

Global Economic Downturn fact sheet

Employee management

Series 1 – Issue 2

As part of the Institute's ongoing efforts to provide members with guidance and information on key issues affecting the current business environment, the Institute have developed a practical factsheet series, which presents guidance for members written by members.

'What about staff during these times of economic downturns?'

Employee Matters

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'Global Economic Downturn', 'Economic Crisis' – buzz words of 2008 and, no doubt, 2009. We have all seen the news footage of corporations struggling, of financial markets taking nose dives, and a general uncertainty within the economic environment.

However, a key issue remains largely unanswered. What about staff during these times of economic downturns? What impact does the constant news footage have on staff morale?

As an employer, never has it been more paramount to ensure staff are the number one priority. Whilst the downturn has resulted in many companies restructuring, leadership and communication are extremely important during these times. Effective communication can impact the affect of the downturn on future employees, customers, suppliers and the community.

How to tackle head count reductions?

Reducing head counts is in no way an easy task. In theory, companies should aim to pull through the economic crisis without having to reduce staff levels. In practice though, this is not always possible.

Management need to act quickly when head count reductions are announced. Gossip amongst staff will not alleviate any uncertainty and therefore, a plan of action needs to be agreed upon prior to any announcements. If rumours are circulating, communication to staff should be quick, clear and open as possible to avoid further speculation mounting.

One of the key principles when head count reductions are made is to provide support not only to the staff leaving but also the staff remaining. For those leaving, management should consider time off to attend interviews, assistance with resumes and interview training.

For those staff remaining, communication is the key. Being open and transparent with staff will allow them to be open and transparent with management. Further to this, management need to listen to their staff. It is important staff understand why there are head count reductions. They will also need to understand how their workloads will be affected given the reduction in numbers. Therefore, discuss with staff how the decision was made, the subsequent number of head count reductions and the impact on their job specifications.

Keeping the best performers

Do your best performers in fact know they are your best performers? It is important hard work and effort is recognised. Management must not be complacent during times of economic downturn and assume the best performers will stay. For this reason, performance appraisals and regular discussions with staff should be factored into annual staff schedules. Be open and transparent with your staff so they know where they stand.

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Increase staff moral through communication

- > Frequent communication of firm developments (even if there is no new information)
- > If there are redundancies or restructures, communicate the timing of these, how many people are impacted and processes that will be undertaken. Where possible, redundancies or restructures should be done at the same time to avoid having to repeat the process
- > Discuss with staff transition support
- > Where possible, aim to redeploy staff to avoid redundancies.

'Improving the working conditions for staff now may have a positive impact on the company when the economy eventually turns around.'

Staff will require support during changing and difficult times. It will be important for staff to understand who they should approach to discuss any issues they may have – their direct report, Human Resources Department? On the other hand, managers will need to be trained on how to deal with their staff on these matters.

Meet with and listen to your staff. Discuss performance, and strategic plans for the business. Let your staff see there is a future for them where they are. Not only is it important for management to have in place a strategic direction for the company, it is important staff understand what this is.

Employer of Choice – set the standards for your business higher than all others. Offer staff incentives not seen by other companies (for example, RDO's, flexible work hours). It is important to keep abreast of Employer of Choice initiatives. Leave it too long and what was once an employer of choice initiative will soon become an expectation.

Impact on staff morale

Most companies go a long way to ensure staff morale stays high, however, there are times when a decrease in morale cannot be avoided. The theme is always about communication. Some key messages that should be communicated to staff that will go some way to avoid a decrease in staff morale are included in the box to the left

Staff need to see there are long term goals for the company and therefore management needs to discuss future plans and strategies with staff. This will go a long way for staff to see the longevity of the company.

Annual staff surveys are an avenue for companies to understand what is affecting staff morale and what can be done to improve this. Often staff morale may be impacted because they don't have the opportunity to "have a say". Allowing staff an opportunity to advise management of their concerns will go some way to ensure their morale does not decrease.

While it is obvious we are experiencing an economic downturn, at some point in the future, inevitably the economy will bounce back. Improving the working conditions for staff now may have a positive impact on the company when the economy eventually turns around. This will impact positively on staff morale now and in the future.

The global economic downturn is being felt by everyone. At no greater time has it been more important to ensure the impact on staff is managed. Communication and support are the key – management need to be open about the present conditions and their future prospects and support all staff through the process.

For more information, guidance and tools on the global economic downturn refer to charteredaccountants.com.au/news_issues/global_economic_downturn

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