

# What The Recession Really Tells Us About The Future



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If you have ever wondered about how organizations and employees have reacted to the current recession and how this compares to responses to the previous recession, then Reed has the answers you are looking for. In fact, Reed has taken it one step further to include information about what we can look to predict in terms of the new challenges and opportunities people challenge, from these reactions.

Reed have undertaken a comprehensive study which benchmarks a new survey of over 600 organisations – representing all sectors, sizes and locations – against research completed in Spring 1992, in the depths of the last UK recession.

The results are fascinating. They reveal that a sea-change has taken place. Yes, employers across the country are making recession-fuelled redundancies, but today this is only one part of their response. Organisations from Corus to KPMG are dramatically flexing worker terms and conditions, including benefits, hours and pay, thereby reducing costs while retaining staff.

In 1992 a culture of partnership between workers and bosses was the exception. Now, a spirit of informed co-operation is widespread and this has enabled a far more flexible response to this downturn. This bodes well for a swift resurgence when the upturn comes.

The study reveals just how much this recession has strengthened the role of HR professionals, accelerating their move to the strategic centre of organisations as they implement and lead their employers' responses to the downturn. Yet in spite of this, a key finding of this research is the prediction

that skills shortages will be an even greater threat to recovery this time than in the aftermath of 1992.

Employers tell us that as soon as the upturn comes they will recruit to replace the staff that they have cut. This applies to all roles, across all levels. However, skilled staff are the only category where things are noticeably different. Organisations plan to recruit considerably more skilled staff once recovery begins than they have cut in the downturn.

This suggests that the UK's recovery faces a very real threat from growing skills shortages. The problem will become even more acute as post-recession Britain moves further towards becoming a high-skill economy.

This issue demands attention from both business and government, as it will not resolve itself. A key national priority must be to re-tool and re-skill the workforce, to keep Britain working.

Headline findings of the survey include:

- Redundancies have impacted across all regions, sizes and sectors of organisations. Overall the same percentage of employers – 44% – have cut staff today as in the last recession analysed in our 1992 benchmark study. However this report reveals that there has been a fundamental shift in employer strategy and staff relationships between the early 1990s recession and now.
- In 1992 employers aggressively “cut out the dead wood” and dismantled hierarchies, removing entire layers of management never to be replaced. 27% made managers redundant and only 11% planned to recruit managers when the upturn came. Rigid role demarcations and expectations of a “job for life” broke down and the shape and structure of Britain’s workforce changed.
- In contrast, organisations in 2009 appear leaner and fitter than two decades ago. Staff cuts have been broadly equal in their effect across different levels of personnel, with less fat to cut than before. Underlying staffing structures are relatively unaffected as a result.
- Legislative changes since 1992 have had a positive impact on preventing age related discrimination. However, it appears that ageism is perceived by HR Professionals to still be prevalent in some organisations, with the threatened group changing from the ‘over 50’s’ in 1992 to those aged 18 to 24 years in this recession.
- It is the attitudes and emotions of people in work that have most changed, rather than corporate structures. The relationship between staff and management is more intelligent, informed and collaborative than in the past. Employers appreciate that people are central to their success and have made this the basis of their strategic response to this recession.

- In 2009 employers have taken care to explain and manage necessary job losses. They have focused on retaining staff, while making efficiency savings through changing working terms and conditions. Staff have accepted cuts in hours, benefits and pay in an unprecedented way.
- Nearly one in three employers (29%) has increased investment in internal communications and training in response to today's recession. A more involved staff have delivered a new and widespread spirit of co-operation. This has enabled their employers' flexible response to this recession, which bodes well for a swift initial recovery once the upturn comes.
- HR professionals and departments have grown in stature during this recession. They have been least hit of all departments, with staff decreasing in only one in six HR Departments compared to nearly one in three Administration and Operations functions. HR specialists have both led and implemented the UK's new, flexible staffing response.
- Re-emerging skills shortages are predicted to be an even bigger threat to the longer term recovery of the economy than they were after 1992. More employers plan to recruit skilled staff when the recession lifts than have let them go. While one in five employers (24%) have cut skilled staff, more than one in three (34%) plan to recruit specialists once the upturn comes.
- The critical issue of re-emerging skills shortages and the threat they pose to the upturn must be addressed. It is very concerning that this should be occurring at a time when unemployment is high and rising. To keep Britain working both business and government need to make re-tooling and re-skilling the workforce a key national priority.

If you would like more information on the [hr survey](#), a copy of the full report can be found at: <http://www.reedglobal.com/employer/kbw-report.php>

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