

Businesses prepare for a recession



By [Lyndy van den Barselaar](#)

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On the back of two tough years, fraught with instability and insecurity, businesses around the world are bracing for another difficult year with a global recession on the cards for 2023. With economies shrinking and consumers tightening their purse strings, businesses are going to have to make difficult decisions to curb the impact of the recession on their bottom line. Cost cutting will be top of mind and may also lead to the downscaling of hiring initiatives in anticipation of slow to no market growth, driving recruitment freezes and possibly even resulting in retrenchments.



Lyndy van den Barselaar, MD at ManpowerGroup SA

With this in mind, the human resources department will have a busy, challenging year ahead as the attention turns to it to make decisions around the downsizing of the company, determining which positions the company can do without, while optimising staff levels and managing employment costs.

With this in mind, we anticipate the following trends to unfold in 2023.

Staff cuts are a likely reality

Although companies may still be recovering from the impact of the great resignation, they will be under pressure to cut costs ahead of the recession in 2023. As such, staff retrenchments may be one of the options available to many organisations across the globe that are feeling the pinch to survive the recession.

As South African businesses generally operate on quite a lean staff contingency, with employees often performing various roles rather than a single job function, it will be a struggle to reduce staff numbers further to cut costs. As such, fewer people are likely to face recession but will be faced with other cost-cutting challenges such as lower to no staff increases or bonuses, which will impact staff morale and job satisfaction as employees have to cut costs at home.

Addressing the skills shortage remains a priority

While companies cut back on hiring new staff in response to the recession, there will continue to be high demand for scarce skills. However, as skilled people have been moving for pay rises, salaries for certain skills are out of proportion as

companies throw money at the available scarce talent.

To counter this, companies need to start focusing on upskilling staff with the introduction of grow academies. While many companies understand this is necessary, they do not want to wait for the skills and build the talent pool that they need, but rather want to find the skills quickly.

However, companies need to adopt a long-term view if they are to find the talent they need in the long term.

Employee coaching on the rise

On the back of reduced recruitment figures and a possible increase in retrenchments, we are likely to see an increase in employee coaching as employees that stay behind will need coaching to provide the necessary support and development, increase employee engagement and improve employee morale to see the year through.

At the same time, the employees that are retrenched will need access to coaching to empower them to move forward and find new opportunities. They may also need guidance and assistance in how to find a new job or start a company as they come to terms with their retrenchment.

Although the impact of the recession cannot be avoided entirely, companies should put measures in place now to curb the impact on their business by cutting costs where possible. This includes stopping all business travel and unnecessary expenses. With employees expected to continue to work from home or adopt a hybrid approach in 2023, companies stand to benefit by cutting down on office space and saving money on rental fees.

Following the recent great resignation, employees are going to be unsettled yet again. Companies and HR teams need to focus on the employee experience and help to keep employees settled and motivated if they are to be stable and overcome the challenges of 2023.

ABOUT LYNDY VAN DEN BARSELAAR

Lyndy van den Barselaar is the MD of Manpower Group South Africa.
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