

# Workforce Planning in an Economic Downturn

## About the Survey

Watson Wyatt surveyed 129 North American employers in October 2008 to gain insight into their workforce planning practices. The survey results highlight the workforce challenges companies are facing and the adjustments they are making to their workforce planning programs in light of the recent events in the economy and financial markets. A more complete analysis of the results will be published in early 2009.

## Executive Summary

Workforce planning is a strategic response to changes in workforce demographics, business models and economic conditions – and in today's rapidly changing environment, it's more important than ever before. As companies begin to feel the effects of the economic downturn, many are ramping up their workforce planning activities. Results from Watson Wyatt's Workforce Planning Survey find that nearly a third of companies have already increased their workforce planning activity since the economic slowdown began. Notably, one in five are now replacing talent only for critical jobs, and a number of employers say they are taking action to address issues resulting from restructuring or layoffs and hiring freezes.

## Key Findings

- A large majority of companies report that their CEO (85 percent) and senior managers (74 percent) are concerned about their workforce planning issues.
- Most companies cite attracting critical-skill employees (77 percent) and top-performing employees (60 percent) as key workforce planning challenges.
- About half of the surveyed employers are scaling back their hiring efforts, but most are still replacing talent for critical jobs.
- Forty-two percent of surveyed employers are taking action to address workforce planning challenges caused by restructuring, and 20 percent are taking steps to deal with workforce issues resulting from layoffs or hiring freezes.
- Forty percent of companies believe workforce planning has become more important to their organization's business success since the economic slowdown began, and 31 percent say they have already increased their workforce planning activity.

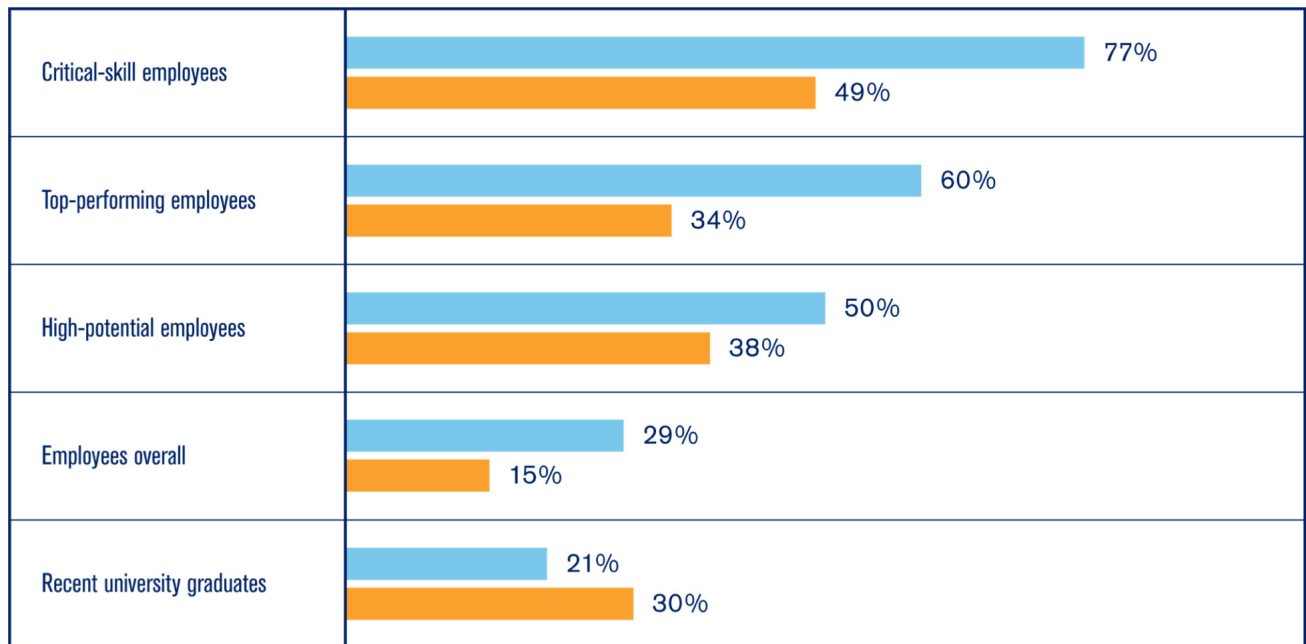
**Facing challenging conditions, senior managers are concerned about their organizations' workforce planning issues.**

**Figure 1** | At my organization, the following groups are concerned about our workforce planning issues:

HR leaders	94%
CEO	85%
Senior managers	74%
Board of directors	69%

A key concern is the scarcity of critical talent. Despite current conditions, companies are still struggling to attract critical-skill and top-performing employees. Perhaps not surprisingly, retaining employees in this environment is less challenging than attracting them.

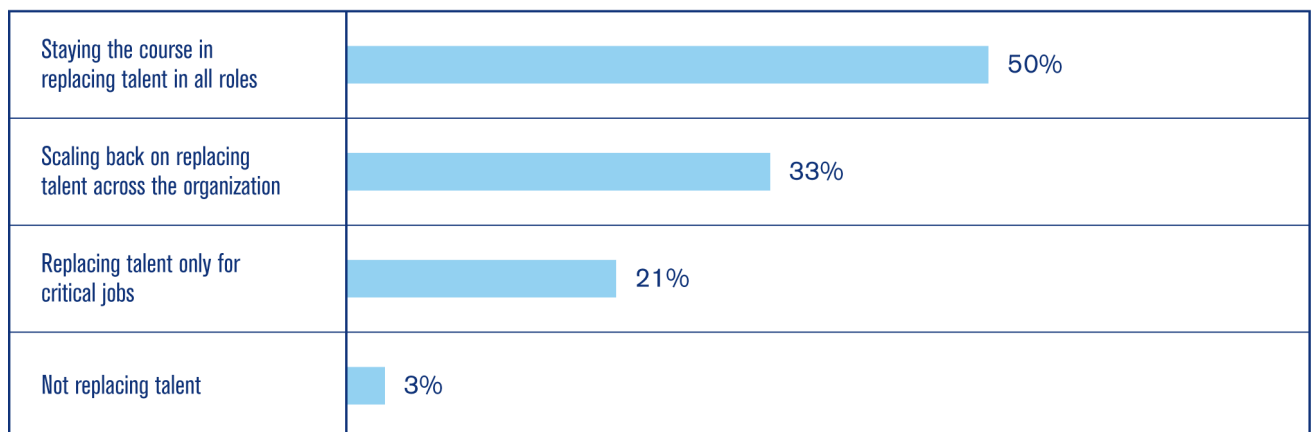
**Figure 2** | My organization is having challenges attracting/retaining the following groups:



■ Problems attracting ■ Problems retaining

While about half of the surveyed employers are scaling back their hiring efforts, most are still replacing critical talent.

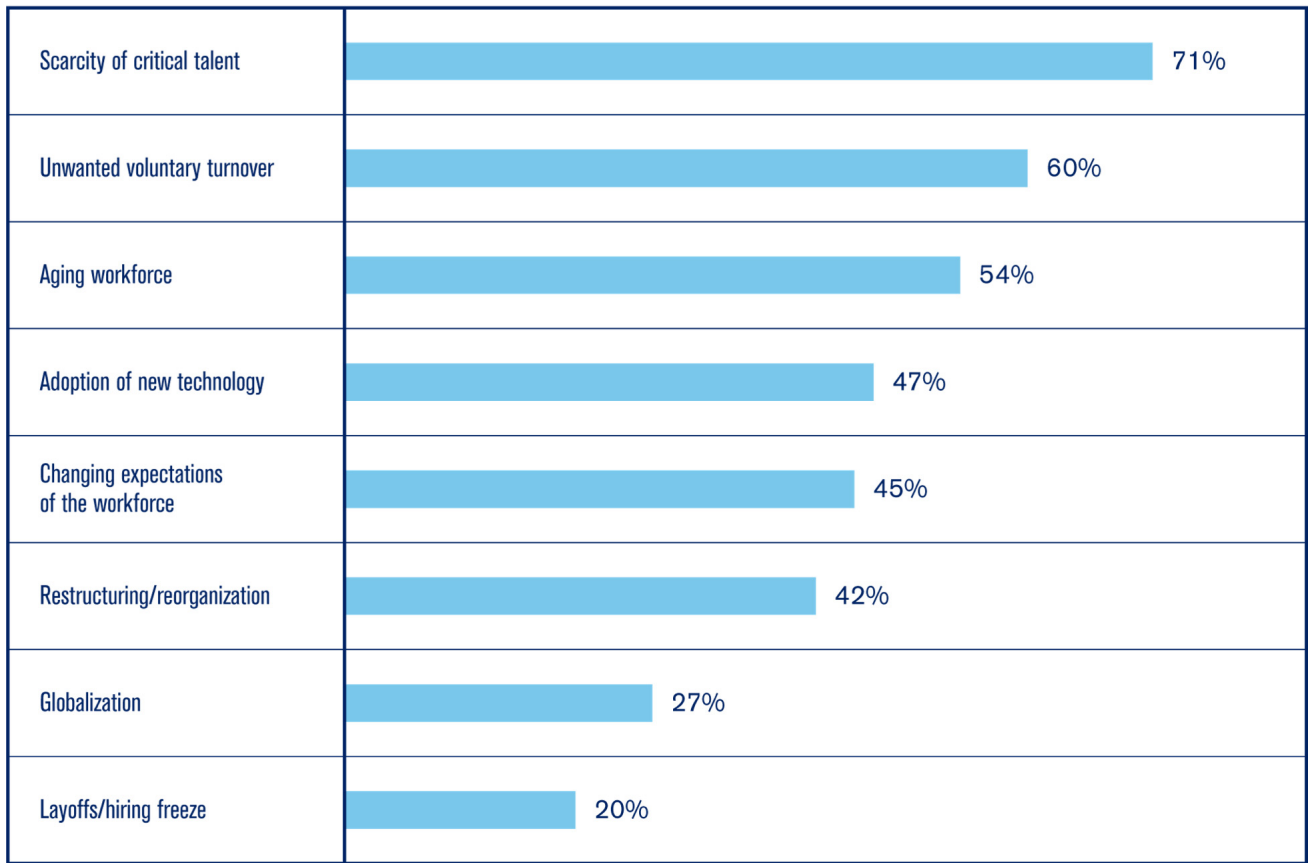
**Figure 3** | Given the current economic uncertainty, we are taking the following workforce planning actions:



Note: Percentages do not add up to 100 percent because some companies are scaling back on replacing talent across the organization except for replacing talent in critical jobs.

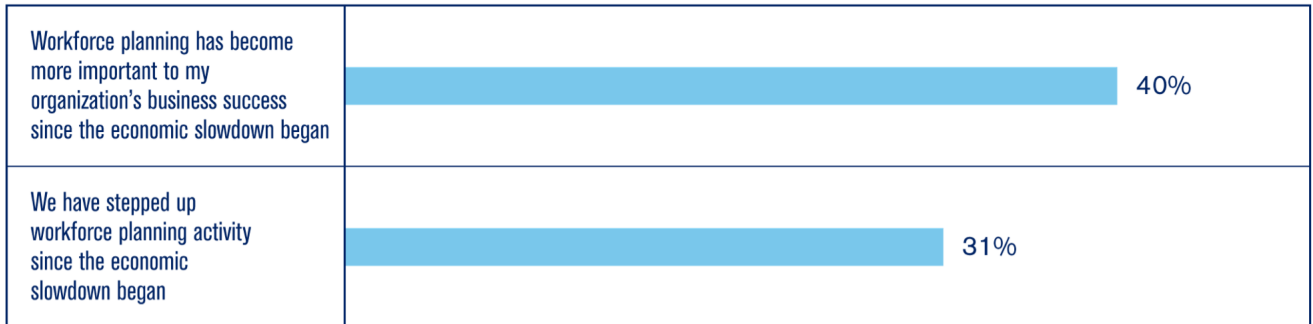
While addressing critical talent shortages remains employers' top concern, a number of companies are taking steps to address workforce issues resulting from restructuring or layoffs and hiring freezes.

**Figure 4** | My organization is taking action to address the workforce planning challenges caused by the following:



As economic conditions create considerable workforce challenges for employers, companies are placing increased focus on strategic workforce planning.

Figure 5 | Do you agree with the following statements?



### Conclusion

The full impact of the financial crisis has not yet been felt. As companies experience its effects over the coming months, they will need to do more with less. It will be even more critical that the right people are in the right roles to support the business during these challenging times.

We are seeing a number of companies take quick action. But as companies respond to pressures to cut short-term costs, it is important to also consider the implications of these measures on a firm's future workforce needs. HR will need to provide senior management with the data and decision support tools needed to implement strategies that effectively balance short- and long-term priorities. Workforce planning activity and its importance as a strategic business activity will only continue to grow over time.

## About Watson Wyatt Worldwide

Watson Wyatt is the trusted business partner to the world's leading organizations on people and financial issues.

Our client relationships, many spanning decades, define who we are. They are shaped by a deep understanding of our clients' needs, a collaborative working style and a firm-wide commitment to service excellence.

Our consultants bring fresh thinking to client issues, along with the experience and research to know what really works. They deliver practical, evidence-based solutions that are tailored to your organization's culture and goals.

With 7,600 associates in 32 countries, our global services include:

- Managing the cost and effectiveness of employee benefit programs
- Developing attraction, retention and reward strategies that help create competitive advantage
- Advising pension plan sponsors and other institutions on optimal investment strategies
- Providing strategic and financial advice to insurance and financial services companies
- Delivering related technology, outsourcing and data services

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**For more information** on strategic workforce planning, call Watson Wyatt at 800.388.9868 or visit [watsonwyatt.com](http://watsonwyatt.com).