



**Human Assets**

## **How is the Economic Downturn Affecting Talent Management?**

### **Survey Report**

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## Survey Results

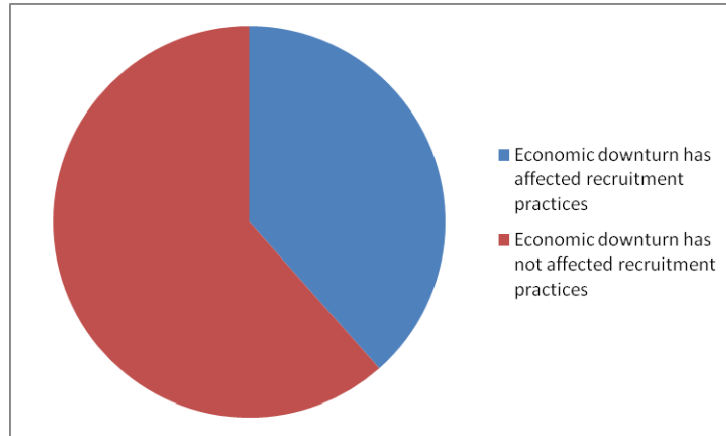
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The current economic downturn has sparked a huge amount of anxiety from employers and employees alike. Indeed, hardly a day goes by when wide-scale redundancies and rising unemployment figures are not reported in the news. Less than a month ago, a strong message from some of the UK's leading business leaders was published in an open letter appearing across the press, urging businesses not to cut costs on the development of their employees but to continue to invest to ensure long-term success. But what is the reality? What effect have UK Human Resources departments been seeing on their talent management practices, and how do they envisage the future? Human Assets surveyed 26 HR professionals across a range of organisations and sectors to find out.

### **Has the economic downturn had an effect on talent management practices?**

Exactly half of respondents reported that the economic downturn had not, in fact, had any effect on their organisations' talent management practices. Particularly, and not surprisingly, organisations from the Energy sector most often reported no current effect on talent management practices, as the sector as a whole has been doing well despite the downturn. A similar story was reported by healthcare organisations and government departments. Interestingly, only one of the five organisations from the Finance sector reported any current effects of the downturn on their talent management practices. Those who responded that talent management had been affected by the economic downturn included those from the Retail, Manufacturing and Law sectors.

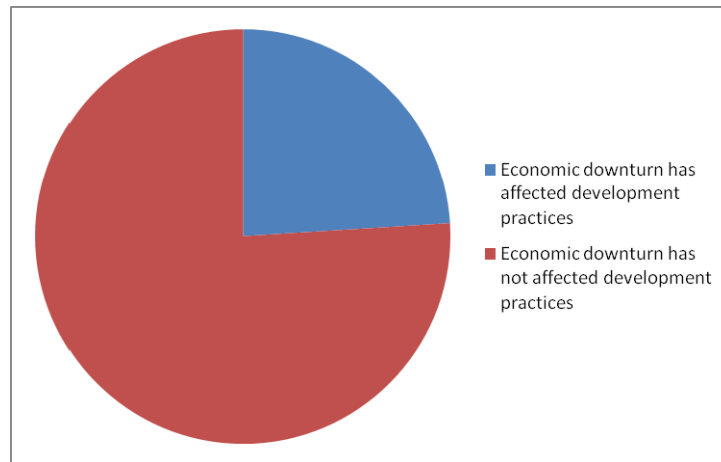
In terms of recruitment...



The majority of respondents (over 60%) reported no effect on recruitment practices in their organisations due to the economic downturn, including all respondents in the Energy, Defence and Central Government sectors. A common response for these organisations was that their recruitment budgets had not as yet been cut, as their sector in general had not been affected so much by the economic crisis. Another common response was that it was too early into the downturn for significant changes to come into effect.

Of the remaining 40% of organisations who reported the economic downturn *had* had an effect on their recruitment practices, which included all respondents from the Retail sector, a common response was that they were slowing down or reducing numbers being recruited and that they were focusing recruitment more on business-critical roles.

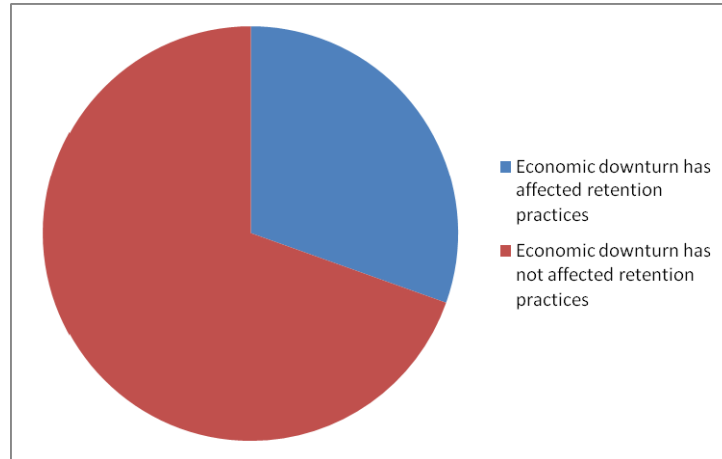
In terms of development...



An even larger majority (over 75%) reported that there had been no effect on development practices in their organisation in the light of the current economic climate. As was the case with recruitment, this included the Defence, Energy and Central Government sectors but also the Finance and Telecoms sectors. Common responses included that employees still need development regardless of the economy and that it was important to continue or even increase development in order to help retain their particularly valued current employees.

Of those organisations who had seen an effect on development in their organisations one organisation suggested that development needs now to be very targeted and focused. Interestingly, all respondents from the Consulting and Professional Services sector reported seeing an effect on development.

In terms of retention...

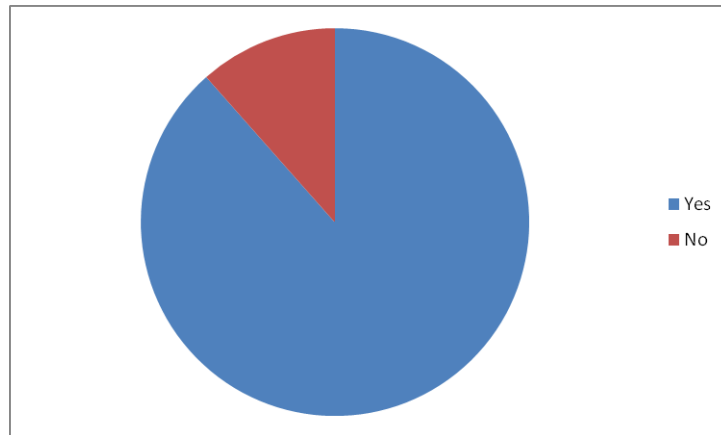


Nearly 70% of organisations surveyed reported there being no difference in their retention practices, and suggested that they were not considering redundancies at this time.

Of the remaining 30%, the change was to enhance and strengthen retention practices to ensure that their current employees stay with the organisation. As was mentioned by a few respondents, and in line with some previous comments, HR professionals seem to be noticing that employees in other organisations are far more wary of moving jobs, especially into sectors which have been hit hardest by the crisis, notably the Finance sector. This then makes replacing exiting employees very difficult as well as costly.



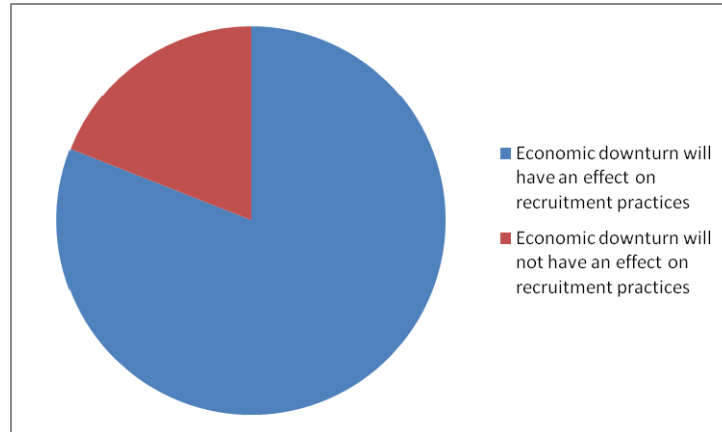
**What of the future? What is the outlook on talent management practices should the economic climate not improve?**



An overwhelming 82% of respondents said that their talent management practices would need to adapt should the economic climate not improve. One respondent explained that the structure of their organisation allowed maximum flexibility and so could cope well with market conditions. Of the remaining organisations, the vast majority reported that they thought that talent management practices in their organisations could be affected but were unsure how.

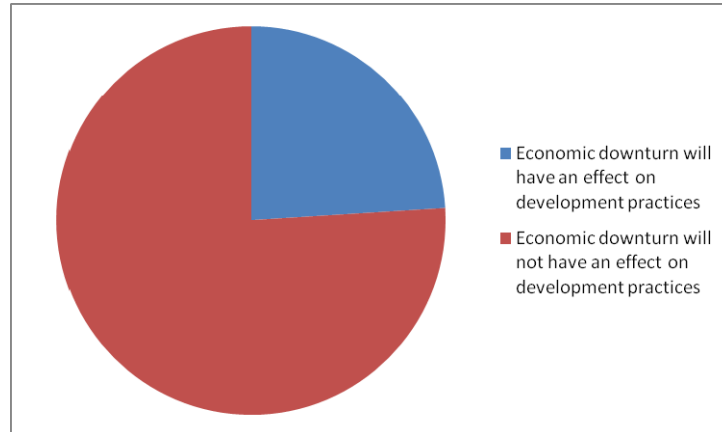


In terms of recruitment...



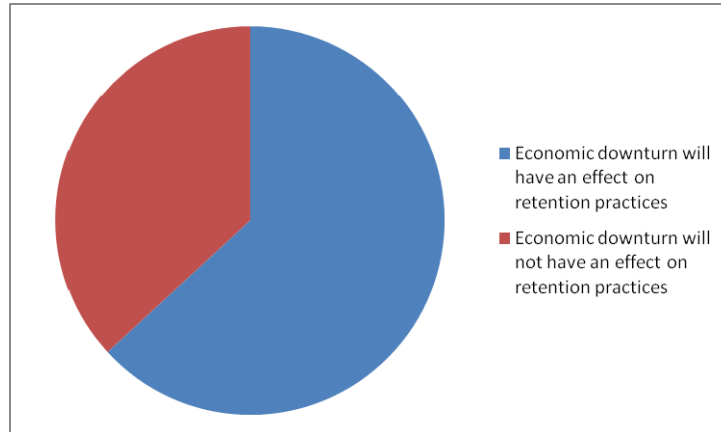
Eighty one percent of those surveyed thought recruitment could be affected in the future, including respondents from the Central Government and Telecoms sectors. Particularly mentioned was that there would need to be a cut in costs spent on recruitment, for example by reducing their use of recruitment agencies. One organisation suggested that a freeze would have to be put on recruitment if the economic situation did not improve.

In terms of development...



Fewer respondents – a comparatively low 65% (although still including the Central Government and Telecoms sectors) - thought that development practices would change in their organisation as a result of a continuing unfavourable economic climate. Of these, many were unsure of exactly how these changes would be manifested but those with a clearer idea suggested that development programmes would become more limited in scope. Those who did not feel the economic climate would have an effect on development strategy again mentioned the importance of having fully developed and engaged employees in difficult times.

In terms of retention...



Just over 60% of those surveyed thought that retention practices would be affected should the current economic situation continue or worsen. Again, few were sure how exactly this would be felt. Some predicted that employees, both internal and external to their organisation, would be less likely to want to move jobs in the future. There was no mention, however, of focusing less on retention as a result.



### **Which levels of the organisation are being and will be most affected by any changes to talent management practices?**

There was quite a range of differing responses to this question but many answered that the graduate level would be one of the hardest hit both now and in the future, should the economic situation worsen. Many felt that Junior Management would also be affected, more in the future than now, in contrast to Senior Management, where a majority felt this level is being affected more now than it would be in the future. Quite a few responses mentioned, in particular, specialist roles would be affected.



### **Are HR Professionals now facing more resistance to talent management from the rest of the business given the current economic situation?**

Interestingly, only 20% felt that they were now facing more resistance to talent management from the business, with some running up against arguments such as talent management not being relevant to the organisation. Reductions in HR departments' discretionary spend in a few cases was also reported.

### **Has the economic downturn sharpened or reduced the need for good talent management?**



No organisation surveyed reported that the need for good talent management had been reduced by the economic climate, although some (around 14%) thought that it did not make a difference. Interestingly, nearly 86% per cent thought the economic climate had sharpened the need for good talent management. Some suggested the need for more talent in the leadership pool to deal with such unforeseen events. Retention and making the most effective use of existing talent again was mentioned as something of great importance in these times.

## Conclusion

From our brief survey, it would seem as if talent management is still a primary concern for most organisations, despite the economic downturn. Indeed most respondents felt that the need for good talent management had been sharpened by the current climate. The major focus looking forward for the organisations surveyed was making the most of their current talent. Despite the fact that many felt that it is now, and will be, easier to retain employees in the future, there seems to be a recognition that merely keeping hold of employees is not enough and that engaging employees, for example through development, needs to be high on the agenda if organisations are to make the most out of their current employees.

