



Gainfully Employed Or Not? Where Are We Post GFC?

Stonewater Consulting Group (SCG) considers the post-GFC landscape in Australia and asks "which candidates came out winners"?

Just over one year ago, the "Group of 20" meeting in London ended with a grand declaration of unity in the face of the global financial crisis. Underpinning this triumph was a denouncing of free-market thinking, greed, and self-regulation. British Prime Minister Gordon Brown joined Kevin Rudd in pinning the crisis on "wild corporate cowboy behaviour" and dramatically the business world shifted their attention from growth to survival. Inevitably, one of the survival strategies high on the priority list and implemented with an almost religious fervour was "organisational restructure". A year later, we wonder: did it work and what was the outcome?

Changing a company's organizational structure is a tool that many businesses employed during the GFC to improve their company's performance. But recent research by Bain & Co suggests that most of these reorganizations accomplished very little. Some even made matters worse. With the obvious knee jerk reaction to use restructure as the tool for the GFC solution, Bain & Co found that 4 breakdowns commonly occurred, which only served to deepen the crisis rather than act as a solution. These were (or are):

- **Decision ambiguity** — nobody is quite sure who should play what role in major decisions. So no one makes a decision. Or else multiple people assume the role of "decider" and work at cross purposes.
- **Data dysfunction** — the information needed to support major decisions isn't available at the right time or in the right form. So people are left trying to make decisions in the dark, or else they're swamped with more data than they can possibly decipher and use.
- **Process paralysis** — no one is clear on how important decisions will be made. Too much time is devoted to unnecessary analysis or, worse yet, too little time is spent on analysis and the wrong decision is made.
- **Talent deficiency** — positions with major impacts on decisions aren't held by people with the necessary experience and competencies. Some of the right people aren't even on the bus, and others are in the wrong seats.

Each of these breakdowns can and do have a dramatic negative effect on a company's performance. Nevertheless, it seems the GFC has profoundly affected HR practices and talent management in organisations both across Australia and on a global basis. However, whilst downsizing has been popular, even though it's a difficult decision for most companies, the numbers suggest that it's not the best solution for the challenge at hand. Not surprisingly, maximizing value from the current workforce is considered one of the best solutions amongst human capital commentators and is advocated by the Harvard Business Review amongst others.

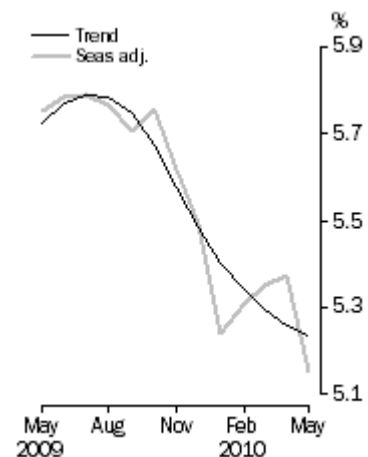
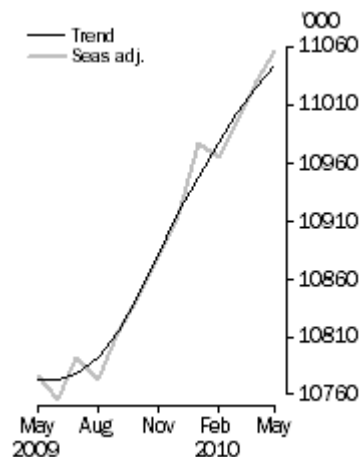


Should I Stay Or Should I Go?

A local survey by CMG Consulting has shown that in Australia one in three candidates for a new job has been affected, directly or indirectly, by redundancy, and many workers may have to make adjustments to find or keep a job. The survey shows that many workers are living in a state of fear about their job security. Interestingly, the research also found that 76% of those candidates who had remained in their jobs, but who had seen fellow workers lose theirs, will be looking for new opportunities as soon as the market picks up. The majority of them attributed the decision to stay to the 'current economic climate'. In other words, it's only fear that's keeping them in their current roles.

So what does this mean? Are we now living in "job short" times? If people have been let go, does it follow that we are now talent rich? In fact, so rich that we have talented individuals "on the sidelines" who can't find a job. These two seemingly paradoxical conditions may exist because many of the jobs of the post GFC era require skills that the current workforce just doesn't possess. This structural mismatch will be difficult to overcome, even in a climate of growth, but the reality is painful in both directions — for companies looking for the talent required to grow and, of course, for the individuals struggling to find jobs in a shrinking pool.

According to the Australian Bureau of Statistics, May 2010 employment figures read rather well for the candidate. The unemployment figure has dropped to 5.2% and employment has increased to over 11 million.





Heather Ridout, Chief Executive of The Australian Industry Group, understands this juxtaposition and believes that the issue isn't unemployment. Far from it. She is concerned with addressing the ever increasing skills gap that threatens to halt Australia's position as one of the most resilient economies to emerge post GFC.

"Despite unemployment figures, we cannot afford to take our foot off the pedal in addressing the skills gap in Australia. As soon as labour market conditions improve skill shortages re-emerge with a vengeance, especially given our ageing workforce. It will bring with it all the familiar pressures on our ability to have the skills we need to sustain investment and growth. Indeed, we need to avoid the mistakes of past downturns where training was seriously neglected and businesses need to be positioned to emerge with the skilled workers they need to take advantage of the recovery." Mrs Ridout said.

Where There's A Need There's A Way

Not surprisingly, amongst the candidates who are in greatest demand at the moment are those who have skills in risk mitigation, analysis, internal strategy and consulting, transformation and change management, procurement and improving profitability and productivity. In addition, organisations are looking for people who have experienced previous downturns. It is, of course, prudent to hire such experience into a business when times dictate, but increased productivity flowing from enhanced skills and training will be vital if a company is to emerge from the economic slowdown with a more skilled workforce that is able to compete globally.

So for the candidate that has been using his or her time out of the work force to productively gain further education, training or work skills there is light at the end of the tunnel. There is no question that we have witnessed one of the most serious economic crises of the modern era and subsequently companies have focused on survival, which invariably meant cutting costs and a moratorium on hiring. But if history is any guide, once the upheaval subsides, hiring quickly becomes a front-burner issue.

Consider the period following September 11, 2001, when the economic outlook looked to be in dire straits. In rapid succession, the U.S. went to war with Afghanistan and then Iraq, Enron fell apart and other corporate scandals ensued, and then the SARS scare struck Asia. It followed that the economy was in recession, and firms looked to rationalize and cut costs. But even before things turned a corner in 2003, the smarter and abler companies—having cleaned house and discovered what was missing from their talent pools—took advantage of the buyer's market and began staffing for the future. By June 2003, the war for talent was on again in full force, and companies hired aggressively until the economy went into a tailspin in 2008.



History Will Show Us The Way

It's highly likely that history will repeat itself. Even now research suggests that most global companies are running into staffing problems in emerging markets, and they are also having a difficult time finding talented younger managers to replace baby boom retirees. These problems will be made all the worse because hiring and retention practices through the GFC were haphazard at best and ineffective at worst.

One might be tempted to excuse the behaviours of some executives. You might say that any leader faced with a global financial crisis is entitled to allow "employee value propositions" and "employee engagement" to fall to the bottom of their priority list. But history shows such thinking to be fraught with dangers. Whatever the future brings, firms that learn to hire talent and retain it successfully will have a distinct advantage in the years ahead.

As for the candidate, one could argue that those who retained their jobs during the GFC may well have come off poorer for the trouble. Many of the "gainfully employed" have had pay reviews and bonuses put on hold. They have seen their employers' appetite to invest in them (via training, up-skilling, sponsored MBAs, etc) dwindle. On the other side of the equation, CPI (the Consumer Price Index) has gone up by 3% from 2009 figures and interest rates have increased six times since October 2009, taking the official RBA rate to 4.50%.

The Verdict

In a nutshell, for the main part pay conditions at work have stayed the same (and in some cases deteriorated), whilst the cost of living has increased. In other words, you may have held on to your job, but you are worse off for doing so! It seems an unlikely scenario and yet that's where much of corporate Australia currently finds itself.

So it's no wonder that up to 95 percent of Australian employees are planning to jump ship in the new financial year and look for a new job. According to the aforementioned CMG research, of those candidates that were surveyed, 95 percent are looking for work, of which 73 percent are actively looking and 22 percent are passive or open to offers, with most candidates (57 percent) optimistic they will find a role in the next three months. There's no doubt from these figures that the economic woes of 2009 has left much of the work force feeling tired and disillusioned.

Which begs the question, "who really were the winners through the GFC"? Was it those candidates who stayed employed (and ended up worse off through the process)? Or was it the candidate that used his or her time off to re-train, up-skill, take some time out, re-energize and come back into the market at a premium now that the war for talent is increasingly taking hold (again)? Time will tell.