacement" hiring typically pretty stable. Although with reduced deal flow, some firms may opt to manage with fewer pre-MBA staff and not fill some of those openings.

For post-MBA level recruiting, the movement is slowing some because there has been an element of uncertainty interjected into the arena and the pool of candidates has grown exponentially (those bankers out of work all want to go somewhere!)

Add to it that fundraising has been off this past twelve months – less firms have raised new bigger funds. Yes, some mega firms have skewed the amount of fundraising reported, but overall anecdotal evidence indicates that fundraising is taking longer and many firms aren't getting substantially bigger funds and for many their most recent fund size has been the same or smaller than prior funds – which means less money in the pot for new hires.

We'll also toss in the phenomenon we call "upgrade hiring". Some firms realize that they acquired their staffs during the last cycle as comp was spiraling upward and that they may have overpaid for some of their existing staff because of a tightening candidate market. Now that the candidate pool is full of talented "A" level players with more realistic compensation expectations, we have seen firms "trading up". They are dumping "C" players and getting "A" players who will work for "B" player compensation.

That means more competition. It also means breaking into the industry without experience is tougher. Hagglng for a raise from your current employer or for a sign-on bonus could cost you your opportunity. Now is a good time to hunker down and focus on being the best all around athlete your team can use. Master the skills of being a team player, learn valuable skills and stop trying to nickel and dime your employer – current or prospective. What separates you from the pack is not what you think you're entitled to, it's what you contribute to make the team better. And it can make the difference between whether you're treated like an All-Star or gets you traded.

I'd love to hear your thoughts on this topic. Email me at [dpalmieri@pinnaclegroup.com](mailto:dpalmieri@pinnaclegroup.com)