



NEWSLETTER

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IMPACT OF CURRENT DOWNTURN ON EMPLOYEES

“...In brochures, handbooks, manuals, and training programs, executives proudly proclaim employees as their greatest asset, but they do not necessarily walk the talk. They treat employees as expenditures and investments in employees as expenses in the organization, quickly trimming employee numbers to save costs and to drive revenue.”

- Dr. Jack J. Phillips ¹

As we enter the start of 2010, unemployment rates still remain relatively high and are expected to remain so for at least another year. Needless-to-say, the state of the economy and the continuing degree of economic uncertainty has had an impact on organizations and their employees. Both the for-profit and non-profit sectors have been affected. Former employees who have been laid off and retained employees have both seen varying impacts. This newsletter looks particularly at the impact on management and so-called “surviving” employees in light of the current downturn and the foreseen potential recovery. Recent headlines and articles have highlighted the following points:

- ☞ Pink slips, pay freezes take toll on workplace loyalty.
- ☞ Human resources on the edge as economic downturn, layoffs generate stress.
- ☞ Recession has more people feeling dominated by work.
- ☞ Why the sting of layoffs can be sharper for men.
- ☞ Fear factor: Can having a staff scared for their jobs be good for business?
- ☞ How to keep your job in a jobless recovery.
- ☞ Firing middle managers: Big mistake.
- ☞ **How do we remedy sinking morale after layoffs?**
- ☞ Job loss stirs up emotions: Strain is comparable to working through grieving process.
- ☞ Job woes exacting a toll on family life.
- ☞ Increased anxiety, fear stalk the workplace.
- ☞ Don't forget employees when times are tough.

Analysts are continuing to predict high unemployment in 2010 and the possible advent of “stagflation”, something not seen since the 1970s. The definition of stagflation means a stagnant economy that grows well below its potential while both inflation and unemployment are rising. As a result, organizations and their employees will continue to face the consequences of the current downturn. Until the economy proves to be in a sustainable uptrend, organizations will rely on productivity increases—squeezing current employees to produce more in fewer hours—and will only hire new workers as a last resort.

What have been the major impacts of the current downturn on employees?

Organizational Loyalty:

An Ipsos Reid's poll in July 2009 found that 22 percent of Canadian employees expressed decreased loyalty to their employer. In organizations where salaries had been frozen, that figure rose to 31

¹ *Investing in Your Company's Human Capital*: Jack J. Phillips, Ph.D., (AMACOM, American Management Association, New York, NY, 2005), p. 6

percent. Where staff had been cut, it went up as high as 36 percent.² Ipsos Reid's poll also showed that growing disloyalty was occurring right across the board, from workers on the ground to executives and managers whose loyalty was decreasing on a par with production workers and operators.

Loyalty to one's organization is very dependent on recognition and employee engagement. Individuals who feel that their involvement in the organization is not acknowledged are more likely to become disloyal. Surveys have shown that unappreciated and discontented employees will most likely be looking to leave their current organizations for other employers once the foreseen recovery period is underway. According to research from [Right Management](#)—the talent and career management expert within Manpower, a leading global firm in employment services—employee turnover is expected to rise in 2010. The research indicated that many workers are unhappy with their present jobs. Indeed, some 60 percent of the surveyed employees intend to leave once the economy recovers. An additional one in four are networking and updating their resumes in anticipation of such a career move.³

Work-Life Balance:

Nora Spinks, president of [Work-Life Harmony Enterprises](#), a Toronto-based consultancy for employers, said an economic downturn always has an impact on how people view the balance between their professional and personal lives. Those laid off, she said, tend to reconsider the type of lives they want in relation to work, while many who keep their jobs are picking up the duties of the colleagues who have been axed.⁴

In light of on-going announcements of additional layoffs, there is increased anxiety among existing employees about their jobs. Some employees are voluntarily or are being forced to work longer hours and to skip time-off, including vacation time. This has led to a serious negative impact on work-life balance and employee well-being, much to the detriment of home life. This in turn represents a real danger as to potential employee burn-out and family disruption.

Productivity:

There typically are between 20 to 40 jobs in an organization, often referred to as “critical positions”, that are actually key to fulfilling its strategic mission and client obligations. If an organization doesn't ensure the well-being and retention of productive persons in such critical positions, the absence of qualified workers for critical positions can have devastating results during a downturn and recovery. To sustain growth, there is a need to have a reliable supply of productive workers, especially in critical positions.

Employee Well-Being:

Canadian workers are feeling insecure in light of the past year's lay-offs in major industries. Two recent polls, one by Harris/Decima and another by Desjardins Financial Security, revealed that more than one third of Canadians still worry about being fired or laid-off because of the economic downturn. They are forgoing the taking of vacation time, sick days and other leaves of absence. The best employers have a way of diffusing employees' fear before it gets in the way of productivity and employee well-being. It often comes down to keeping workers feeling engaged and valued. Communication is critical under these circumstances. Management needs to be open about policy matters and to encourage employee input and participation in critical decision making during the current economic downturn. Any stressors need to be immediately addressed by organizations in order to minimize their detrimental impact on the health of employees. Employees suffering from stress and showing negative physical and mental

² *Pink slips, pay freezes take toll on workplace loyalty.* Becky Rynor, Canwest News Service, July 15, 2009

³ *Employee discontent expected to reach crisis level next year.* Workplace Staff, Workplace e-News, December 2009

⁴ *Recession has more people feeling dominated by work – Survey.* Derek Abma, Canwest News Service, August 31, 2009

“Healthier organizations mean more productive employees.”

health signs should be directed to resources available through employee assistance programs and community services. Organizations will want to avoid such consequences vis-à-vis employee well-being by tackling stressors (e.g. extra work loads, extensive overtime, extreme multi-tasking, work-life imbalance, job loss fears, etc.) before negative impacts are felt.

Michele Nowski, director for disability claims and disability management with Desjardins Financial Security, notes that by investing in their workers, companies are investing in themselves. He explains that a mentally healthy workplace typically has fewer disability claims, lower absenteeism and better productivity. He also suggests that such investments promote a partnership between employees and employers because employees also have a responsibility to manage their health and stress levels.⁵

In Canada, the [Canadian Mental Health Association](#) recently called on all employers, in both the public and private sectors, to broaden access to and funding for mental health programs in the workplace.

What strategies can organizations adopt to help layoff survivors rebound?

As a result of the so-called “survival syndrome”, both affected surviving management and employees need to be continuously supported by the organization. Extra attention must be given particularly to persons in key critical positions. Managers, who have had to select persons for lay-offs and have had to give out pink slips, need to be adequately trained to do so and closely counselled and monitored during periods of lay-offs.

*The goal of creating a psychologically healthy workplace, according to Dr. David Ballard, executive director for corporate relations and business strategy at the American Psychological Association, is to "optimize outcomes for employees and employers, which is different from maximizing outcomes for either group." This means finding ways to promote productivity that don't burn out staff. It means providing employees with benefits that don't bankrupt the business. This differs from previous ways of doing business, which highlighted maximizing company profits at the expense of employees or maximizing employee perks at the expense of the business.*⁶

Dr. Ballard went on to suggest four key organizational qualities aimed at preserving a positive relationship between employees and employers:⁷

- ☞ Ensuring honesty and transparency
- ☞ Reducing uncertainty
- ☞ Providing health and wellness services
- ☞ Being flexible

Organizations may also wish to offer staff choices regarding their work and encourage employees to learn new skills during the downturn. Offering new assignments and opportunities for continuous learning can help to actively advance employee engagement and a psychologically healthy environment. Promoting team work and encouraging risk-taking can also support greater employee involvement aimed at fuelling and sustaining a more productive and healthier work environment.

With respect to critical positions, what can organizations do in preparation for a recovery?

While many think we have an overabundance of workers because of rising unemployment, it's clear that the supply for some critical positions may actually be low.

⁵ Recession-stressed workers need employers' support: Workplace Staff, Workplace e-News, <http://www.workplace-mag.com/Recession-stressed-workers-need-employers-support.html>

⁶ *Psychologically healthy workplace vital in recession*: Jennifer Newman and Darryl Grigg, Canwest News Service, the Ottawa Citizen. November 11, 2009

⁷ Ibid:

“Healthier organizations mean more productive employees.”

This has the potential to create competitive disadvantages, particularly as the economy begins a rebound and organizations restart hiring in response to organizational growth objectives and workforce turnover. Resolving your own organization's supply concerns begins with determining its key critical positions. Only then can you have confidence that your workforce interventions—whether that means your hires, your training programs or even force reductions—have the intended results. - Eric Seubert ⁸

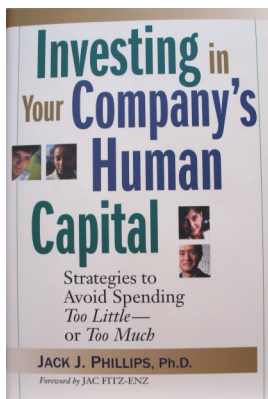
Just as in the case of a downturn, organizations must also continue to forecast and invest in human capital needs in preparation for a recovery. This is especially true when it comes to retention and recruitment for critical positions. One must remember that when the recovery really begins, organizations will once again be in the market to hire additional staff, including those for critical positions. While the supply of some skilled and knowledge workers may be good, studies have indicated that there will be skill shortages in several sectors. In addition, employers will increasingly have to adjust their management and organizational cultures to accommodate the needs of a whole new generation of younger workers.

In particular, leaders need to understand that a younger generation of staff and customers, who have never experienced a downturn, have different expectations of the workplace and will respond to the stress of the current environment in different ways to older people. Not just because they are younger, but also because they have a different set of generational values guiding their attitudes and behaviours. Acknowledging that different generations will respond and be motivated in different ways is key to developing a strategy implementation plan that everyone in your organisation can buy into and be passionate about. - Dr. Graeme Codrington ⁹

(See Newsletter [Accommodating a New Generation of Workers - January 2009 - Issue 4](#))

By continuing to invest in the organization's human capital—especially with respect to critical positions—and by ensuring continuous employee engagement and well-being, organizations will no doubt find themselves better prepared to emerge successfully from the current economic downturn.

Recommended Reading:



“Investing in Your Company’s Human Capital”

(Strategies to Avoid Spending Too Little — or Too Much.)

by Jack J. Phillips, Ph.D.

(AMACOM, American Management Association, New York, NY, 2005)

Recommended Web Sites:

- ◆ Society for Human Resource Management: <http://www.shrm.org/Pages/default.aspx>
- ◆ Workforce Management: <http://www.workforce.com/>
- ◆ Manpower Research Centre: <http://www.manpower.com/research/research.cfm>

⁸ *What Are Your Organization’s Critical Positions?:* Eric Seubert , Workforce Management Online, December 2009

⁹ *In turbulent times, people matter.* Dr. Graeme Codrington. HR Zone 22-Jan-2009, <http://www.hrzone.co.uk>
“Healthier organizations mean more productive employees.”