The Post-Recession Workplace
Competitive Strategies for Recovery and Beyond

SHRM
SOCIETY FOR HUMAN RESOURCE MANAGEMENT
About SHRM
The Society for Human Resource Management (SHRM) is the world’s largest association devoted to human resource management. Representing more than 250,000 members in over 140 countries, the Society serves the needs of HR professionals and advances the interests of the HR profession. Founded in 1948, SHRM has more than 575 affiliated chapters within the United States and subsidiary offices in China and India. Visit SHRM at www.shrm.org.

About This Report
This report is a compilation of SHRM research resources on conducting HR and business in the recovering economy following the U.S. and global recession that economists believe began in December 2007. Beginning in June 2009, the Society for Human Resource Management (SHRM) started collecting information from HR professionals about the changes in their organizations’ policies and practices during the recession as well as the changes that would remain in place during the economic recovery. Further, SHRM asked HR professionals to share the innovations and creative solutions that their organizations put into place in response to the downturn in the economy.

Key components of this report include results of the Post-Recession Workplace Survey (including significant results of analyses by organizational demographics), highlights of selected overall and industry-specific data from the Post-Recession Poll, SHRM member-submitted innovative and creative ideas that organizations implemented in the wake of the recession, a question-and-answer piece about HR leadership in the post-recession environment, perspectives from economists, an article about business strategies in the current economic climate in India, and interviews with HR professionals from around the world.
INNOVATIVE WORKPLACE PRACTICES
What creative and innovative solutions did organizations put into place during the recession? SHRM members and HR professionals shared their ideas for creative employee benefits, new business strategies, employee morale boosters, and unique approaches to employee leave, employee rewards, recognition and operational efficiency. These approaches are highlighted throughout this report in boxes titled “Innovative Workplace Practices.”
December 2007 marked the beginning of an unprecedented rapid economic decline in the United States and globally. According to the National Bureau of Economic Research (NBER), a recession is characterized by “a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales.”

Turbulent financial times substantially changed the business climate and forced organizations to make cuts in spending to weather financial shortfalls across more than two years of severe economic recession. Employers trimmed expenses where they could, including payroll and non-personnel expenses, while trying to maintain business operations on less human and monetary capital. As unemployment soared, consumer spending slowed and businesses faltered, increased hiring activity and consumer spending early in 2010 heralded a shift in the U.S. financial outlook. The most innovative of organizations put creative solutions into place to keep costs low yet produce high-quality results in an economy geared toward survival.

Increased hiring activity and consumer spending early in 2010 heralded a shift in the U.S. financial outlook. With the U.S. and global economy beginning to show gradual signs of improvement, organizations must review lessons learned during the economic recession and look ahead to the recovery. Changes and solutions put into place during the recession should be evaluated for viability in the post-recession economy. Organizations face the challenge of positioning themselves to thrive and will need to implement business strategies that will allow them to gain a competitive edge during the economic recovery.
Although the majority of businesses felt negative effects of the downturn through reduced ability to maintain headcount, employee morale levels and short-term financial outlook, many of them also recognized that there were benefits of the recession. Most employers reported that the economic downturn had a positive impact on creativity, efficiency of business operations and competitiveness as an employer of choice.

Creativity in particular can drive organizational improvements. Findings from the Post-Recession Workplace Survey reveal that the top three areas in which HR professionals reported the greatest opportunity for innovative change within organizations during the recession were business growth and development, organizational business strategy and organizational efficiency. Far from passively waiting for economic conditions to improve, in fact, organizations are actively engaged in strategic planning for future growth and expansion. Organizations reported that they are not likely to halt plans for business growth and expansion during the recovery. In addition, more than four out of five HR professionals (84%) were very confident or somewhat confident that their organizations were well-positioned for the economic recovery.

To begin with, companies will continue to keep a close watch over their financial bottom line by implementing or keeping in place budgetary controls. Non-personnel-related budgets, the primary focus of expense-trimming efforts within organizations, will stay lean as discretionary expenses will likely remain minimal early in the recovery. Although funding business operations emerged as the top expected challenge during the recovery, for many organizations, the short-term financial outlook represents an improvement over the recent past either through more positive cash flow or maintaining the status quo.

Secondly, employers that shed jobs through layoffs and/or attrition and still maintained critical business operations are likely to be slow to rehire all but the mission-critical
Organizations that have been able to leverage their creativity and turn challenges into opportunities during the recession will find themselves well-positioned to adapt to and meet the demands of the post-recession economy and create a competitive advantage in their market or industry.

positions. Although it will take some time for employees to begin feeling confident about their job stability, it is anticipated that there will be very little voluntary turnover within organizations—particularly at management levels—as the economy and labor market improve. Employees may experience greater mobility within their organizations and/or new responsibilities as they are retrained to handle new positions and duties. That said, employers are concerned about retaining key talent, attracting top-quality job candidates and being able to offer competitive employee benefits. Workers can expect that most of their benefits will remain in place, but that they will share more of the costs of employer-sponsored health care coverage. In addition, flexible work benefits may become more standard for workers in the post-recession era, with organizations indicating they are increasingly more likely to offer arrangements such as telecommuting, flex time and compressed workweeks.

Third, organizations are redefining their business strategies to add value to the core areas of their business and strengthen relationships with internal and external stakeholders. Aside from implementing and monitoring financial management, organizations’ business strategies for the recovery will center on increased client service efforts and communication within the organization about strategies and outcomes.

Finally, when faced with the conundrum of needing alternative solutions due to limitations posed by the economic downturn, many organizations tapped their innovation potential and put into place unconventional ideas and ways of doing business, with very positive results. Organizations that have been able to leverage their creativity and turn challenges into opportunities during the recession will find themselves well-positioned to adapt to and meet the demands of the post-recession economy and create a competitive advantage in their market or industry. The slimmed down, streamlined, refocused business approach appears to be here to stay.

Which hallmarks of business operations during the recession will remain in the post-recession era?
- Workers can expect to share greater responsibility for their employer-sponsored health care costs. Almost two-thirds of HR professionals (62%) reported that their organizations were “very likely” or “somewhat likely” to make or keep increases in employees’ share of health care coverage costs.
- Operating budgets will remain lean. Non-personnel-related budget cuts will be the primary focus of trimmed-down finances, with 53% of HR professionals indicating that their organizations are “very likely” or “somewhat likely” to make or keep changes to this area.
- Cash flow will present a continued challenge. The area in which organizations will most frequently face challenges “to a large degree” or “to some degree” is funding business operations (62%).

What lessons from the economic downturn should organizations take into the recovery?
- Trimming and streamlining: During turbulent financial times, organizations face challenges across business factors (such as consumer demand and revenue), but they also find ways to improve business practices. Organizations are well advised to continue to be proactive in examining their processes and policies and make operating changes that conserve expenses and eliminate redundancies yet enhance essential business functions.
- Leveraging human assets: When organizations scramble to cut costs in order to stay financially solvent, employee morale suffers, particularly if headcount was reduced. Employers should address worker concerns through increased communication with employees of all levels about the business operations and status of the organization. Greater employee awareness of and involvement in the organization’s business strategy will aid in retention and provide opportunities for employees to offer innovative solutions to conducting business.
How has the recession affected various operational, human capital and financial factors within organizations? The top three areas in which HR professionals reported the negative impact (i.e., responded that the recession had “a large negative impact” or “a somewhat negative impact”) were 1) their organization’s ability to maintain headcount by avoiding layoffs and hiring freezes (82%), 2) employee morale (79%) and 3) short-term (i.e., within 12 months from now) financial outlook (73%). It is not surprising that employee morale would suffers along with the downturn in employers’ financial outlook and widespread layoffs. In the midst of the recession, for three consecutive years employees rated job security as the top factor contributing to job satisfaction. An atmosphere of layoffs can chip away at workers’ trust in employers, even among those who survive rounds of layoffs with their jobs intact.

Innovative Workplace Practices

- “We partnered with local farmers to assist them during this economic downturn and will be sponsoring a ‘Farmer’s Market’ in our corporate HQ parking lot. It assists employees, neighboring companies and local farmers.”
- “To boost morale, we held a Fireworks Lottery for all nonexempt employees, with the winner getting a half day off with pay. On Wednesdays during the month of July, we are drawing numbers for each employee and then putting them in a canister for a prize drawing. We send out the list of employee names with their lottery numbers on Wednesdays. Then on Fridays, between 11:30 and 12:00, we draw from those numbers and send out a fireworks e-mail, congratulating the winner and telling him or her to shoot out of the office. We send the winner’s name to all employees as well, so that they can congratulate each other. It has created excitement. Our workforce is spread out statewide, and this has been a way to bring all the employees together. They love it!”

However, with challenge often comes opportunity. With reduced hiring overall and uncertainty about job market stability, workers who were able to hold onto their jobs tended to stay in those positions rather than pursue opportunities with other employers. Nearly one-quarter of HR professionals (23%) reported that the economic recession had a “large positive impact,” and an additional 48% noted a “somewhat positive impact,” on their ability to retain staff through reduced voluntary turnover. This is consistent with research conducted in early 2009, which found that less than one-third of workers were likely to begin a job search or intensify their job search when the economy and job market improved, in contrast with 2006 research, which
found that about three-quarters of workers were either actively or passively job hunting. Although the social contract between employer and worker has changed substantially over time, during an economic downturn employees are more likely to remain loyal to their current employer, provided that they feel secure with that employment.

Other areas where HR professionals noticed a positive outcome as a result of the economic recession were creativity (74%), efficiency

---

### Figure 1 How Much of an Impact Has the Economic Recession Had on Your Organization’s...?

<table>
<thead>
<tr>
<th>Category</th>
<th>A large negative impact</th>
<th>A somewhat negative impact</th>
<th>A somewhat positive impact</th>
<th>A large positive impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ability to maintain headcount (i.e., avoid downsizing and hiring freezes) (n = 307)</td>
<td>31%</td>
<td>51%</td>
<td>12%</td>
<td>5%</td>
</tr>
<tr>
<td>Employee morale (n = 339)</td>
<td>21%</td>
<td>58%</td>
<td>16%</td>
<td>6%</td>
</tr>
<tr>
<td>Short-term (i.e., within 12 months from now) financial outlook (n = 343)</td>
<td>17%</td>
<td>56%</td>
<td>21%</td>
<td>6%</td>
</tr>
<tr>
<td>Long-term (i.e., three or more years from now) financial outlook (n = 318)</td>
<td>8%</td>
<td>53%</td>
<td>30%</td>
<td>9%</td>
</tr>
<tr>
<td>Competitiveness in the organization’s market/industry (n = 258)</td>
<td>7%</td>
<td>38%</td>
<td>43%</td>
<td>12%</td>
</tr>
<tr>
<td>Organizational culture (i.e., the organization’s attitude and values regarding itself, employees, customers and the general public) (n = 281)</td>
<td>8%</td>
<td>38%</td>
<td>47%</td>
<td>9%</td>
</tr>
<tr>
<td>Competitiveness as an employer of choice (n = 263)</td>
<td>8%</td>
<td>26%</td>
<td>55%</td>
<td>13%</td>
</tr>
<tr>
<td>Ability to retain staff (i.e., voluntary turnover) (n = 260)</td>
<td>5%</td>
<td>23%</td>
<td>48%</td>
<td>23%</td>
</tr>
<tr>
<td>Efficiency of business operations (n = 321)</td>
<td>5%</td>
<td>26%</td>
<td>55%</td>
<td>15%</td>
</tr>
<tr>
<td>Creativity (e.g., in problem solving) (n = 267)</td>
<td>4%</td>
<td>22%</td>
<td>60%</td>
<td>14%</td>
</tr>
</tbody>
</table>

Note: Excludes respondents who answered “not sure.” Data sorted in descending order according to “a large negative impact” responses.

Source: The Post-Recession Workplace: Competitive Strategies for Recovery and Beyond (SHRM, 2010)
of business operations (70%) and competitiveness as an employer of choice (68%). Many organizations in need of trimming excess from their budgets streamlined processes and cut out unnecessary practices, which ultimately helped them focus on and improve their core operations. Further, seeking to incrementally cut costs yet maintain business functionality, organizations sought different ways of doing things and implemented unconventional methods, again often realizing improvements to organizational operations as well as savings for the financial bottom line.

Organizations’ demographics had some impact on the degree to which organizations experienced adverse effects of the recession (Table 1). On average, compared with nonprofit organizations, privately owned for-profit organizations felt a greater negative impact on their competitiveness in their market/industry. Unionized businesses reported a greater average negative effect on their ability to retain staff and the organizational culture than did non-union businesses. Compared with large-staff-sized organizations, small-staff-sized organizations reported a greater average adverse effect on their short-term financial outlook.

In which areas did organizations most strongly feel the impact of the recession, and where did they

### Table 1  Average Negative Impact of the Recession on Selected Organizational Factors
(by Organizational Demographics)

<table>
<thead>
<tr>
<th>Organization</th>
<th>Organization</th>
<th>Union Status</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff Size</td>
<td>Sector</td>
<td>Status</td>
<td></td>
</tr>
<tr>
<td>Competitiveness in the organization’s market/industry</td>
<td>Privately owned for-profit &gt; nonprofit</td>
<td>Union &gt; non-union</td>
<td>Services—accommodation, food and drinking places &gt; real estate, rental, leasing</td>
</tr>
<tr>
<td>Ability to retain staff (i.e., voluntary turnover)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational culture (i.e., the organization’s attitudes and values regarding itself, employees, customers and the general public)</td>
<td></td>
<td>Union &gt; non-union</td>
<td></td>
</tr>
<tr>
<td>Efficiency of business operations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term financial outlook</td>
<td>Small &gt; large</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Represents average negative impact as a result of the recession, based on a scale where 1 = “a large positive impact” and 4 = “a large negative impact.”

Source: The Post-Recession Workplace: Competitive Strategies for Recovery and Beyond (SHRM, 2010)

### Table 2  Where Did Organizations Feel the Impact of the Recession?

<table>
<thead>
<tr>
<th>Top three areas of the greatest positive impact of the recession on the organization (n = 328)</th>
<th>Top three areas of the greatest negative impact of the recession on the organization (n = 329)</th>
<th>Top three areas of the greatest opportunity for innovative change within the organization (n = 314)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational efficiency 54%</td>
<td>Nonexecutive employee compensation 39%</td>
<td>Business growth and development 34%</td>
</tr>
<tr>
<td>Internal communication 38%</td>
<td>Business growth and development 36%</td>
<td>Organizational business strategy 33%</td>
</tr>
<tr>
<td>Organizational business strategy 34%</td>
<td>Budget allocation 28%</td>
<td>Organizational efficiency 31%</td>
</tr>
</tbody>
</table>

Note: Percentages do not total 100% due to multiple response options.

Source: The Post-Recession Workplace: Competitive Strategies for Recovery and Beyond

**INNOVATIVE WORKPLACE PRACTICES:**

**INTERNAL COMMUNICATIONS**

“We introduced an employee idea program centered around the concept that empowering employees to suggest small ideas will create a more flexible, responsive and adaptive company. Every employee is expected to contribute to the annual goal of 150 implemented ideas—however big or small. These ideas are meant to be best practices and considered across all departments for implementation. A visual ‘dashboard’ tracking implemented ideas keeps everyone on track of our goal, and all ideas are accessible for best-practice sharing.”
find opportunities for innovation within the organization? These data are shown in Table 2. The top three areas where employers felt the pinch of the economic downturn and perceived the greatest negative impact on the organization were in nonexecutive employee compensation (39%), business growth and development (36%) and budget allocation (28%). These are areas where organizations may have needed to scale back or revise their strategies following the onset of the recession.

However, organizations also recognized positive effects as a result of the recession. Many organizations not only cut extraneous expenditures, but also identified the essential strategies for conducting business and focused on those priorities. More than one-half of HR professionals (54%) reported substantial positive impact on organizational efficiency, and more than one-third of HR professionals perceived great positive impact on internal communication (38%) and organizational business strategy (34%).

The recession also presented opportunities for organizations to implement creative solutions in response to difficulties and roadblocks. The top three areas in which HR professionals reported the greatest opportunity for innovative change within organizations were business growth and development (34%), organizational business strategy (33%) and organizational efficiency (31%). Two of these areas—organizational business strategy and organizational efficiency—were also among the top three areas with the greatest positive impact. This overlap suggests that when organizations were challenged to reexamine their processes and strategies, they came up with new ways of doing business that were improvements over the prior status quo.

INNOVATIVE WORKPLACE PRACTICES: BUSINESS GROWTH AND DEVELOPMENT
"[We are] using the e-technology we have in place for lead generation and new (or upgraded) sales opportunities alongside the editorial content we publish on a daily basis. Many companies are mentioned in various articles that are published on our web sites. Each day, a list is forwarded to the sales teams for follow-up. This was previously an untapped lead source.*"
Although some effects of the recession on organizational practices and policies may be temporary, many are likely to linger in the form of adjustments to practices and policies that organizations put in place to survive the difficult times. How will business operations during recovery be different than business operations prior to the economic recession?

**Business Operations**

As shown in Figure 2, the largest percentage of HR professionals (35%) indicated that their organizations were very likely to engage in transparent communication with employees regarding the status of the organization in the post-recession economy. The importance of communication with staff as a factor in successfully managing change within organizations was underscored during the recession and will continue to be of significant value as organizations create and implement their business strategies for the economic recovery. In addition, as the job outlook improves in the economy, transparent communication will be important in retaining key talent.

Other top business operations areas where companies reported being very likely to make changes or keep changes implemented during the recession were making cuts to HR-related technology (20%), remaining staffing situation in the post-recession economy. Another possibility is that organizations are finding that they can temporarily get by with less technology supporting their HR functions.

Where organizations are least likely to make or keep changes that were implemented during the recession are in the areas of corporate giving, business expansion and outsourcing, indicating that the nature of these areas prior to the recession is likely to become or remain the status quo well into the economic recovery. More than one out of three HR professionals (35%) indicated that their organizations were not at all likely to halt plans for business growth and expansion during the recovery. Prior to the recession, 91% of organizations participated in practices or activities that could be
considered corporate social responsibility, including charitable giving and volunteering. Looking ahead to the post-recession era, more than one-third of HR professionals (34%) reported that their organizations were not at all likely to substantially change their volunteer and philanthropic activities. Only 29% of HR professionals reported that their organizations were very unlikely to make or keep changes in their outsourcing of selected business functions during the post-recession economy, indicating that about three out of four businesses may reevaluate their current outsourcing status post-recession.

Finance and Payroll
At the height of the recession, both companies and individuals were oriented toward saving money. Being frugal became a trend for individual consumers, some of whom tightened their belts not out of true necessity but as a “just in case” measure or in response to social pressure. Although consumer confidence is returning and spending is starting to increase, the post-recession economy is likely to continue to see slimmer budgets and more conservative spending by individuals and organizations. Most organizations are continuing to look first to discretionary expenses for possible cost-cutting.

Employers have much more need to be creative in how they structure jobs in a competitive labor market than during a weakened labor market.

Figure 2  Likelihood of Making or Keeping Business Operations Changes Post-Recession

Innovative Workplace Practices: Employee Rewards and Recognition
- “Although employees are working hard, we couldn’t pay our bonuses—we gave various forms of nonmonetary and/or small monetary value awards to highperforming employees at the quarterly All-Hands meeting. The message: don’t skimp on the recognition during difficult times.”
- “[We use] a combination of several initiatives—graduated merits/bonus versus eliminating them altogether. Employees expected nothing and were pleased with increases or bonus payments, even if less than in previous years. We enhanced an employee recognition program, ‘Applause,’ which includes announcing specially recognized employees at quarterly meetings, entering them in for raffles and providing them with certificates to display in their work area. Our objective is to keep employee morale up while still controlling costs.”
professionals indicating that their organizations were very likely (12%) or somewhat likely (41%) to make or keep changes to this area (Figure 3). It appears that in the post-recession workplace, increased levels of justification may continue to be required for expenditures that likely would have been approved prior to the recession.

Compared with pre-recession levels, payroll will be leaner during the recovery. Overall, organizations will continue to conduct business with fewer employees shouldering the workload. About one-half of HR professionals (48%) reported that their organizations were very likely (12%) or somewhat likely (36%) to make or keep changes in reduced personnel-related budgets, which indicates that organizations’ regular worker headcounts will be slow to bounce back to pre-recession levels. Further, 40% of companies were very likely or somewhat likely to eliminate/reduce employee bonuses, and 36% indicated that they were very likely or somewhat likely to restructure executive compensation and/or executive severance packages. In the post-recession workplace, employers will need to find creative ways to motivate workers and provide rewards and recognition for those who meet the continued high demand for productivity.

According to HR professionals, one-half of organizations (50%) were not at all likely to offer early retirement to employees during the recovery, and more than one-third (36%) were unlikely to offer job sharing in the post-recession economy. Employers have much more need to be creative in how they structure jobs in a competitive labor market than during a weakened labor market. Further, about one-third of HR profes-

**Table 3** Likelihood of Making or Keeping Finance and Payroll Changes Post-Recession

<table>
<thead>
<tr>
<th>Change Type</th>
<th>Very Likely</th>
<th>Somewhat Likely</th>
<th>Somewhat Unlikely</th>
<th>Not at All Likely</th>
</tr>
</thead>
<tbody>
<tr>
<td>Make non-personnel-related budget cuts (n = 339)</td>
<td>12%</td>
<td>41%</td>
<td>28%</td>
<td>20%</td>
</tr>
<tr>
<td>Make personnel-related budget cuts (e.g., trimmed headcount) (n = 312)</td>
<td>12%</td>
<td>36%</td>
<td>33%</td>
<td>19%</td>
</tr>
<tr>
<td>Eliminate/reduce employee bonuses (n = 285)</td>
<td>12%</td>
<td>28%</td>
<td>29%</td>
<td>31%</td>
</tr>
<tr>
<td>Restructure executive compensation and/or executive severance packages</td>
<td>12%</td>
<td>24%</td>
<td>34%</td>
<td>30%</td>
</tr>
<tr>
<td>(in addition to what may be specified in federal bailout legislation)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(n = 233)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not renew contracts with existing contract/temporary/contingent workers</td>
<td>9%</td>
<td>37%</td>
<td>27%</td>
<td>27%</td>
</tr>
<tr>
<td>(n = 235)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hire more contract/temporary/contingent workers than usual (n = 259)</td>
<td>7%</td>
<td>25%</td>
<td>34%</td>
<td>34%</td>
</tr>
<tr>
<td>Offer job sharing (two or more employees doing the same job) (n = 202)</td>
<td>8%</td>
<td>23%</td>
<td>36%</td>
<td>36%</td>
</tr>
<tr>
<td>Offer early retirement to employees (n = 180)</td>
<td>5%</td>
<td>13%</td>
<td>32%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Note: Respondents who answered “not applicable” were excluded from this analysis. Percentages do not total 100% due to rounding.
Source: The Post-Recession Workplace: Competitive Strategies for Recovery and Beyond (SHRM, 2010)
sionals (34%) indicated that their organizations were not at all likely to hire more contract/temporary/contingent workers than usual, which supports economists’ predictions that the permanent staff positions that were shed during the recession may have been eliminated altogether rather than retooled and earmarked for a different worker classification.

Employee Benefits
How will employee benefits offerings change in the post-recession economy? Figure 4 shows anticipated changes in various components of employee benefits. Health care coverage cost-sharing is the most likely benefits change resulting from the recession, with workers expected to bear greater responsibility for costs associated with employer-sponsored health care coverage. About one out of five HR professionals (19%) reported that their organizations were very likely to make or keep increases in employees’ share of health care coverage costs. Health care reform legislation may also have an impact on employer-sponsored health care benefits in the post-recession era.

In addition, substantial proportions of organizations indicated being very likely to offer a paid time off bank (18%), reduce the amount of employee leave carryovers (13%), eliminate or reduce the benefit pension plan (12%) or eliminate or reduce contribution to retirement savings plans (11%).

Aside from reducing the amount

**Figure 4** Likelihood of Making or Keeping Employee Benefits Changes Post-Recession

<table>
<thead>
<tr>
<th>Change in Employee Benefits</th>
<th>Very Likely</th>
<th>Somewhat Likely</th>
<th>Somewhat Unlikely</th>
<th>Not at All Likely</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase employees’ share of health care coverage costs (n = 329)</td>
<td>19%</td>
<td>43%</td>
<td>19%</td>
<td>19%</td>
</tr>
<tr>
<td>Offer a paid time off bank (which includes sick, vacation and personal days all in one plan) (n = 235)</td>
<td>18%</td>
<td>17%</td>
<td>25%</td>
<td>40%</td>
</tr>
<tr>
<td>Reduce amount of employee leave carryovers from one year to the next (e.g., vacation and sick leave that employees can carry over each year) (n = 252)</td>
<td>13%</td>
<td>13%</td>
<td>25%</td>
<td>50%</td>
</tr>
<tr>
<td>Eliminate/reduce benefit pension plan (n = 205)</td>
<td>12%</td>
<td>21%</td>
<td>26%</td>
<td>41%</td>
</tr>
<tr>
<td>Eliminate/reduce employer contributions to retirement savings plans (e.g., 401(k) or other retirement) (n = 276)</td>
<td>11%</td>
<td>20%</td>
<td>28%</td>
<td>42%</td>
</tr>
<tr>
<td>Reduce amount of employee leave accruals/balances (e.g., vacation and sick leave employees can keep each year) (n = 262)</td>
<td>10%</td>
<td>12%</td>
<td>26%</td>
<td>52%</td>
</tr>
<tr>
<td>Eliminate/reduce health care coverage for spouse/dependents (n = 288)</td>
<td>9%</td>
<td>21%</td>
<td>29%</td>
<td>41%</td>
</tr>
<tr>
<td>Eliminate company-paid relocation programs (n = 172)</td>
<td>6%</td>
<td>20%</td>
<td>33%</td>
<td>41%</td>
</tr>
</tbody>
</table>

Note: Respondents who answered “not applicable” were excluded from this analysis. Percentages do not total 100% due to rounding. 
Source: The Post-Recession Workplace: Competitive Strategies for Recovery and Beyond (SHRM, 2010)
of leave permitted to be carried over into the next year, these findings do not represent major shifts in benefits trends. PTO (paid time off) plans have been gaining in popularity in recent years and were offered by 42% of employers in 2009, whereas prior to the recession the percentages of employers offering defined benefit pension plans had been decreasing in favor of defined contribution retirement savings plans.6 Overall, the fewest changes are expected to occur in employee leave balances and the amount of leave carryovers. More than one-half of companies (52%) reported that they were not at all likely to reduce the amount of employee leave accruals/balances, and 50% reported that their organizations were not likely to reduce the amount of employee leave that can be carried over from one year to the next. In addition, 42% of HR professionals indicated that their organizations were not at all likely to eliminate or reduce employer match on contributions to retirement savings plans, indicating that many employers value this employee benefit and are committed to helping employees rebuild their retirement savings.

Flexible Work Arrangements
How much flexibility can workers expect from employers regarding work arrangements during the economic recovery? According to HR professionals, this is an area in which businesses are expected to make the fewest immediate changes (Figure 5). More than one-half of businesses were not at all likely to implement organizationwide reduced workweeks (55%) or reduce employee work hours (52%), indicating that the majority of workers can expect that the amount of time that they spend “on the clock” per day per job is not likely to change as the United States moves out of the recession. Small gains may be seen in the percentages of companies that offer various workplace flexibility benefits in the post-recession era. Multiple differences emerged by organizational demographics regarding companies’ likelihood of making or keeping changes to various aspects of business operations during the post-recession era.

Figure 5  **Likelihood of Making or Keeping Flexible Work Arrangements Changes Post-Recession**

<table>
<thead>
<tr>
<th>Flexible Work Arrangement</th>
<th>7%</th>
<th>16%</th>
<th>25%</th>
<th>33%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce employee work hours (e.g., from full-time to part-time, etc.) with reduction in pay</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase workplace flexibility benefits (e.g., telecommuting, flex time, compressed workweeks, etc.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implement full-time telecommuting for employees to save on building and maintenance costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implement organizationwide workweek reductions (e.g., move to a four-day workweek) with no reduction in pay</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease workplace flexibility benefits (e.g., telecommuting, flex time, compressed workweeks, etc.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Respondents who answered “not applicable” were excluded from this analysis. Percentages do not total 100% due to rounding.

Source: The Post-Recession Workplace: Competitive Strategies for Recovery and Beyond (SHRM, 2010)
era. These are detailed in Table 3. Overall, when analyzed by organization staff size, large-staff-sized organizations were more likely to make or keep selected changes, as were firms with unionized workforces compared with non-unionized companies. Differences were mixed among organization sectors and multinational operation status.

### Table 3  Average Likelihood of Making or Keeping Selected Changes Post-Recession (by Organizational Demographics)

<table>
<thead>
<tr>
<th>Change in Practice</th>
<th>Organization Staff Size</th>
<th>Organization Sector</th>
<th>Multinational Operations</th>
<th>Union Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Make cuts to HR-related technology</td>
<td>Large &gt; medium</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outsource certain business functions</td>
<td>Large &gt; small, medium</td>
<td>Multinational &gt; single country</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step up recruitment initiatives and activities</td>
<td>Nonprofit &gt; privately owned for-profit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engage in transparent communication</td>
<td>Government &gt; privately owned for-profit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engage in volunteer and philanthropic activities</td>
<td>Union &gt; non-union</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hire more contract/temporary workers</td>
<td>Multinational &gt; single country</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offer early retirement to employees</td>
<td>Large &gt; medium</td>
<td>Union &gt; non-union</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offer job sharing</td>
<td>Single country &gt; multinational</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Make personnel-related budget cuts</td>
<td>Large &gt; medium</td>
<td>Union &gt; non-union</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eliminate company-paid relocation programs</td>
<td>Union &gt; non-union</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eliminate/reduce benefit pension plan</td>
<td>Union &gt; non-union</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implement organizationwide workweek reductions</td>
<td>Government &gt; nonprofit</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Averages are based on a scale where 1 = "not at all likely" and 4 = "very likely." Only significant differences are presented.

Source: The Post-Recession Workplace: Competitive Strategies for Recovery and Beyond (SHRM, 2010)

---

**INNOVATIVE WORKPLACE PRACTICES: WELLNESS AND PREVENTION**

"Stress and health issues are growing based on economic environment. We want to ensure that employees still focus on their well-being. We have further enhanced our wellness screening efforts to offer preventive blood screening free of charge to employees at all locations, even those who did not previously meet minimum requirements.”
Staffing Appropriately for Post-Recession Growth

With pressure to cut as much cost as possible in order to survive the recession, many employers turned to personnel-related costs and trimmed their payrolls through layoffs. In October 2008, 60% of HR professionals reported that their organizations were very likely or somewhat likely to conduct layoffs in the next 12 months, whereas in March 2009, 24% of HR professionals indicated that their organizations were very likely or somewhat likely to conduct layoffs in the next six months. According to the U.S. Bureau of Labor Statistics, the national unemployment rate peaked at 10.1% with 15.3 million unemployed in October 2009 and fell slightly to 9.7% and 15.0 million unemployed in May 2010, up from 5.0% unemployment rate affecting 7.7 million persons in December 2007 at the beginning of the recession.

Within organizations, how much of the total headcount was eliminated through layoffs? Overall, 41% of organizations did not conduct layoffs, with nonprofit organizations more likely than publicly owned or privately owned for-profit organizations to indicate that they did not conduct layoffs. Single-country organizations were also more likely than multinational corporations to report cutting 1% to 5% of their staff. An additional one-quarter of HR professionals (26%) reported that their organizations laid off between 6% and 10% of the organization’s workforce. More than one out of 10 organizations (11%) had drastically cut their headcount by laying off more than 20% of the organization’s workforce.

Throughout the recession, employers have faced difficulties with interpreting factors in the wider economy and translating them to if, how and when to implement headcount changes within their organizations. For example, in the third quarter of 2009, the actual percentage of employers that laid off workers was more than twice the percentage of employers that had predicted that they would
need to conduct layoffs. As shown in Figure 7, employers that turned to layoffs as a means of cutting costs to weather the economic downturn began doing so at different times during the recession. The smallest proportion of HR professionals (25%) reported that their organizations began downsizing early in the recession, when the economy was just beginning to show signs of a downturn (June 2008 or earlier). Another 40% of HR professionals reported that their organizations began downsizing several months into the continued economic decline, between July 2008 and December 2008. Slightly more than one-third of employers (34%) held out until late in the recession (January 2009 or later) to begin layoffs.

There is downsizing, and there is rightsizing. Rightsizing is defined as “an approach to reducing staff whereby jobs are prioritized in order to identify and eliminate unnecessary work.” While “the size and configuration of businesses must reflect the reality of sharply lower revenue,” and the flexibility to reconfigure may differ by industry and organization staff size, businesses that are eager to reduce payroll costs may find that the headcount remaining after the layoffs is not enough to carry out essential business operations.

According to HR professionals, 12% of organizations overall cut too many jobs. Unionized organizations (32%) were more likely than non-unionized organizations (10%) to report that the organization has been overly ambitious in shedding jobs. Just 19% of HR professionals overall felt that their organizations were not aggressive enough in trimming payroll and could have shed more jobs without substantial negative impact on business operations. However, company size was a significant differentiator in HR professionals’ responses to this question: those from large organizations (33%) were more likely than those from medium organizations (12%) to indicate that not enough positions had been cut. The remainder, 68%, felt that their organizations...
had “rightsized” and reduced headcount to appropriate levels to conserve payroll expenses yet maintain critical business operations, with non-unionized organizations more likely than unionized organizations to have reported rightsizing (70% compared with 42%, respectively). Rightsizing may include reconfiguring the organizational structure and eliminating jobs at all levels so that management layers and the HR function headcount accurately reflect the number of employees. The overall data are shown in Figure 8. However, the hiring outlook is beginning to show signs of improvement. Organizations are lifting hiring freezes and filling positions that were vacated during the recession as well as newly created positions. According to the SHRM Post-Recession Poll of eight selected key industries, about two-thirds of companies (62%) are currently hiring full-time staff, and although HR professionals report that a combined 53% of these hires are generally direct

What are some common mistakes in downsizing?

Here are three common mistakes in downsizing. The first is perhaps the most common, namely, failure to be transparent with employees and to communicate openly and honestly. Employees want the truth, and they want to hear it from the CEO. Vague descriptions of future plans and when they might materialize will drive your very best people out the door. The second common mistake is a failure to involve employees. Far too often, bosses see employees and their associated costs as the problem instead of seeing employees as important parts of the solution. If the objective is to cut costs, employees can be amazingly creative when their own jobs are at risk. The third common mistake is a failure to recognize that when the recession ends, the company—after going through a downsizing—may not have the numbers of people (with the right mix of skills) it will need to grow.

Do companies that downsize outperform competitors that don’t?

As a rule, they do not, especially if the only thing they do is cut employees. Cutting employees without changing anything else simply means that the same amount of work needs to be done by fewer employees. Studies have tracked the performance of downsizing firms versus no-downsizing firms for as long as nine years after the downsizing event. As a group, the downsizers never outperform the no-downsizers. In contrast, stable employers do everything they can to retain their employees. In 2008, for example, more than 3 million Americans lost their jobs. In contrast, Fortune’s 2009 list of “Best Employers to Work For” revealed that 81 out of the top 100 employers had no layoffs in 2008.

An excerpt from Employment downsizing and its alternatives (SHRM Foundation, 2009)
replacements of jobs or new duties added to jobs lost during the recession, nearly one-half (47%) report that their current hiring activity is generally for completely new positions. Further, despite variations by industry in the difficulty of finding qualified candidates to fill jobs that require a new skill set as a result of the economy, 16% of HR professionals overall indicated that thus far it has been or will be “very easy” to recruit appropriate qualified individuals. This is consistent with findings from SHRM’s Leading Indicators of National Employment (LINE), which in 2010 has consistently predicted monthly growth in employment expectations for both the manufacturing and service sectors. For March 2010, LINE reported a substantial increase in recruiting difficulty levels compared with March 2009, although recruiting still remains relatively easy, particularly for the manufacturing sector.

Figure 8 From a Business Perspective, Was Your Organization’s Total Downsizing:

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Too much (i.e., the organization was overly ambitious in cutting jobs)</td>
<td>12%</td>
</tr>
<tr>
<td>Not enough (i.e., the organization could have cut more jobs without serious detriment to business operations)</td>
<td>19%</td>
</tr>
<tr>
<td>Just enough (i.e., the organization “rightsized”)</td>
<td>68%</td>
</tr>
</tbody>
</table>

(n = 209)

Note: Percentages do not total 100% due to rounding.
Source: The Post-Recession Workplace: Competitive Strategies for Recovery and Beyond (SHRM, 2010)
According to the U.S. Department of Labor Bureau of Labor Statistics (BLS), employment in the high-tech industry is projected to grow much faster than the average for all occupations. For example, 286,600 new computer network, systems and database administrator jobs are expected to be created in this decade, and the BLS estimates that computer systems design and related services industry and the software publishing industry will be among the fastest-growing industries in the United States. Employment of computer scientists is expected to grow by 24%, much faster than the average for all occupations. Employment of biological scientists is projected to grow by 21%. Overall, employment of computer software engineers and computer programmers is projected to increase by 21% from 2008 to 2018.

The BLS does not expect some occupations within this category to grow quite as rapidly. Overall engineering employment is expected to grow by only 11% over the 2008–2018 decade, which is only about as fast as the average for all occupations. This growth will be driven mainly by increasing employment of engineers in engineering, research and development, and consulting services industries.

What all of these occupations have in common is that the knowledge and skills needed in these professions moves out of date quickly, and therefore, a strong investment in education and training will be needed. HR professionals in high-tech (60%) were more likely than those in any other industry to say that the jobs they are currently adding to their organizations are completely new positions and are neither direct replacements of jobs lost during the recession nor even new duties added onto such jobs. HR professionals in the high-tech industry are also reporting that finding qualified individuals for these positions will not be easy. For these HR professionals, finding talent globally and keeping the skills of existing employees up to date will be of primary importance in the years ahead.

### Nature of Positions Organizations Are Currently Hiring for: High-Tech Industry

<table>
<thead>
<tr>
<th>Nature of Positions</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completely new positions</td>
<td>60%</td>
</tr>
<tr>
<td>Direct replacements of jobs lost during the U.S. and global recession</td>
<td>15%</td>
</tr>
<tr>
<td>New duties added to jobs lost during the recession</td>
<td>25%</td>
</tr>
</tbody>
</table>

(n = 187)

Source: SHRM Poll: Post-Recession Hiring (SHRM, March 2010)
POST-RECESSION INDUSTRY HIRING PROFILE:
PROFESSIONAL SERVICES SECTOR

LINE Service Sector Employment Expectations: January 2007 to July 2010

Though many jobs were lost in the service sector over the course of the recession starting in 2007, some of the industries now exhibiting the most positive job growth in the United States fall within the BLS’s private service-providing category. Professional services, and especially the sub-category of temporary services, are leading the way among the industries reporting jobs growth in the BLS monthly employment reports.

The BLS is also projecting that U.S. employment growth over the coming decade will be concentrated in the service-providing sector and projects that by 2018 service-providing industries will add 14.6 million jobs, approximately 96% of the increase in total employment. This growth is split between several industries within the sector. According to the BLS, the professional and business services industries will add approximately 4.2 million jobs to the U.S. economy (another key industry within the private service sector where job growth is expected is health care and social assistance, which together are projected to add approximately 4.0 million jobs).

According to the SHRM Post-Recession Poll, the majority of professional services organizations laid off 10% or less of their staff over the course of the recession. Though this percentage was greater than the percentage of the workforce laid off within several other industries, such as the federal, state and local governments, health and finance, it was a much lower proportion of the overall sector workforce than within industries such as manufacturing and construction, which saw some of the most dramatic levels of job loss.

Overall, surveyed HR professionals from the professional services sector view their situation as either unchanged or mildly improved compared with 12 months ago. Although this does not place them among the industries most likely to report that they are now hiring workers, the majority at least do say they are hiring. This is in line with increased monthly hiring expectations for the service sector in the SHRM Leading Indicators of National Employment® (LINE®). However, 55% say that the professional services jobs they are now trying to fill are completely new positions and will not be direct replacements of the jobs lost during the recession. This could indicate that many HR professionals within the professional services sector will be focused on building—rather than hiring for—the skills needed for these new jobs over the coming months and years.

Source: SHRM Leading Indicators of National Employment® (LINE®) historical data
Manufacturing was among the industries that endured the greatest setbacks during the recession, but it is also a sector that could lead the nation’s economic comeback.

A combined 59% of HR professionals from manufacturing said their companies are experiencing some form of recovery compared with 12 months ago (6% said “significant recovery,” and 53% said “mild recovery”). Of the eight business sectors surveyed by SHRM, manufacturing had the second highest “recovery” response level, behind only high-tech (a combined level of 63%).

The economic downturn and competition from overseas interests with cheaper labor costs have together forced millions of job cuts in U.S. manufacturing. Since the recession began in December 2007, 22% of manufacturers said they have lost between 21% to 50% of their staff. Another 3% said they lost more than 50% of their employees.

Still, the Federal Reserve reported that industrial production increased for several months toward the end of 2009 and early 2010, and hiring activity has subsequently picked up for some manufacturers.

Slightly more than half (51%) of manufacturers are currently hiring full-time employees. Of that group, 42% are making direct replacements of jobs lost during the recession, and another 48% are creating completely new positions.

The federal data and SHRM’s poll results are similar to recent findings from SHRM’s Leading Indicators of National Employment (LINE) report. In March 2010, 45.8% of manufacturers said they were hiring workers during that month, the highest percentage since June 2008. March also marked the ninth straight month that hiring outpaced layoffs in manufacturing, according to LINE.
It has been well-documented that manufacturing has lost hundreds of thousands of jobs in recent years. But what is the biggest misconception about the industry right now?

The biggest misconception is that the United States no longer makes anything. But the fact is that the United States remains the largest manufacturing economy in the world by a healthy margin. As recently as 2008, the United States accounted for more than a fifth (21%) of worldwide manufacturing output, far ahead of the next two leading manufacturing economies of Japan (13%) and China (12%). And until the recession began in late 2007, U.S. manufacturing output was at an all-time high.

Another misconception is that the decline in manufacturing jobs has only taken place in the United States, when the fact is, it has been a global phenomenon as increases in productivity have reduced employment needs in many nations. Over the past 15 years, manufacturing jobs in China, South Korea, the UK, Japan, Germany, France and Italy have also declined.

Finally, there is a belief that most of the job losses have been due to rising imports and a deteriorating trade deficit. That is wrong and far from the case. Over the past 20 years, manufacturing employment has fallen by 6.1 million. Two-thirds of this decline took place in two recessionary periods (2001-2002 and 2008-2009), when there were deep declines in manufacturing production and imports generally fell due to the U.S. recession.

What types of jobs that have been lost will likely not return to the U.S. economy?

The U.S. manufacturing workforce is becoming more highly skilled as manufacturing has evolved into a more technology-intensive sector.

In terms of production employment, we expect employment gains in coming years in several areas, specifically those supported by exports. Between 2003 and 2008, manufacturing employment supported by export grew by 446,000. A recovery in the global economy in coming years will likely be a strong source of employment growth for U.S. manufacturers.

For manufacturing sectors more dependent on the domestic economy, the number and areas of job growth will be chiefly determined by three factors: the strength of the U.S. recovery, pace of productivity growth, which will factor into the employment required for production, and the global competitiveness of U.S. manufacturers.

What are the most promising sectors of growth in the U.S. manufacturing industry?

While it appears that a recovery is underway, the U.S. economy remains in a fragile state. A robust rebound in the domestic economy will not likely take hold until 2011. However, the global economy, led by the developing economies, appears to be rebounding at a faster pace. As a result, manufacturers with a global portfolio are seeing activity pick up now.

In general, this would include sectors such as textiles, primary metals, machinery, computer and electronics, and transportation products, where over a third of domestic production is supported by exports of manufactured products abroad.

The industrial composition of manufacturing 25 years ago is different from what it is today. And the composition 25 years from now will also be different, as new technologies and production methods are used to manufacture new products that today may only be an idea at an R&D facility.

The industrial composition of manufacturing 25 years ago is different from what it is today. And the composition 25 years from now will also be different, as new technologies and production methods are used to manufacture new products that today may only be an idea at an R&D facility.
Many U.S. manufacturers have faced increased overseas competition from companies that have cheaper labor costs. To what extent will that continue in the near future?

U.S. manufacturers face stiff competition not just from countries with cheap labor costs, but also from industrialized economies. This competition is not just for the U.S. economy, but also for markets abroad. This global contest for market share will not disappear. It is simply the reality of a world economy that has become increasingly interdependent over the past quarter-century.

The advantage that U.S. manufacturers hold is that our workforce is the most productive in the world. However, our global competitors are not sitting still, which is why it is critical that American industry continues to invest in research and development to maintain our competitive edge. At the same time, it is important to recognize that increases in domestic costs in the areas of taxes, health care, regulations or excessive litigation will undercut U.S. manufacturers' global competitiveness and weaken our country’s manufacturing base.

How important is the role of human resources as the manufacturing industry is redefined in the coming years?

With the nature of manufacturing jobs and changing skill requirements, human resource managers will play an increasingly important role helping companies focus on their most important asset: their workers. Human resource executives will be on the front line for ensuring that entry-level workers have achieved the core workforce readiness, academic and manufacturing technical skills that enable individuals to swiftly enter careers ranging from aerospace to computers, metal fabrication to food processing, pharmaceutical to transportation and logistics.

We believe a quantum leap is needed in people management practices, with companies taking proactive steps toward preparing workers for the significant challenges that lie ahead. People and Profitability: A Time for Change by Deloitte, Oracle and The Manufacturing Institute (the research, education and workforce affiliate of the NAM) found that the most profitable companies consistently assign a higher importance to talent and people management practices compared with the least profitable companies.

Interview conducted by Joseph Coombs, Workplace Trends and Forecasting Specialist
The collapse of the housing market during the recession inflicted plenty of damage on the construction industry. Of eight business sectors surveyed by SHRM, construction had the highest number of respondents (6%) who said they lost more than 50% of their staff since the recession began in December 2007. Another 25% of construction respondents said they lost between 21% and 50% of their staff, also the highest percentage among the eight sectors surveyed by SHRM. Most economists do not anticipate a strong recovery for the housing market in the near future, and commercial construction has also slowed as of late, due to weak job growth, a subsequent lack of demand for new office buildings and financing difficulties that continue to plague developers.

Some construction-sector HR representatives report that they have had better times as of late. A combined 36% said their company is experiencing some form of a recovery (5% said “significant recovery,” and 31% said “mild recovery”). But a combined 39% also said their company’s financial health is in a state of decline (11% said “significant decline,” 28% said “mild decline”).

One bright spot for the industry is that it will have plenty of talent to choose from when hiring improves. A combined 53% of construction-sector respondents reported some level of ease in finding workers whose skill sets matched new jobs at their companies (21% said “very easy,” and 32% said “somewhat easy”).
POST-RECESSION INDUSTRY HIRING PROFILE:
FINANCE SECTOR

Much of the blame for the recession was placed on an out-of-control Wall Street culture, where exotic financial arrangements were created with cash from a bloated real estate market. And when those investments and the economy took a dive, so did the job opportunities for some of those involved in the financial services industry.

However, the picture isn’t entirely bleak for the finance sector. As the economy has improved, some hiring activity has returned to financial services. Many representatives in the finance field did not sustain huge losses in jobs—73% of respondents said their companies lost less than 10% of their staff since the recession began in December 2007, and another 21% reported that they lost 10% to 20% of their employees.

Even more telling is the near-term outlook for the industry. More than half of the finance industry HR representatives (56%) indicated that their company’s overall financial health is in some form of recovery at the moment (11% said “significant recovery,” and 45% said “mild recovery”).

Some of that success is translating into job openings. More than two-thirds of finance-sector HR representatives (68%) said they are currently hiring full-time staff.

Other recent reports back up SHRM’s findings—7% of chief financial officers said they planned to add full-time accounting and finance staff during the second quarter of 2010, the highest level of hiring since the first quarter of 2009, according to staffing company Robert Half International.15

Overall Financial Health in Relation to the U.S. and Global Recession: Financial Industry

In relation to the U.S. and global recession, would you say your company’s overall financial health is declining or recovering compared with 12 months ago?

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>In a significant recovery</td>
<td>45%</td>
</tr>
<tr>
<td>In a mild recovery</td>
<td>19%</td>
</tr>
<tr>
<td>No change compared with 12 months ago</td>
<td>22%</td>
</tr>
<tr>
<td>In a mild decline</td>
<td>11%</td>
</tr>
<tr>
<td>In a significant decline</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: SHRM Poll: Post-Recession Hiring (SHRM, March 2010)
In the midst of an unprecedented recession in which many industries in the United States lost jobs, the federal government is a top area of relative job security and positive job growth compared with other industries and sectors. Development and maintenance of the nationwide federal workforce is supported by funds made available through the American Recovery and Reinvestment Act of 2009 (Recovery Act), which went into effect in February 2009. As one of three main objectives aimed at bolstering economic recovery in the United States, the Recovery Act allocated funding earmarked for preserving existing jobs and creating new jobs. Across industries and sectors in the United States, an estimated 3.5 million jobs are anticipated to be saved or created by fourth quarter of 2010 through the Recovery Act.

The federal government has largely been successful in staving off job loss among its various agencies and overall has experienced comparatively little permanent headcount reduction. Eighty-eight percent of HR professionals employed by federal government agencies reported that less than 10% of their permanent full-time staff positions were lost since the recession began in December 2007. Further, the federal government is one of the top industry sectors for which payrolls are growing rather than shrinking or remaining flat. More than three-quarters of HR professionals from the federal government (76%) indicated that their agencies are currently actively hiring full-time staff. Of these, more than one-half (57%) reported that the jobs for which they are hiring are generally completely new positions. According to the BLS Employment Situation Report released on March 5, 2010, the number of jobs in the federal government increased in February 2010. These findings indicate that the federal government may continue to be a leading source of job opportunity in the post-recession labor market.

### Percentages of Full-Time Permanent Jobs Lost Since the U.S. and Global Recession Began in December 2007: Federal Government

<table>
<thead>
<tr>
<th>Percentage range</th>
<th>Number of jobs lost</th>
</tr>
</thead>
<tbody>
<tr>
<td>21% to 50% of staff</td>
<td>9% (n = 161)</td>
</tr>
<tr>
<td>10% to 20% of staff</td>
<td>3%</td>
</tr>
<tr>
<td>Less than 10% of staff</td>
<td>88%</td>
</tr>
</tbody>
</table>

Source: SHRM Poll: Post-Recession Hiring (SHRM, March 2010)

### Nature of Positions Organizations Are Currently Hiring for: Federal Government

<table>
<thead>
<tr>
<th>Nature of positions</th>
<th>Number of positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>New duties added to jobs lost during the recession</td>
<td>34% (n = 161)</td>
</tr>
<tr>
<td>Direct replacements of jobs lost during the U.S. and global recession</td>
<td>9%</td>
</tr>
<tr>
<td>Completely new positions</td>
<td>57%</td>
</tr>
</tbody>
</table>

Source: SHRM Poll: Post-Recession Hiring (SHRM, March 2010)
According to the BLS Current Employment Statistics Highlights released on March 5, 2010, preliminary data for February 2010 indicate that although state government jobs increased by 6,000, local government jobs decreased by 31,000. This results in an anticipated overall net loss in government jobs for February 2010. Excluding education, state government employment peaked in August 2008 and has since shed 41,000 jobs. Local government has fared even worse: employment in this industry has decreased by 77,000 positions in the same time period.

Although more state and local government entities are hiring than not hiring, the bulk of these hires have a net-zero impact on job growth. Among the 60% of state and local government agencies that are currently actively hiring, only about one-quarter (28%) of the positions are newly created jobs. The majority of HR professionals (61%) indicated that their agency’s hiring activity is generally direct replacements of jobs lost during the recession. The BLS predicts an average annual employment change rate of 0.8% for the state and local government industry through 2018.

Although more than four out of five HR professionals employed by state and local government reported that their agencies lost less than 10% of full-time permanent staff positions since the recession began, net job loss surely contributes to a perception of an increasingly dismal financial outlook for this sector. Nearly one-quarter (22%) of HR professionals employed in state and local government reported that their agency’s overall financial health is in a significant decline compared with 12 months ago, and an additional 41% reported a mild decline in their agency’s financial health. Confidence in the U.S. state and local government as a source of secure job growth is likely remain low well into the economic recovery.

**POST-RECESSION INDUSTRY HIRING PROFILE: STATE AND LOCAL GOVERNMENT**

![Nature of Positions Organizations Are Currently Hiring for: State and Local Government](chart1.png)

> **Nature of Positions Organizations Are Currently Hiring for: State and Local Government**

- New duties added to jobs lost during the recession: 11%
- Completely new positions: 28%
- Direct replacements of jobs lost during the U.S. and global recession: 61%

*(n = 250)*

**Overall Financial Health in Relation to the U.S. and Global Recession: State and Local Government**

In relation to the U.S. and global recession, would you say your company’s overall financial health is declining or recovering compared with 12 months ago?

![Overall Financial Health in Relation to the U.S. and Global Recession](chart2.png)

- In a significant recovery: 1%
- In a mild recovery: 11%
- In a mild decline: 22%
- In a significant decline: 41%
- No change compared with 12 months ago: 25%

*(n = 451)*

Source: SHRM Poll: Post-Recession Hiring (SHRM, March 2010)
According to the BLS Occupational Employment Statistics report, employment in the health care and social assistance sector has grown during a recession that has witnessed 8.7 million jobs lost and a national unemployment rate that climbed to 10.2% in October 2009. In fact, this industry has had the largest increase in employment from the onset of the recession through December 2009, a gain of about 4.9%. The BLS explains, “This relatively strong performance may be due partly to the nature of the services provided by this sector. To the extent that health care is viewed as a necessity rather than an optional expenditure, demand for health care services may be less affected by an economic downturn, while the need for social services may tend to increase during recessions.” Looking ahead to industry employment in the next few years, health care and social assistance jobs are projected to grow at an average rate of 2.3% through 2018.

Not only is this sector steadily recovering jobs that were temporarily shed during the recession, much of the current hiring activity represents added headcount. Among health care and social assistance organizations that are hiring now, 50% are generally hiring replacements of positions lost during the recession. However, 41% reported that they are primarily filling completely new positions, and an additional 9% are primarily hiring for positions that have been revised with added responsibilities.

Although in most industries the number of qualified applicants far outpaces the number of job openings, there are slightly higher levels of difficulty in finding qualified individuals for available positions in the health care and social assistance industry. Among the organizations that are hiring, 6% of HR professionals reported that it is very difficult to recruit qualified applicants to fill their positions, and an additional 29% indicated that finding qualified individuals is somewhat difficult. Given that demand for health care and social assistance services is projected to increase into the foreseeable future, difficulty in finding qualified persons for jobs in this industry may be exacerbated by the increasing number of job openings.
For the last two years, everyone has been focused on the economic health of the United States and its global trading partners. What kind of impact do HR professionals have on the economic health of the nation and the world?

The role of HR managers in periods like this is critical. HR professionals play a central role in determining corporate employment policy. Corporate employment policy is a major determinant of how volatile national employment is over the course of the business cycle. There are few things with a bigger impact than decisions about how quickly and how deeply to cut in a downturn and how soon and how aggressively to add jobs in an upturn.

In periods of relative stability, the decisions employers make about whom to hire, how much to pay and how much to invest in training are among the most important determinants of U.S. competitiveness in the world economy.

Why do HR managers have such a unique insight into upcoming changes in the labor market?

HR professionals can provide information on employment increases and decreases before this information is available from other sources. If a firm’s employment levels are going to grow or shrink next month, the HR team is already putting in place the actions necessary to make those changes happen. They will be either advertising positions and screening applicants or figuring out who will receive layoff notices. The responses they provide to the LINE survey are not really forecasts but more a description of what’s already in the works.

How does the LINE report leverage this insight to produce unique indicators of employment change?

LINE reports changes in two key measures before that information is available from any other source. The LINE employment expectations index is released one full month before the BLS numbers covering the same period. The LINE report on job openings that employers are unable to fill is released monthly. The BLS data on job vacancies is released quarterly.

LINE also provides key measures that are available from no other source. Compensation tends to rise during periods of economic expansion. These cyclical increases often appear first in the compensation offered to new hires. The hiring process forces firms to more rapidly adjust these compensation levels to the current labor market conditions. Compared with measures of the compensation for all workers, an index of new-hire compensation should provide an earlier indication of changing economic conditions. LINE provides the only published index of new-hire compensation.

LINE is also the only source of monthly data on how difficult it is for firms to recruit highly qualified applicants to fill positions that are of greatest strategic importance to their firms. Such talent shortages can exist even when overall unemployment is high.

The LINE employment expectations index shows hiring rates are improving. But because so many jobs were lost during the recession, could this improvement in hiring take a long time to translate into a significant reduction in unemployment?

Unfortunately, yes. During the boom period of 2004, 2005 and 2006, the U.S. private sector added an average of 172,000 jobs per month. Even if the economy were to immediately begin growing at that rate, it would take another three and a half years to replace the 7.2 million jobs that have been lost.

During the boom period of 2004, 2005 and 2006, the U.S. private sector added an average of 172,000 jobs per month. Even if the economy were to immediately begin growing at that rate, it would take another three and a half years to replace the 7.2 million jobs that have been lost.
take another three and a half years (42 months) to replace the 7.2 million jobs that have been lost.

**What were some of the most interesting trends that the LINE survey was able to gauge during the recession?**

HR managers are experienced at deriving staffing forecasts from production forecasts, but this time it was different. It was the credit markets—not the product markets—that produced the initial plunge in employment. At the start of this recession, most firms were not experiencing a dramatic reduction in the demand for the goods and services they were producing. Then in the last quarter of 2008 and particularly in the first quarter of 2009, the crisis in the financial sector erupted. Many firms responded by trying to reduce their cash outflows. Often they saw payroll cuts as one of the fastest ways to do that, and the LINE employment expectations index was able to track this trend very early in its development.

**What kinds of changes do you think the LINE indices will be able to pick up as we move into a recovery? Will the indices also help us see if we are in danger of moving into a double-dip recession?**

We are now struggling with a chicken-egg problem. Firms are hesitant to add jobs until it appears that consumption is increasing. Consumers are reluctant to increase their expenditures until they feel their job security is improving. Firms are still allowing inventory levels to decline, but they will, at some point, be forced to begin restocking. That will lead to increased production and hiring. The recent improvements in the LINE indices suggest we are reaching that point. If the recent gains in these indexes were to be reversed, that would signal an increased risk of a double-dip recession. However, as of now, it appears that the recovery in the labor market will continue but at a pace that will be painfully slow from the perspective of many job seekers and their families.
Compared with a year ago, organizations’ financial health is starting to show signs of improvement. According to the results of the SHRM Post-Recession Poll released in March 2010, 42% of HR professionals from eight key industries reported that their organizations’ financial health is in a significant or mild recovery compared with 12 months ago, although about one out of 10 HR professionals indicated that their organizations’ financial health is in a significant decline compared with one year ago.23 The points at which organizations will begin to enter their economic recovery will likely differ by industry, sector and size, among other demographics. Further, the measures that organizations took to stay afloat during the recession may have repercussions on their level of preparedness for recovery in the near future.

The measures that organizations took to stay afloat during the recession may have repercussions on their level of preparedness for recovery.

What is the short-term financial forecast for organizations? More than one-third of HR professionals (36%) anticipated that their organizations’ financial outlook in the next six months would be more positive overall, with increased cash flow compared with the previous six months (Figure 9). By contrast, only 14% of HR professionals indicated that their organizations expected a generally more negative financial outlook with decreased cash flow in the next six months. However, nearly one-half of HR professionals (49%) anticipated that their organizations’ financial outlook for the next six months would be virtually unchanged from that of the previous six months. Overall, these findings suggest that economic recovery for businesses will not be a quick endeavor.

Figure 9 What Is Your Organization’s General Financial Outlook for the Next Six Months?

![Image of a pie chart showing financial outlooks for the next six months]

- Generally more negative (i.e., decreased cash flow) than during the previous six months: 14%
- Generally more positive (i.e., increased cash flow) than during the previous six months: 36%
- About the same as during the previous six months: 49%

(n = 370)

Note: Percentages do not total 100% due to rounding.

Source: The Post-Recession Workplace: Competitive Strategies for Recovery and Beyond (SHRM, 2010)
As shown in Table 4, organizational demographics factored heavily into organizations’ short-term financial outlooks. Publicly owned and privately owned for-profit sectors, the Midwest region, multinational companies and non-unionized businesses were more likely than their respective counterparts to anticipate a more positive cash flow in the upcoming six months. By contrast, government sector agencies and businesses with unionized workforces believed they would likely continue to struggle with cash flow in the short term.

More than one-half of HR professionals felt that their organizations’ leadership handled business decisions during the recession very well, and another 38% felt that decisions were handled somewhat well.

Confidence in Leadership
According to prior SHRM research, the most important competencies for senior HR leaders during times of economic crisis were effective communication, strategic thinking and leading change.24 In other words, successful senior HR leaders must be prepared to chart new pathways and steer the organization along them in response to turbulent financial times. But is the leadership of businesses taking the right pathways? HR professionals were asked their opinions about leadership decisions made within their organizations during the recession and in preparation for the recovery. More than one-half of HR professionals (51%) felt that their organizations’ leadership handled business decisions during the recession very well, and another 38%

![Table 4 Organizations’ General Financial Outlook for the Next Six Months (by Organizational Demographics)](image)

<table>
<thead>
<tr>
<th>Organization Sector</th>
<th>Region</th>
<th>Industry</th>
<th>Multinational Operations</th>
<th>Union Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generally more</td>
<td>Publicly owned</td>
<td>Midwest</td>
<td>Multinational (53%) &gt;</td>
<td>Non-union (39%) &gt;</td>
</tr>
<tr>
<td>positive (i.e.,</td>
<td>for-profit (45%),</td>
<td>(42%) &gt;</td>
<td>single country (30%) &gt;</td>
<td>union (15%)</td>
</tr>
<tr>
<td>increased cash</td>
<td>privately owned</td>
<td>West (23%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>flow than during the</td>
<td>for-profit (43%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>previous six months</td>
<td>&gt; government (7%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Privately owned</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>for-profit (43%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>&gt; nonprofit (25%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>About the same as</td>
<td>Government (34%)</td>
<td></td>
<td>Government/public</td>
<td>Union (36%) &gt;</td>
</tr>
<tr>
<td>during the previous</td>
<td>&gt; privately</td>
<td></td>
<td>administration (47%) &gt;</td>
<td>non-union (12%) &gt;</td>
</tr>
<tr>
<td>six months</td>
<td>owned for-profit</td>
<td></td>
<td>manufacturing (7%)</td>
<td></td>
</tr>
<tr>
<td>Generally more</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>negative (i.e.,</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>decreased cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>flow than during the</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>previous six months</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Only significant differences are shown.
Source: The Post-Recession Workplace: Competitive Strategies for Recovery and Beyond (SHRM, 2010)
felt that decisions were handled somewhat well. HR professionals were slightly less optimistic about how leadership’s business decisions were positioning the organization to recover from the recession. Overall, 43% of HR professionals indicated that the leadership was preparing the organization for the economic recovery very well and 44% felt that leadership was preparing the organization for recovery somewhat well. These data are illustrated in Figure 10.

How well did decisions made by organizations during the recession prepare them for recovery? Figure 11 shows that more than four out of five HR professionals (84%) were very confident or somewhat confident that their organizations were well-positioned for the economic recovery following changes that had been implemented in the organization during the recession. Only 4% of HR professionals reported that they were not at all confident that the organizational changes put in place during the recession positioned them well for business in the recovery. HR professionals from organizations that did not have a unionized workforce reported greater average confidence than did HR professionals from organizations with at least some portion of their workforce unionized.25
Leadership in Today’s Post-Recession Era

As the world emerges from the global recession, excellence in leadership is at the forefront for sustainable success. A new paradigm is also emerging, shifting from authoritative leadership and position power to collaborative leadership and knowledge power. Alignment with organizational strategy and long-term planning for best use of resources requires a serious commitment on the part of the organization, senior leaders and HR. With changing demographics, a smart business strategy is to proactively assess leadership bench strength, link leadership development to the organization’s mission and strategic goals, and develop a leadership pipeline.

SHRM queried its Organizational Development Special Expertise Panel about necessary competencies, skills and styles for leadership in the post-recession environment. Expert viewpoints from panel members are summarized in the table below, followed by select responses to open-ended questions.

Leadership in the Post-Recession Era

<table>
<thead>
<tr>
<th>Leadership Competencies</th>
<th>Leadership Soft Skills</th>
<th>Leadership Styles</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strategic thinking/planning</td>
<td>• Communication/presentation skills</td>
<td>• Authenticity</td>
</tr>
<tr>
<td>• Strong personal ethics and values</td>
<td>• Planning and organizing</td>
<td>• Collaborative knowledge and power</td>
</tr>
<tr>
<td>• Emotional intelligence</td>
<td>• Personal effectiveness/mastery</td>
<td>• Trust/credibility-building and maintaining</td>
</tr>
<tr>
<td>• Business acumen</td>
<td>• Workforce diversity and cross-cultural relations</td>
<td>• Openness to learning</td>
</tr>
<tr>
<td>• Managing change/chaos/innovation</td>
<td>• Collaboration/teamwork</td>
<td>• Managing with transparency</td>
</tr>
<tr>
<td>• Risk management—dealing with crisis and transition</td>
<td>• Relationship building</td>
<td>• People-first management</td>
</tr>
<tr>
<td>• Global mindset</td>
<td>• People development/coaching</td>
<td>• Leading by example</td>
</tr>
</tbody>
</table>

Source: The Post-Recession Workplace: Competitive Strategies for Recovery and Beyond (SHRM, 2010)

❖ When you consider the state of the world today and look at organizational leadership, what are the three key leadership factors that you see as critical for organizational success and why?

Prashanthi Sylada Krishna, MBA, M.Phil.

The ability to 1) balance between long-term and short-term profitability, 2) engage and retain talent, and 3) simplify the organization, its processes and be truly customer focused. These leadership skills are especially important post-recession, as organizations are focusing too narrowly on costs and short-term survival. By being short-term focused, leaders are not taking a long-term view on the right talent engagement strategies. Employees are surviving largely under fear of being unproductive. A competitive advantage that will enable organizations out of this cycle is simplifying complex organization processes and incorporating the customer into their processes. This will ensure the right balance between the long- and short-term focus and enable the right focus on talent management.

Carol J. Cooley, SPHR

Vice President of Human Resources, Total Community Options

Leadership factors most critical to organizational success in a global and post-recession environment are 1) managing complexity, 2) adaptability, and 3) the ability to create a shared sense of purpose or community. Managing complexity is the new norm and requires that leaders be adept at guiding change, juggling competing priorities and the pressure to do more with less—all within the context of an increasingly diverse workforce. Understanding how to motivate multiple generations across a variety of geographies and cultures is just one aspect that leaders face. In addition, having the flexibility to be able to navigate and stay nimble in an ever-changing global environment will be a key competency. Lastly, leaders will be looked to by their teams for encouragement and context. They must have skills in aligning work, creating buy-in and connecting employees’ daily work tasks to broader organizational vision and goals. All of these are mandatory leadership factors that will challenge leaders to remain current and connected to continue forward progress of the work and the people while mitigating risks at the same time.
Libby Anderson, M.S., SPHR
President, Human Resources Now
1. Creativity—the ability to innovate and create new ways to do things better, more efficiently.
2. Change—a comfort level with ambiguity, uncertainty and constant reinvention.
3. Optimism—never allowing setbacks to derail staff from the vision and mission.

Kim E. Ruyle, Ph.D., SPHR
Vice President, Product Development, KORN/Ferry Leadership and Talent Consulting
It can be useful to conduct a PEST analysis to create a framework when identifying leadership characteristics that are critical for organizational success. By every dimension—political, economic, societal and technological—we see massive change underway and a high degree of ambiguity. The leadership characteristics that are required in these difficult times are those that are in shortest supply:
1. Learning agility—This is a meta-competency for leaders, the ability to adapt, to change, to learn lessons from a variety of experiences and to apply those lessons to new, first-time situations. Leaders who can't adapt and manage change are likely to derail.
2. Creating the new and different—The global economic crisis has forced organizations to cut costs to the bone in order to preserve some level of margin. And actually, most organizations have done this quite well. Now, it seems we've hit the bottom of the economic trough, yet recovery is likely to take considerable time. Most organizations are now trying to figure out how to profitably grow, and there are really only two ways: a) take market share from the competition to gain a bigger piece of the pie, or b) innovate to grow the pie. Creating a culture of innovation and developing the human capital required to drive innovation are critical capabilities that are going to continue to grow in importance.
3. Dealing effectively with trouble—Troubled times often magnify issues and conflicts. Morale is usually high on a winning team. Place the same personalities on a losing team, and morale can nosedive. When conditions are difficult, leaders need managerial courage to constructively address conflict head on. They need command skills to step up and lead the organization through complexity and difficulty.

John T. Mooney, SPHR, ACC
In my experience, the essential core values of leadership equate to integrity, character and ethics in a recipe of blended behaviors. The distinction of “who” the leader is (determined by traits and character), rather than “what” the leader does, is viewed as a critical success factor of organizational success. Alignment of the “say” and “do” aspect of leadership and follow-through on commitments are critical. Truthful, trusting, loyal and supportive are adjectives used to describe integrity, characterized by authenticity. The character of a leader involves his or her ethical and moral beliefs, intentions and behavior. Ethics is concerned with the kind of values and morals an individual or society finds desirable or appropriate, as well as the virtuousness of individuals and their motives.

Leadership “soft skills” can be considered the backbone of a good leader. In your view, in what ways do such skills play a role in leadership in the post-recession environment and in what ways do you see them as invaluable for leaders today?

Prashanthi Sylada Krishna, MBA, M.Phil.
In these tough times, when many organizations do not have profits to attract shareholders, the ‘leadership brand’ is what is most critical to see the company through. The key soft skills needed are vision, honesty, courage to take risks and ability to communicate across customers and employees. If investors have confidence in the leader, they will support the organization through difficult times. For this, important soft skills are the ability to articulate a vision, remaining honest about the organization’s performance and strategies, having the courage to take risks for the future and communicating all this to customers and employees.
Carol J. Cooley, SPHR

Coming from a recession environment will require that leaders deal effectively with change-weary employees. Many of the changes that occurred during hard times were necessary to create leaner and more sustainable business models. However, employees may have experienced many of the changes as negative or as takeaways. Leaders will need to foster agility in their teams while reinforcing that change is the new norm. As such, “soft skills” become increasingly important to creating a resilient workforce. Relationships with leaders can become the backbone of the employment experience, and without them, employees will have opportunities to leave the organization, particularly as the economy recovers and people resume their pre-recession-era career and retirement plans. Leaders who are adept in resiliency and relationship skills will be able to quickly build credibility and momentum with what may be a disheartened workforce.

Along with building relationships and resilience, leaders will also need to have a strong sense of who they are and how they are reacting to the changing dynamics in the workplace. They will experience many of the changes that employees do, and most importantly, the world and the conditions that made them successful are changing rapidly as well. They need to understand their own personal reaction to change while aligning with new success factors and competencies. They must be diligent to create new paradigms for leadership and not perpetuate ways of working or reward systems that are attuned to realities of a marketplace that no longer exists.

Libby Anderson, M.S., SPHR

The most essential skill is emotional intelligence: relationship management.

Kim E. Ruyle, Ph.D., SPHR

Soft skills, personal and interpersonal competencies, are extremely important in good times and bad. Research shows that difficulty relating with others is one of the most—if not the most—frequent causes for executive derailment. As you move up in your career, people skills become increasingly important. Ability to listen, approachability, interpersonal savvy and self-knowledge are essential.

John T. Mooney, SPHR, ACC

Leaders in the post-recession environment may consider a paradigm shift around soft skills. Shifts are internal movements at the core of an individual—deep transformation of thinking, approach, understanding, awareness and beliefs. Development of the "whole person"—both hard and soft skills—is viewed as a holistic approach to post-recession leadership, including a look at both conscious and less conscious aspects. A successful leader, post-recession, needs to continually develop self-awareness regarding core values and guiding principles by asking such questions as, Do my intentions, thoughts and feelings match my behaviors? Do my intentions and behaviors align? Answers to these questions are inherent in co-workers’ perceptions and expressed views of us as leaders. Feedback, both good and bad, contributes to our self-awareness and serves as an external source that encourages our personal growth and development. We may use our co-workers’ feedback to bolster our strengths or to identify those areas in which we need improvement. How we respond to feedback can affect working relationships, influence team communication and increase our own personal energy. Additional soft skills may include:

• Learning to recognize your unique leadership style and how that style may influence development of your subordinates.
• Understanding your behavior and character to recognize how our behaviors may affect others and employee engagement.
• Exploring the listening spectrum from both the asking and telling perspectives.

Through this “soft skills” clarity, I have found leaders who are typically better able to articulate and model desirable behaviors aligned with the direction and goals of their business.
Business Strategies for a Recovering Economy

What business strategies will organizations focus on in the post-recession economy? First and foremost, employers will remain cautious with their finances. Figure 12 depicts that the vast majority of HR professionals indicated that financial management and/or budget controls within the organization would be a focus of their organizations’ business strategies to a large degree (60%) or to some degree (29%). While monitoring finances, organizations will make efforts to expand their markets, products and services. Additional

**Figure 12 To What Extent Will Your Organization’s Business Strategy in the Post-Recession Economy Focus on the Following?**

<table>
<thead>
<tr>
<th>Strategy</th>
<th>To a large degree</th>
<th>To some degree</th>
<th>To a slight degree</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial management/budget controls within the organization (n = 361)</td>
<td>60%</td>
<td>29%</td>
<td>9%</td>
<td>2%</td>
</tr>
<tr>
<td>Global business/growth strategies (n = 268)</td>
<td>46%</td>
<td>25%</td>
<td>13%</td>
<td>18%</td>
</tr>
<tr>
<td>Increased client service efforts (n = 343)</td>
<td>43%</td>
<td>38%</td>
<td>14%</td>
<td>5%</td>
</tr>
<tr>
<td>Product development (n = 273)</td>
<td>35%</td>
<td>39%</td>
<td>18%</td>
<td>8%</td>
</tr>
<tr>
<td>Internal communication about the organization’s strategies and outcomes (n = 360)</td>
<td>33%</td>
<td>43%</td>
<td>18%</td>
<td>8%</td>
</tr>
<tr>
<td>Employer branding (n = 328)</td>
<td>32%</td>
<td>36%</td>
<td>21%</td>
<td>11%</td>
</tr>
<tr>
<td>Workforce planning (n = 356)</td>
<td>30%</td>
<td>45%</td>
<td>19%</td>
<td>6%</td>
</tr>
<tr>
<td>Employee development and training across the workforce (n = 356)</td>
<td>30%</td>
<td>42%</td>
<td>20%</td>
<td>7%</td>
</tr>
<tr>
<td>Increased public relations efforts (n = 350)</td>
<td>28%</td>
<td>41%</td>
<td>21%</td>
<td>10%</td>
</tr>
<tr>
<td>Succession planning (n = 346)</td>
<td>28%</td>
<td>39%</td>
<td>24%</td>
<td>8%</td>
</tr>
<tr>
<td>Competitive health care benefits (n = 358)</td>
<td>27%</td>
<td>39%</td>
<td>25%</td>
<td>10%</td>
</tr>
<tr>
<td>Employee rewards and recognition (n = 356)</td>
<td>19%</td>
<td>40%</td>
<td>28%</td>
<td>13%</td>
</tr>
<tr>
<td>Competitive retirement benefits (n = 315)</td>
<td>13%</td>
<td>34%</td>
<td>30%</td>
<td>23%</td>
</tr>
<tr>
<td>Flexible work arrangements (n = 329)</td>
<td>8%</td>
<td>23%</td>
<td>36%</td>
<td>34%</td>
</tr>
</tbody>
</table>

*Note: Respondents who answered “not applicable” were excluded from this analysis. Percentages do not total 100% due to rounding.*

*Source: The Post-Recession Workplace: Competitive Strategies for Recovery and Beyond (SHRM, 2010)*
top strategies that organizations will focus on to a large degree include global business and/or growth strategies (46%), increased client service efforts (43%) and product development (35%).

Organizations are far less likely to focus on employee benefits and rewards as business strategies in the post-recession economy. With the increase in the average cost of health care per employee, organizations are looking for more creative and cost-effective ways to offer health care benefits. Only about one-quarter of HR professionals (27%) reported that their organizations would focus on competitive health care benefits to a large degree. Even smaller percentages reported that their organizations’ business strategies for the post-recession era would largely focus on employee rewards and recognition (19%), competitive retirement benefits (13%) or flexible work arrangements (8%). These are troubling findings, given that human capital has been identified as a necessary resource for overcoming the challenges of the recession. In fact, attracting high-quality job candidates is seen as one of the significant challenges facing HR following the recession. Lack of attention to important human capital support programs such as total rewards, retirement and flexible work arrangements may create...

### Table 5 Average Degree That the Organization’s Business Strategy in the Post-Recession Economy Will Focus on Various Initiatives (by Organizational Demographics)

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Organization Sector</th>
<th>Industry</th>
<th>Multinational Operations</th>
<th>Union Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee development and training</td>
<td>Nonprofit &gt; privately owned for-profit</td>
<td></td>
<td></td>
<td>Non-union &gt; union</td>
</tr>
<tr>
<td>Employee rewards and recognition</td>
<td>Financial services, health care and social assistance, services—accommodation, food and drinking places &gt; high-tech Health care and social assistance &gt; manufacturing</td>
<td></td>
<td></td>
<td>Single country &gt; multinational</td>
</tr>
<tr>
<td>Global business/growth strategies</td>
<td>Nonprofit &gt; privately owned for-profit Government &gt; privately owned for-profit</td>
<td>Multinational &gt; single country</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased public relations efforts</td>
<td>Nonprofit &gt; privately owned for-profit Government &gt; privately owned for-profit</td>
<td>Health care and social assistance &gt; manufacturing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product development</td>
<td>Multinational &gt; single country</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workforce planning</td>
<td>Multinational &gt; single country</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Based on a scale where 1 = “not at all” and 4 = “to a large degree.” Only significant differences are shown.

Source: The Post-Recession Workplace: Competitive Strategies for Recovery and Beyond (SHRM, 2010)

### Figure 13 If Your Organization froze Wage Increases or Decreased Pay Scales During the Recession, Are There Plans to Reinstate Wage Increases if the Economy Improves?

- 42% (n = 282) Yes, we have plans to reinstate wage increases in the next six months as the economy improves
- 33% We are considering reinstating wage increases in the next six months as the economy improves
- 25% No, we do not currently have plans to reinstate wage increases in the next six months as the economy improves

Note: Percentages do not total 100% due to rounding.

Source: The Post-Recession Workplace: Competitive Strategies for Recovery and Beyond (SHRM, 2010)
further human capital challenges for organizations choosing not to focus on these areas.

Companies’ post-recession business strategies may be partially dependent upon the demographics of the organization. Table 5 shows the variations by organizational criteria in the likelihood of employing selected business strategies in the post-recession economy.

During the recession, with fewer dollars to spend on payroll, many organizations controlled costs by freezing wage increases. According to a poll conducted in March 2010, 52% of organizations had implemented salary freezes.26 At this point in time, the majority of organizations are at least considering easing up on these control measures if the economy improves the next six months if the economy improves. Even so, it may take years before workers’ salaries catch up with cost-of-living increases.

Organizational demographics had an impact on companies’ plans to reinstate wage increases in an improved economy. Real estate, rental and leasing businesses were more likely than government agencies or manufacturing firms to indicate that they were considering reinstating wage increase in the next six months if the economy improved. By contrast, large-staff-sized organizations were more likely than small-staff-sized organizations to indicate that they did not have plans to reinstate wage increases in the next six months even if the economy improved, as were government agencies compared with privately owned for-profit companies, and unionized organizations compared with non-union workplaces. These data are shown in Table 6.

Just one year before the recession began, about three-quarters of employed workers were either actively or passively job searching, although less than one-half considered themselves “very likely” to begin or intensify a job search if economic and labor market conditions continued to improve.27 According to SHRM’s Human Capital Benchmarking data, “prior to the recession, the average annual voluntary turnover rate was 22%. Yet as the recession deepened in 2008, turnover dropped to 16% as companies laid off staff.”28 Reduced hiring and fewer job vacancies during the recession contributed to lowered employee attrition. However, as the economy and labor market recover and job opportunities become available, employers may become more concerned about retaining key staff. Consistent with

### Table 6 Plans to Reinstate Wage Increases if the Economy Improves (by Organizational Demographics)

<table>
<thead>
<tr>
<th>Organization Staff Size</th>
<th>Organization Sector</th>
<th>Union</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>We are considering reinstating wage increases in the next six months as the economy improves</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large (52%) &gt; small (30%)</td>
<td>Government (71%) &gt; privately owned for-profit (35%)</td>
<td>Union (67%) &gt; non-union (38%)</td>
<td>Real estate, rental, leasing (90%) &gt; government (13%), manufacturing (27%)</td>
</tr>
<tr>
<td>No, we do not currently have plans to reinstate wage increases in the next six months as the economy improves</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Only significant differences are shown.

Source: The Post-Recession Workplace: Competitive Strategies for Recovery and Beyond (SHRM, 2010)
mid-recession findings that 56% of employees considered themselves very unlikely to begin a job search or increase the intensity of an ongoing job search when economic and job market conditions became more favorable, \(^2^9\) more than one-half of HR professionals (52%) anticipated very little voluntary employee turnover in their organizations as the economy and labor market improve. Only 6% of HR professionals reported that they anticipate a high degree of voluntary employee turnover in their organization, and 42% of HR professionals expect some voluntary employee turnover. Clearly, there is a gap in understanding the risk of future turnover. Employers not anticipating potentially significant turnover may find themselves scrambling to cover the knowledge and productivity voids left by workers who are poised and ready to move on when labor market and economic conditions become more favorable for job seekers. These data are shown in Figure 14.

Table 7 shows differences by organizational demographics in the anticipated degree of voluntary employee turnover when the labor market and economy improve. Employee turnover is more likely to occur in multinational corporations than in single-country companies and in businesses with unionized workforces than in those that are not unionized. By contrast, the workforce is more likely to remain stable at small-staff-sized organizations than in large companies, privately owned for-profits and government agencies compared with publicly owned for-profit businesses, and companies with operations in a single country rather than multinational corporations. Organizations that are less likely to hold onto their staff would be well advised to step up their employee retention efforts—or face losing human capital during the critical business growth phase post-recession.

### Table 7 Turnover in Organizations (by Organizational Demographics)

<table>
<thead>
<tr>
<th>Organization Staff Size</th>
<th>Organization Sector</th>
<th>Multinational Operations</th>
<th>Union Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>A lot of voluntary employee turnover</td>
<td>Multinational (10%) &gt; single country (3%)</td>
<td></td>
<td>Non-union (45%) &gt; union (24%)</td>
</tr>
<tr>
<td>Some voluntary employee turnover</td>
<td>Publicly owned for-profit (60%) &gt; privately owned for-profit (38%), government (28%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Very little voluntary employee turnover</td>
<td>Small (58%) &gt; large (39%)</td>
<td>Privately owned for-profit (55%), government (66%) &gt; publicly owned for-profit (35%)</td>
<td>Single country (56%) &gt; multinational (42%)</td>
</tr>
</tbody>
</table>

Note: Only significant differences are shown.

Source: The Post-Recession Workplace: Competitive Strategies for Recovery and Beyond (SHRM, 2010)
As the economy moves into a post-recession phase, organizations will continue to be challenged by a number of factors while navigating the recovery (Figure 15). According to 62% of HR professionals, funding business operations is the most frequently anticipated challenge, indicating that cash flow will continue to be a concern for most organizations as the economy recovers. Other areas most frequently reported as sources of anticipated challenge to a large degree or to some degree are attracting high-quality job candidates (59%), easing employee concerns about job security (59%) and offering competitive total rewards packages (55%). This indicates that employers are concerned about being well-positioned to attract and retain talent in a post-recession economy.

By contrast, the factors that were least frequently anticipated to be challenging to a large degree or to some degree were retaining top-management-level employees (22%), managing perceptions among employees, potential candidates and other stakeholders about how the organization managed the recession (33%) and retaining middle-management-level employees (35%). Perhaps organizations expect less challenge with holding onto their management-level employees because these workers are more likely to have had more responsibility for the organization’s survival during the economic downturn and to be directly engaged in developing and executing strategies for the organization’s recovery in the post-recession economy.
To What Extent Do You Anticipate That Your Organization Will Face Challenges With Various Factors as the Economy Improves?

<table>
<thead>
<tr>
<th>Factor</th>
<th>Not at All</th>
<th>To a slight degree</th>
<th>To some degree</th>
<th>To a large degree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reinstating previously reduced or eliminated benefits (n = 227)</td>
<td>28%</td>
<td>30%</td>
<td>20%</td>
<td>22%</td>
</tr>
<tr>
<td>Funding business operations (n = 336)</td>
<td>11%</td>
<td>26%</td>
<td>40%</td>
<td>22%</td>
</tr>
<tr>
<td>Attracting high-quality job candidates (n = 340)</td>
<td>20%</td>
<td>21%</td>
<td>41%</td>
<td>18%</td>
</tr>
<tr>
<td>Rebuilding trust among employees and the company leaders (n = 321)</td>
<td>24%</td>
<td>37%</td>
<td>22%</td>
<td>17%</td>
</tr>
<tr>
<td>Offering competitive total rewards packages (n = 319)</td>
<td>14%</td>
<td>31%</td>
<td>39%</td>
<td>16%</td>
</tr>
<tr>
<td>Sustaining recovery/regrowth (n = 325)</td>
<td>16%</td>
<td>31%</td>
<td>37%</td>
<td>16%</td>
</tr>
<tr>
<td>Keeping reduced or eliminated benefits at the same level as a way to keep costs down (n = 239)</td>
<td>27%</td>
<td>30%</td>
<td>27%</td>
<td>16%</td>
</tr>
<tr>
<td>Easing employee concerns about job security (n = 337)</td>
<td>15%</td>
<td>26%</td>
<td>44%</td>
<td>15%</td>
</tr>
<tr>
<td>Providing professional development and advancement opportunities for employees (n = 335)</td>
<td>20%</td>
<td>35%</td>
<td>31%</td>
<td>15%</td>
</tr>
<tr>
<td>Managing employee morale (n = 328)</td>
<td>14%</td>
<td>38%</td>
<td>33%</td>
<td>14%</td>
</tr>
<tr>
<td>Funding HR initiatives (n = 330)</td>
<td>21%</td>
<td>33%</td>
<td>33%</td>
<td>13%</td>
</tr>
<tr>
<td>Managing employee expectations about how the company operates internally (n = 337)</td>
<td>14%</td>
<td>33%</td>
<td>40%</td>
<td>12%</td>
</tr>
<tr>
<td>Succession planning (n = 316)</td>
<td>18%</td>
<td>41%</td>
<td>30%</td>
<td>11%</td>
</tr>
<tr>
<td>Retaining nonmanagerial employees (n = 331)</td>
<td>21%</td>
<td>37%</td>
<td>32%</td>
<td>10%</td>
</tr>
<tr>
<td>Retaining middle-management-level employees (e.g., managers, supervisors, assistant directors, etc.) (n = 333)</td>
<td>30%</td>
<td>35%</td>
<td>25%</td>
<td>10%</td>
</tr>
<tr>
<td>Managing perceptions among employees, potential job candidates and other stakeholders about how the organization managed the recession (n = 335)</td>
<td>32%</td>
<td>35%</td>
<td>23%</td>
<td>10%</td>
</tr>
<tr>
<td>Retaining top-management-level employees (e.g., C-suite executives) (n = 314)</td>
<td>47%</td>
<td>30%</td>
<td>14%</td>
<td>8%</td>
</tr>
<tr>
<td>Other (n = 29)</td>
<td>59%</td>
<td>17%</td>
<td>14%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Note: Respondents who answered “not applicable” were excluded from this analysis. Percentages do not total 100% due to rounding.

Source: The Post-Recession Workplace: Competitive Strategies for Recovery and Beyond (SHRM, 2010)
Leadership in Today’s Post-Recession Era: Evolving Leadership

- Leadership styles have changed over time. In what ways do you see leadership styles evolving post-recession?

Prashanthi Sylada Krishna, MBA, M.Phil.

Post-recession leaders seem to be becoming more short-term oriented and more driven by costs, at the cost of long-term success of the organization. Decision-making is becoming more of a challenge, with influencing factors such as financial constraints, a culture of fear of job loss and making more leaders “yes men.” Some leaders, however, are truly shining with vision and zeal to ensure that the organization and the employees survive this downturn with motivation and commitment.

Carol J. Cooley, SPHR

In the near term, leadership will need to move from focusing on mission-critical and cost-cutting activities to a future orientation. Leaders are being tasked with helping organizations stay competitive now and continue to have a platform to be successful in the future. This will require a shift from a “heads-down” mentality that is internally focused to one that monitors external dynamics and global competition. Leaders will also need to take an active role in fostering a collaborative environment rather than one that is authoritarian. This role will be seen as a coach who strives to align people where they are most engaged in order to generate ideas and future sources of competitive advantage.

John T. Mooney, SPHR, ACC

The style of leadership represents the manner, behavior and conduct of the leader. The leadership role typically uses advanced skills of influencing, motivating and inspiring followers. Successful leaders influence their followers and bring about change in their followers’ attitudes and behaviors. Managers tend to focus on the how of getting things done. Leaders express the what—leaving the how to their followers. One post-recession example of a significant style shift is leader as coach. Post-recession leaders are adopting a coaching model to enable leaders to advance results in their subordinates’ careers, lives and professional endeavors. Coaching is asking—asking specific open-ended questions focused on action steps, goals and personal accountability. The leader/coach relationship enables accelerated reflection, self-discovery and openness. The rewards include greater personal accountability and focused effective actions. Post-recession, there is a shift in focus from generic leadership characteristics and behaviors to recognition of the importance of responding to different situations and contexts, and the leader role in relation to followers.
Leadership in Today’s Post-Recession Era: Leadership in the Global Economy

To continue to move forward after the recession, what are some of the top leadership aspects in a global economy and why are they important?

Prashanthi Sylada Krishna, MBA, M.Phil.
Top leadership aspects include a renewed focus on long-term strategies, ability to attract and retain superior talent, and ability to win back stakeholder confidence.

Carol J. Cooley, SPHR
One aspect of leadership important in changing times is the ability to balance a strategic viewpoint with an equally important ability to plan and execute at a detailed level. Typically in an organization, one of these aspects might rank higher than another. However, when managing in an environment where competition can come from anywhere across the globe, the ability to function effectively in both spaces becomes a factor that can lead to organizational success when managed well, and to organization failure if it is not balanced.

Libby Anderson, M.S., SPHR
1. Flexibility in terms of the diverse ways people approach their work.
2. Innovation, which ties in with flexibility.
3. Ethics—operating always with a strong set of values, including integrity.

Kim E. Ruyle, Ph.D., SPHR
Learning agility is essential for global leaders so that they can deal with ambiguity and adapt to cultures and changing global conditions. As the pace of globalization continues, the ability to manage teams remotely is another competency that will become increasingly important. Virtual teams present challenges and require new leadership skills.

John T. Mooney, SPHR, ACC
Globalization has created a need for leaders to become competent in cross-cultural awareness and practices. Effective global leadership must incorporate multicultural differences in our values, competencies and norms. In the area of culture and leadership, the Globe Project (Global Leadership and Organizational Behavior Effectiveness), a study of 62 nations and more than 800 organizations, considered how differences in cultures were related to differences in approaches to leadership. It provides a universal definition of organizational leadership: “the ability of an individual to influence, motivate and enable others to contribute toward the effectiveness and success of the organizations of which they are members.” Today’s competency models are extensions of global practices, with cultural awareness and emotional intelligence required in a global economy.
To what degree was your company affected by the global recession? How long did your company experience effects specifically related to the global recession?

My company is the largest sugarcane technology center in Brazil and one of the most renowned in the world. It has been operating for over 40 years developing innovative technologies for the sugarcane industry. Its research covers the entire production chain, including alcohol, sugar and bioenergy, adding value to the various stages of the process and contributing to the balanced development of the bioenergy business. Despite the global recession, the investment in research was not reduced in the last two years, and it didn’t affect our human capital practices and the work environment.

Our agricultural business (sugarcane) increased the production last year with the production of ethanol for internal market (from 22.5 billion liters to 27.5) and with the exports of sugar to the global market. The number of new job opportunities has increased in the last few years (39% between 2003 and 2008) and also in 2009. So, in Brazil, we didn’t see negative effects of the global recession in our work environment, and we believe it happened not only in agricultural business but also in other sectors, such as consumer products, construction and others. However, considering that our company is maintained by about 200 associated units between ethanol and sugar plants and sugarcane suppliers, and that this business suffered slightly from the financial crisis (credit has shortened), we took some measures to reduce risk exposure and optimize available resources on our R&D projects.

Did your company make any strategy changes during or in response to the global recession?

We increased our attention/control of our budget and continued our investment in research and development. We also accelerated our rate of growth in new markets in Brazil with new products and services to sugar mills and growers’ associations in the sugarcane industry.

What strategies is your company implementing/keeping in place—or will implement/keep in place—as the global economy recovers?

We are looking for new investments and partnerships around the world—and not only because the global economy is recovering, but also because we want to be prepared for the new global opportunities for the bioenergy business.

What are the lessons your company has learned with regard to reducing the impact of adverse economic cycles?

I think the best lesson was to increase the control of our budget and investments and to grow our services in the new markets while continuing to focus on our key projects (short-, medium- and long-term) and the development of our people.

What is your company’s outlook for the next six months?

We don’t anticipate any changes in relation to our budget for 2010 and 2011.
were centralized in the first half of 2009 for South America. We were affected by a significant sales volume decrease. It has resulted in approximately 800 layoffs in Brazil plants. Fortunately, in the second half of the year, due to Brazilian government programs, we could recover and close the 2009 year with a reasonable volume compared with 2008, but still affecting our margins.

Did your company make any strategy changes during or in response to the global recession?
The company cut 800 positions in Brazil units and took cost reduction measures in business operations. We now focus on multifunctional teams and managing multidisciplinary task forces. The company reinforced internal communication through implementation of a new communication system. We invested in a new product line due to Brazilian government programs, which had an impact on our product mix.

What strategies is your company implementing/keeping in place—or will implement/keep in place—as the global economy recovers?
Our strategies are to keep key talent and manage costs.

What is your company’s outlook for the next six months?
We expect to be fully recovered.

INDIA
“Jobs are back,” reads the advertising banner on one of the leading job portals in India, Naukri.com.

Campus recruitments, especially in business schools, seem to have swung from cautious optimism and nervousness to full-blown excitement, says Ambica Saxena, senior associate at Mercer Consulting India Pvt. Ltd.

The economic slowdown seems to have ended, and confidence is resurfacing in India. The country’s gross domestic product is likely to grow by 7.2% in 2009-2010, compared with the growth rate of 6.7% in 2008-2009. The rising confidence is reflected in PricewaterhouseCoopers’ latest global CEO survey, which appears to have been translated into a boost in employment. Business leaders in the U.K., Europe and Asia are planning to increase their headcount in the next 12 months. Almost 60% of business leaders in India and more than 50% in China are showing an even quicker return to bolstering their workforces.

However, workplaces as we knew them no longer exist. The world’s worst ever financial crisis has fundamentally changed the notions of stability and security. Although
employee morale has improved, the experiences of friends, former colleagues and others who were negatively affected by the recession are still fresh and will fade over time, says Aparna Sharma, director of HR at UCB India, a subsidiary of the Belgian research-based company UCB. “The key is to focus on the present and move toward the future without worrying too much about the past while keeping the lessons learned in mind,” Sharma explains.

In the last two years, public-sector enterprises have managed to attract good talent from business schools as these opportunities offer increased job security and provide better growth prospects. “There seems to be a new sense where not just salaries but also long-term growth opportunities and job security offered by recruiters are becoming key factors for graduates to make their decisions,” says Saxena. Overall, employees have become practical. Job stability is now one of the topmost criteria when choosing a job.

**The Post-Recession Workplace**

“The workplace has become more realistic,” says Prabir Jha, global chief of HR at Dr. Reddy’s Laboratories Ltd., second largest pharmaceuticals company in India. “Employees are more cautious and more realistic of their true market worth and the inherent vulnerabilities.”

HR chiefs say companies have become more prudent with respect to headcount and costs as a result of their experience.

SS Raman, managing director at TVS-E Servicetec Ltd, a part of $3.5 billion TVS Group, says things are certainly looking up and overall sentiments are positive. There is, however, the needed conservatism, and caution still prevails in post-recession India. “Building up brick by brick to old glory is the right approach,” Raman suggests.

The economic slowdown seems to have taken its toll on employee engagement levels across businesses and industries. “Severe cost and margin management has resulted in budget cuts especially around employee development and engagement in a generic sense,” says Saxena. “However, post-recession, the expectation for a quick turnaround seems to be high.” Saxena adds with a caveat: “Given the question mark around the sustainability of this turnaround in many quarters, we may still not see the return of the workplace that we had in 2007 with respect to employee engagement.” Raman agrees: “It is still a mixed bag as the bad times did sober up the expectations across the rank and file.”

**State of Business**

The importance of organization profitability and performance as strategic imperatives is well established. Organizations are increasingly demanding much value from the talent in which they want to invest. Hence, post-recession performance differentiation will be the mainstay of decisions on investment in any kind of talent. Agrees Prabir Jha, “Compensation practices are becoming more performance-linked, without compromising the intensity of differentiation for truly differentiated talent.”

Recent quarters show positive trends across sectors. According to the latest December 2009 quarterly corporate earnings report, net profits grew an impressive 53% for the more than 2,400 listed companies, and two out of every 10 companies doubled net profits. Pavan Bhatia, executive director of HR at PepsiCo India Pvt. Ltd, says, “Companies are cautious and yet looking ahead and making investments for growth. There is a realization that India is much stronger fundamentally, and therefore, risk-taking is worth it.”

“The New Role for HR”

During the slowdown, faced with budget cuts, HR was unable to make the needed investments in human capital. “Post-recession, the role demands stronger alignment with business operations to have foresight into the future business strategy and thereby forge the people strategy,” says UCB India’s HR director Aparna Sharma. She suggests developing higher resilience and emotional intelligence in HR practitioners as well as in employees to be able to take the good times and bad times with poise. For instance, when financial services company Ambit Holdings Pvt. Ltd was faced with the tough option of cutting costs two years ago, it managed to avoid cutting salaries. “Financial services industry was one of the sectors most negatively affected by the slowdown, and although our company was not as badly affected as others because it was small and nimble, we, too, had to take tough decisions around costs,” says Shalini Kamath, head of HR at Ambit Holdings.

“We made a commitment of not cutting headcount or salaries, which is one of the topmost motivating
factors,” adds Kamath. “It helped to have a CEO who decided to take a 33% cut in his salary to reduce costs.” To bring in further efficiency, Ambit let go of 4-5% of low performers last year, which was higher than the average 2-3% of low-performers who are let go every year.

Kamath recounts that what really helped was that the company was very transparent in its dealings and spent a lot of time on communication to strengthen relationships with the remaining employees. UCB India’s Sharma echoes Kamath’s views: “Retaining human element while being a business partner is the key to the role of HR.”

The new role also demands flexibility to deal with new challenges. PepsiCo’s Bhatia says HR chiefs need to be nimble to manage the ups and downs: “Ensure that one is an expert in organization design and processes so that you can help the organization to change.”

Post-recession is also a good time to experiment with some bold HR moves of empowerment, says Raman.

Even as employers and employees gear up to the ‘new normal,’ as post-recession workspace is being referred to by many professionals, the responsibility is clearly on employers to make their people feel valued and respected. “The focus needs to be on enhancing workplace relationships,” says Kamath. “Respecting and valuing people pretty much trumps everything else. No new employer–employee deal can work without mutual respect.”

What Business and HR Leaders Have Learned

- Stay in a state of readiness. You may not be competing or able to compete, but it is important that you are in shape physically and mentally, much like an athlete.
- Business models by themselves are not risk-free.
- Employee expectations cannot run ahead of business realities; smart companies will manage expectations.
- Credibility of the top leadership as one that ‘walks the talk’ is critical.
- Organizations are more cautious and discerning about who they want to invest in and the return expectations from talent for these investments.
- Increased consciousness is essential in order to ensure we do not go overboard without sound business rationale.
- With organizations at various stages of growth or consolidation, there isn’t just one strategic learning. Having a scalable model of investment for growth is the right option—as opposed to a “big bang” investment that many of us are used to when options of funding drive investment.
- Having a shortened horizon (truncated) of a planning cycle is an extendable model for both good and bad times. It makes the organization more dynamic and agile in many ways.
- Maintain the composure and build on the task orientation and toughness. These things are difficult to create and sustain.
- Communications and proactive dialogue must be maintained.
Conclusions

The U.S. and global recession that began in late 2007 will have lasting effects on how organizations are structured as well as how they conduct business into the economic recovery. Merely surviving the economic downturn is not an adequate indicator of how well the organization will fare as the economy begins to show signs of improvement. Organizations must take steps to ensure that they enter the post-recession phase strong and ready to ramp up business operations.

This research finds that overall, HR professionals feel positively about the business decisions made by their organizations’ leadership during the recession and are equally optimistic about how well their leadership is preparing their organizations for recovery. Further, HR professionals are confident that the changes put into place during the recession have positioned their organizations well for recovery.
## Demographics

### Organization Staff Size

<table>
<thead>
<tr>
<th>Organization Staff Size</th>
<th>Overall (n = 341)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small (1 to 99 employees)</td>
<td>34%</td>
</tr>
<tr>
<td>Medium (100 to 499 employees)</td>
<td>43%</td>
</tr>
<tr>
<td>Large (500 or more employees)</td>
<td>23%</td>
</tr>
</tbody>
</table>

### Organization Sector

<table>
<thead>
<tr>
<th>Organization Sector</th>
<th>Overall (n = 334)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Publicly owned for-profit</td>
<td>18%</td>
</tr>
<tr>
<td>Privately owned for-profit</td>
<td>54%</td>
</tr>
<tr>
<td>Nonprofit</td>
<td>20%</td>
</tr>
<tr>
<td>Government</td>
<td>9%</td>
</tr>
</tbody>
</table>

### Multinational Operations

<table>
<thead>
<tr>
<th>Multinational Operations</th>
<th>Overall (n = 332)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single-country operations only</td>
<td>71%</td>
</tr>
<tr>
<td>Multinational operations</td>
<td>29%</td>
</tr>
</tbody>
</table>

### Union Status

<table>
<thead>
<tr>
<th>Union Status</th>
<th>Overall (n = 343)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Union</td>
<td>10%</td>
</tr>
<tr>
<td>Non-union</td>
<td>90%</td>
</tr>
</tbody>
</table>

### Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Overall (n = 332)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northeast</td>
<td>13%</td>
</tr>
<tr>
<td>Southeast</td>
<td>27%</td>
</tr>
<tr>
<td>Midwest</td>
<td>38%</td>
</tr>
<tr>
<td>West</td>
<td>22%</td>
</tr>
</tbody>
</table>

### Industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Overall (n = 342)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>18%</td>
</tr>
<tr>
<td>Health care, social assistance (e.g., in-home care, nursing homes, EAP providers, hospices, etc.)</td>
<td>12%</td>
</tr>
<tr>
<td>Services—professional, scientific, technical, legal, engineering</td>
<td>8%</td>
</tr>
<tr>
<td>Financial services (e.g., banking)</td>
<td>6%</td>
</tr>
<tr>
<td>Government/public administration—federal, state/local, tribal</td>
<td>6%</td>
</tr>
<tr>
<td>Retail/wholesale trade</td>
<td>5%</td>
</tr>
<tr>
<td>Educational services/education</td>
<td>4%</td>
</tr>
<tr>
<td>Insurance</td>
<td>4%</td>
</tr>
<tr>
<td>Real estate, rental, leasing</td>
<td>4%</td>
</tr>
<tr>
<td>Other services (e.g., other nonprofit, church/religious organizations)</td>
<td>4%</td>
</tr>
<tr>
<td>Transportation, warehousing (e.g., distribution)</td>
<td>4%</td>
</tr>
<tr>
<td>Services—accommodation, food and drinking places</td>
<td>3%</td>
</tr>
<tr>
<td>Utilities</td>
<td>3%</td>
</tr>
<tr>
<td>Association—professional/trade</td>
<td>2%</td>
</tr>
<tr>
<td>Construction, mining, oil and gas</td>
<td>2%</td>
</tr>
<tr>
<td>Consulting</td>
<td>2%</td>
</tr>
<tr>
<td>High-tech</td>
<td>2%</td>
</tr>
<tr>
<td>Pharmaceutical</td>
<td>2%</td>
</tr>
<tr>
<td>Arts, entertainment, recreation</td>
<td>1%</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>1%</td>
</tr>
<tr>
<td>Biotech</td>
<td>0%</td>
</tr>
<tr>
<td>Other</td>
<td>8%</td>
</tr>
</tbody>
</table>
The SHRM Post-Recession Workplace Survey was conducted among HR professionals employed by organizations operating in the United States. The survey instrument included questions regarding policies and practices put into place by organizations during the recession and those that would be in place during the economic recovery in the United States. A sample of U.S.-based HR professionals was randomly selected from SHRM’s membership database, which included approximately 250,000 individual members at the time the poll was conducted. Only members who had not participated in a SHRM survey or poll in the last six months were included in the sampling frame. Members who were students, consultants, academics, located internationally or had no e-mail address on file were excluded from the U.S. sampling frame. In August 2009, an e-mail that included a hyperlink to the SHRM Post-Recession Workplace survey was sent to 3,000 randomly selected SHRM members and 1,000 director-level and above members. Of these, 3,114 e-mails were successfully delivered to respondents, and 373 HR professionals responded, yielding a response rate of 12%. The survey was accessible for a period of 17 days, and two e-mail reminders and a fax reminder were sent to nonrespondents in an effort to increase response rates.

The sample of HR professionals was generally representative of the SHRM membership population.

Differences
Conventional statistical methods were used to determine if observed differences were statistically significant (i.e., there is a small likelihood that the differences occurred by chance). Therefore, in most cases, only results that were significant are included, unless otherwise noted. It is also important to note that in some cases, data may be discussed in the text of this report but not presented in an accompanying figure or table.

Notations

Analysis
Analyses by organization staff size, employment sector, industry, U.S. geographical region, union status and multinational operation status are presented and discussed, when applicable. In some cases, the data are not depicted in corresponding tables/figures even though the results are statistically significant.

- Organization staff size categories: small (1 to 99 employees), medium (100 to 499 employees) and large (500 or more employees). The analysis by staff size refers to the number of full-time employees at the HR professional’s work location only.
- Organization sector: publicly owned for-profit organization, privately owned for-profit organization, nonprofit organization, government sector and other categories. Results are not presented for other employment sectors due to the small number of organizations in this category.
- Organization region: the U.S. Census Bureau recognizes four census regions within the United States, and these regions are groupings of the 50 states.
- Multinational operation status: U.S.-based operations only and multinational.

Tables
Unless otherwise noted in a specific table, the following are applicable to data depicted in tables throughout this report.

- Percentages for a question or a response option may not total 100% due to rounding.
- The sample size is based on the actual number of respondents by organization demographic who answered the question using the response options provided.

Figures
Unless otherwise noted in a specific figure, percentages for a question may not total 100% due to rounding.

Generalization of results
As with any research, readers should exercise caution when generalizing results and take individual circumstances and experiences into consideration when making decisions based on these data. While SHRM is confident in its research, it is prudent to understand that the results presented in
this survey report are only truly representative of the sample of HR professionals responding to the survey.

**Number of respondents**

The number of respondents (indicated by “n” in figures and tables) varies from table to table and figure to figure because some respondents did not answer all of the questions. Individuals may not have responded to a question on the survey because the question or some of its parts were not applicable or because the requested data were unavailable. This also accounts for the varying number of responses within each table or figure.

**Confidence level and margin of error**

A confidence level and margin of error give readers some measure of how much they can rely on survey responses to represent all SHRM members. Given the level of response to the survey, SHRM Research is 95% confident that responses given by responding U.S.-based HR professionals can be applied to all SHRM members in the United States, in general, with a margin of error of approximately 5%. For example, 68% of the responding HR professionals reported that their organizations had “rightsized” through layoffs. With a 5% margin of error, the reader can be 95% certain that between 63% and 73% of SHRM members in the United States would state that their layoffs were just enough. It is important to know that as the sample size decreases, the margin of error increases.
Endnotes


12 The eight key industries included in the Post-Recession Poll were health, federal government, state/local government, high-tech, professional services, manufacturing, finance and construction.


15 Robert Half International Financial Hiring Index (March 2010)


These data are not depicted in a chart or table.


This survey instrument is available upon request by contacting the SHRM Survey Program at surveys@shrm.org or by phone at 703-535-6301.
Recently Published SHRM Products

SHRM Resources Related to Post-Recession Business Practices

Workplace Visions: Post-Downturn Staffing Strategies
(www.shrm.org/Research/FutureWorkplaceTrends/Documents/10-0156%20Workplace%20Visions%202009%20online_FINAL.pdf)

Post-Recession Starting Salaries, Workloads Remain Disappointments
(www.shrm.org/hrdisciplines/staffingmanagement/Articles/Pages/SalariesWorkloadsDisappoint.aspx)

Post-Recession Hiring: SHRM Poll
(www.shrm.org/Research/SurveyFindings/Articles/Pages/PostRecessionHiring.aspx)

Workplace Visions: After the Recession
(www.shrm.org/Research/FutureWorkplaceTrends/Documents/0110visions.pdf)

HR Leaders Rethink Strategies During Recession
(www.shrm.org/Publications/HRNews/archive/Pages/RethinkStrategies.aspx)

Future Focus: Meet Your New Employee
(www.shrm.org/Publications/hrmagazine/EditorialContent/2009/1009/Pages/1009focus.aspx)

To access these publications, please visit www.shrm.org

SHRM Research Products

Benefits

1. 2010 Employee Benefits (June 2010)
2. 2009 Cost of Health Care Benchmarking Study Executive Summary (December 2009)
3. The U.S. Recession and Its Impact on Employee Retirement, SHRM Poll (August 2009)
4. 2009 Employee Benefits (June 2009)
5. Examining Paid Leave in the Workplace (April 2009)

Business Leadership

1. What Senior HR Leaders Need to Know: Perspectives from the United States, Canada, India, the Middle East and North Africa Executive Summary (March 2010)
3. Leading Now, Leading the Future: What Senior HR Leaders Need to Know Executive Summary (February 2009)
4. Survey Brief: Key Priorities for the HR Profession Through 2015 (December 2008)

Compensation

1. SHRM Compensation Data Center

Diversity

4. 2006 Workplace Diversity and Changes to the EEO-1 Process Survey Report (October 2006)
2. Global Talent Sourcing in the United States and Canada (March 2008)
2. Background Checking: Conducting Credit Background Checks (January 2010)

**Employee Relations**

1. 2010 Job Satisfaction (June 2010)
3. SHRM and CCHRA 2008 Global Talent Sourcing in the United States and Canada (March 2008)

2. Workplace Policies for Office Pools (January 2010)

**Organizational and Employee Development**

2. What Senior HR Leaders Need to Know (February 2009)

3. 2009 Job Satisfaction Survey Report (June 2009)
1. 2009 Human Capital Benchmarking Study Executive Summary (November 2009)

4. Point of View: The Economic Downturn from the Employee Perspective (April 2009)

5. 2008 Job Satisfaction Survey Report (June 2008)

**Ethics and Sustainability**


1. The Ethics Landscape in American Business Survey Report (June 2008)

2. SHRM Survey Brief: Green Workplace (January 2008)
1. The H1N1 Virus—How Prepared Is Your Workplace? (October 2009)

3. 2007 Corporate Social Responsibility Pilot Study (April 2007)
2. 2006 Weapons in the Workplace Survey Report (November 2006)

**Global HR**

**Safety and Security**

1. What Senior HR Leaders Need to Know: Perspectives from the United States, Canada, India, the Middle East and North Africa Executive Summary (March 2008)

1. Interviewing Do’s and Don’ts for Job Seekers (November 2009)

To access these reports and view a complete listing of all SHRM survey products, please visit www.shrm.org/surveys.
Project Team

Project leader: Amanda Benedict, M.A., survey research analyst

Project contributors:
- Even Eisen, manager, SHRM Survey Research Center
- Mark Schmit, Ph.D., director, SHRM Research
- Nancy R. Lockwood, M.A., SPHR, GPHR, manager, SHRM HR Content Program
- Jennifer Schramm, M. Phil., GPHR, manager, SHRM Workplace Trends and Forecasting
- Joseph Coombe, workplace trends and forecasting specialist
- Justina Victor, survey research analyst
- John Dooney, manager, SHRM Strategic Research
- SHRM India

Copy editing: Katya Scanlan, copy editor

Design: Shirley E.M. Raybuck, senior graphic designer

Production: Bonnie Claggett, production traffic coordinator

PLACE HOLDER FOR FSC

This report is published by the Society for Human Resource Management (SHRM). All content is for informational purposes only and is not to be construed as a guaranteed outcome. The Society for Human Resource Management cannot accept responsibility for any errors or omissions or any liability resulting from the use or misuse of any such information.

© September 2010 Society for Human Resource Management. All rights reserved. Printed in the United States of America.

This publication may not be reproduced, stored in a retrieval system or transmitted in whole or in part, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of the Society for Human Resource Management.

SHRM members can download this research report and many others free of charge at www.shrm.org/surveys. If you are not a SHRM member and would like to become one, please visit www.shrm.org/application.