

At a Glance

A quarter of responding companies believe their results have already “bottomed out” and an additional 11 per cent believe they are currently at the bottom.

Respondents feel that the legacy of the economic crisis will be higher employee stress levels and employees working past their retirement age, and reduced salary increases and organizational staff sizes.

Almost half of Canadian respondents (48 per cent) have not made or expect to make any layoffs,

Effect of the Economic Crisis on HR Programs

Canadian edition – June 2009

About the Survey

In early June 2009, Watson Wyatt surveyed a broad cross-section of 92 Canadian-based organizations to understand what adjustments they have made to their HR programs in light of the economic crisis (e.g., staffing, pay, benefits) – and whether and when they will reverse any cuts/changes as the economy improves.

Executive Summary

Canadian companies are starting to look ahead to the end of the current recession. The survey found that almost half of the respondents feel the recession will be over in the next 12 months.

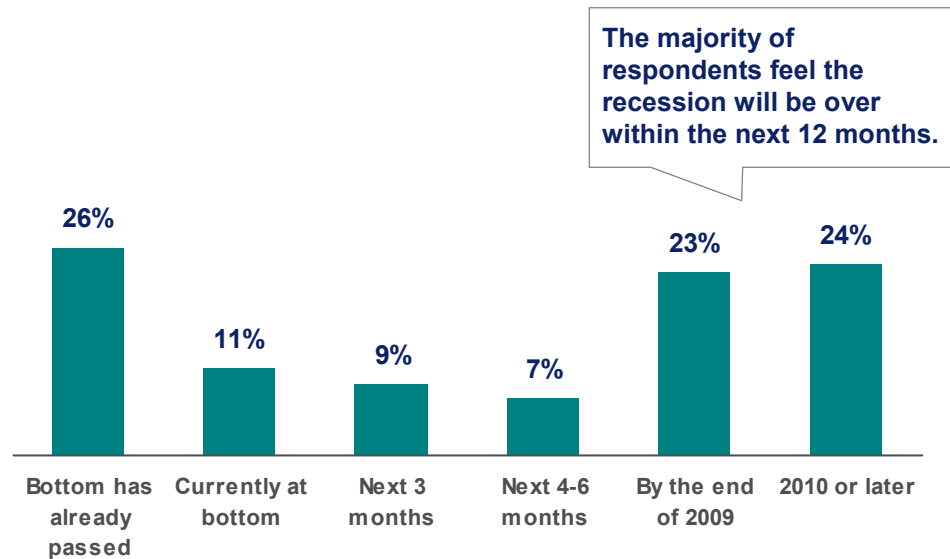
Many Canadian companies have generally been more cautious when making changes or cuts to HR programs than their U.S. counterparts. Hiring freezes (53%), and salary freezes (44%) will be reversed for most companies that instituted them. Sixty-two per cent of Canadian respondents indicated that they have not implemented and do not plan to implement an organization-wide restructuring, compared with only 34 per cent of U.S. respondents.

Key Findings

- Almost half of responding companies expect their company's results will begin to improve by the end of 2009 and into 2010.
- Actions companies have already taken and do not plan to take in the next 12 months include hiring freezes (38 per cent), layoffs (27 per cent), salary freezes (26 per cent), training (19 per cent) and travel restrictions (45 per cent).
- The median merit increase budget for 2009 is 2.5 per cent, and respondents expect a decrease to 2 per cent in 2010.
- In the long term, 57 per cent of companies surveyed expect to see higher employee stress as a result of the economic crisis, and 55 per cent expect employees to work past their desired retirement age.
- The majority of respondents have not seen an increase in their casual absence, short-term disability and/or long-term disability rates in the last six months compared to the same period in the previous year (51 per cent, 53 per cent and 67 percent respectively).

The majority of respondents feel their company's results have bottomed out and expect the recession to improve by 2010.

Figure 1 | With regard to the recession, when do you think your company's results will "bottom out" and begin to improve?



The majority of Canadian companies are not planning additional changes to their HR programs.

Figure 2 | Given the recent events in the economic environment, what changes do you expect to make?

Actions	Planning change in next 12 months				Not planning change			
	Have already made change and expect to do so again		Have not made change yet but expect to in next 12 months		Have already made change and do not expect to make further changes		No changes made or expected	
	Canada	US	Canada	US	Canada	US	Canada	US
Layoffs/reductions in force	20%	31%	6%	4%	27%	39%	48%	25%
Organization-wide restructuring	14%	20%	11%	10%	13%	27%	62%	43%
Salary freeze	9%	16%	6%	3%	26%	43%	59%	39%
Salary reductions	2%	1%	2%	2%	1%	12%	94%	86%
Reduced workweek	2%	10%	9%	5%	4%	8%	84%	77%

Many companies that have made changes to their HR programs are planning to reinstate them within the next 12 months.

Figure 3 | If you have made changes, when do you expect to reverse/reinstate the changes?

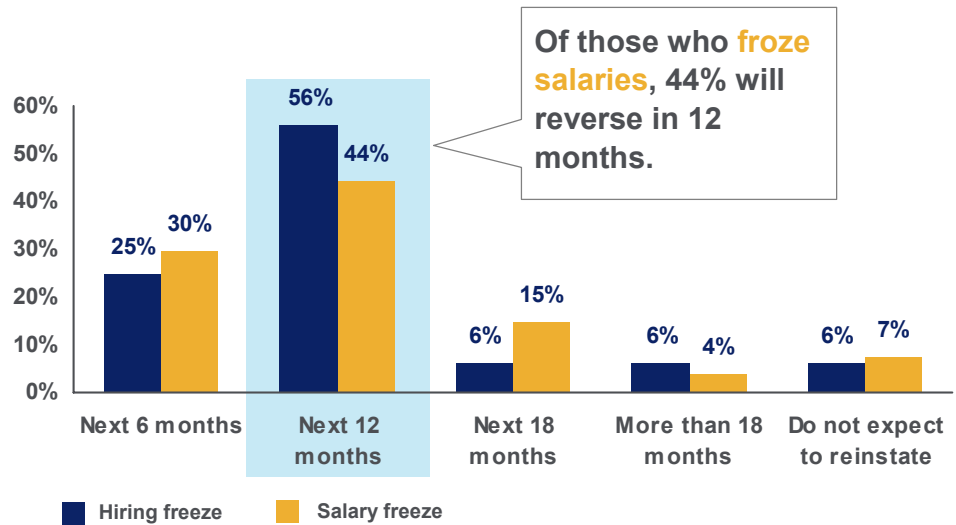
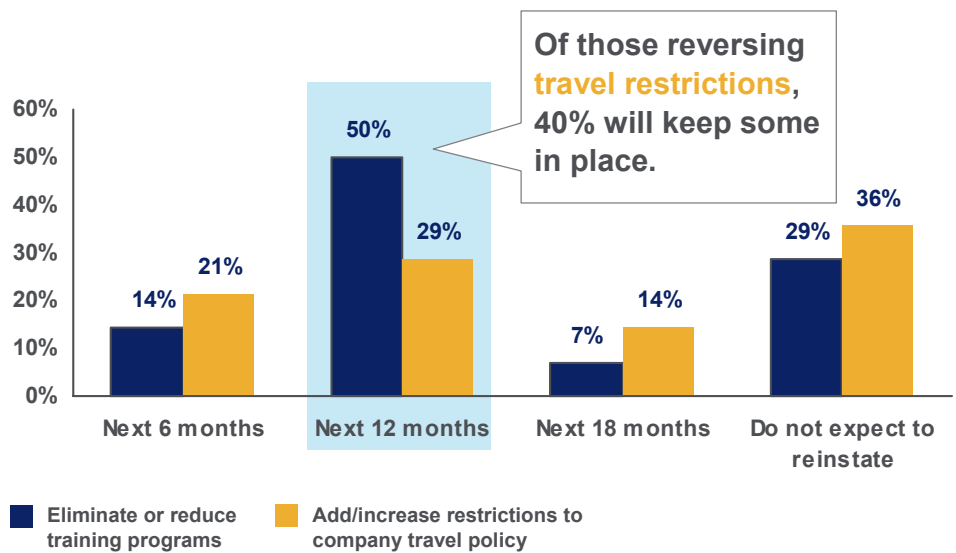
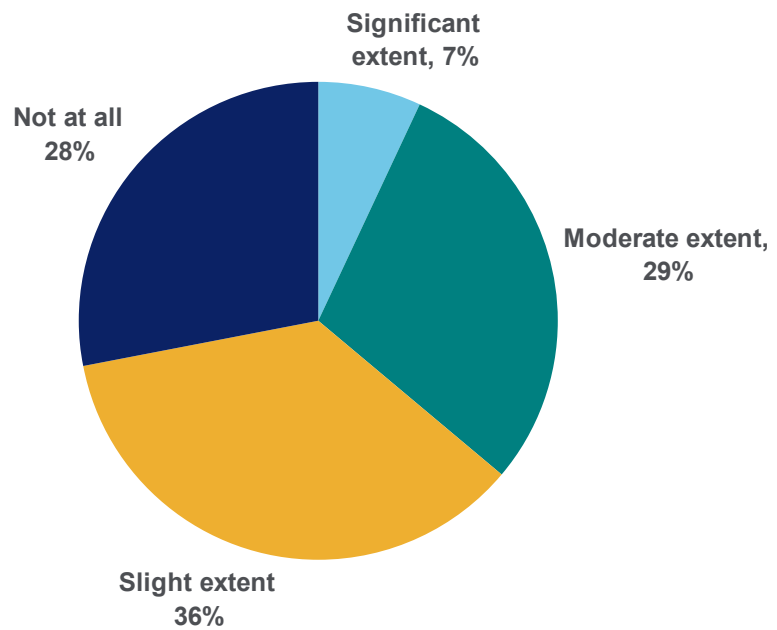


Figure 4 | If you have made changes, when do you expect to reverse/reinstate the changes?



The changes made by Canadian companies were not significant enough to erode their employee value proposition (EVP).

Figure 5 | To what extent do you believe the changes you have made to your HR programs due to the economic crisis have modified your EVP?



Companies expect increased incidence of employee stress, employees working past their retirement age, reduced salaries and reduced organizational staff size in the aftermath of the economic crisis.

Figure 6 | Long-term changes companies expect as a consequence of the economic crisis

	Percentage
Higher employee stress	57%
Employees working past their retirement age	55%
Reduced salary increases	54%
Reduced organizational staff sizes	54%
Higher employee productivity	20%
Reduced concern about attracting critical-skill employees	11%
Reduced retirement programs	10%
Reduced concern about retaining critical-skill employees	9%
Reduced health care programs	9%

Demographics

Of the 92 organizations who completed the survey:

- 51 per cent are for-profit, publicly traded companies; 27 per cent are for-profit, private companies; 9 per cent are not-for-profit organizations; 13 per cent are government organizations.
- Participants are spread among industries. The industries with the most participants are financial services and manufacturing.



Conclusion

While many Canadian employers feel the worst of the current downturn is behind them, and are looking to reinstate changes they made to their HR programs fairly quickly, they acknowledge the actions taken during the crisis will have long-lasting consequences.

The legacy of the current recession is expected to be smaller workforces, more employees working past their ideal retirement age and higher incidences of employee stress. Companies will need to formulate a plan for managing these new realities in order to stay productive and competitive.

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For more information on research and analysis related to the economic crisis, call your Watson Wyatt consultant or visit watsonwyatt.com.