

THE IMPACT OF THE RECESSION ON EMPLOYERS

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OVERVIEW OF FINDINGS

We all know that the recession has taken a severe toll on employers and on their human resource practices and policies, but no one has been quite sure how severe. Families and Work Institute's new nationally representative study of 400 employers reveals that two thirds (66%) of employers have suffered declining revenues over the past year, with another 28% reporting that the revenues have held more or less steady. Only 6% have experienced growth.

Employers have had to respond and most (77%) have done so by finding ways to cut or control costs. Among those that have seen their revenues decline, nine in ten have turned to cost-cutting measures—most frequently decreasing or eliminating bonuses, eliminating salary increases, laying off employees and instituting hiring freezes. Layoffs are, in fact, commonplace, as we know from monthly unemployment figures from the U.S. Department of Labor, Bureau of Labor Statistics. In fact, 64% of the employers needing to turn to cost-cutting strategies have reduced the number of employees on their payrolls.

Despite this very bad news, it does appear that that between 34% to 44% of employers are trying to help employees manage the recession—they help employees who have been laid-off find jobs, they help employees manage their own finances more effectively and they connect them to publicly funded benefits and services.

There has been a great deal of debate about what is happening with flexibility during the recession. Since many employers saw flexibility tied to improving retention,¹ would they reduce the workplace flexibility they offer during times of layoffs?

The answer is a resounding no. Most employers are either maintaining the workplace flexibility they offer (81%) or increasing it (13%) during the recession. Perhaps they view flexibility as affecting employee engagement, or perhaps they want to focus on retaining the key employees who remain. While more than a quarter (28%) have turned to involuntary reduction in hours, a comparable percentage (29%) have used voluntary reductions in hours. And perhaps surprisingly, 57% report giving employees some or a lot of say about the schedules they now work.

We know from national unemployment figures that more men than women have lost jobs in the recession, and this study similarly finds that men are more likely than women to work for employers that have laid off employees. But the differences don't stop there—men are also more likely to work for employers that have reduced working hours, changed the scheduling of work hours and reduced salaries.

In addition, employees from for-profit firms are at greater risk of negative financial outcomes during the recession than those at nonprofits. Beyond these findings, there are fewer major differences than expected among employers with varying employee populations in how they are handling the recession, including those with more hourly employees or more unionized employees. Although our most recent study of employers found that small and large employers were equally flexible,² this study now finds that large employers are more likely (25%) than small employers (12%) to have increased flexible work options such as flexible schedules and flexible workplace options because of the recession.

INTRODUCTION

Economic recessions are associated with significant revenue and earnings declines for most employers, and, consequently, with higher rates of unemployment and underemployment for American employees—as well with as other changes in life on the job.

In order to better understand the impact of the current recession on the U.S. labor force and on employers, the Families and Work Institute (FWI) surveyed a random sample of U.S. employers with 50 or more employees in May of 2009. Please see the information in Research Design and Methodology on page 25 for a description of the study design and implementation.

Although the popular media has addressed this issue at some length in recent months, the information presented has been largely anecdotal or based on surveys of specific populations, such as consultants surveying their clients or membership organizations surveying their members. It is important to move beyond speculation to see how a nationally representative sample of employers is dealing with the recession and its impact on its human resource policies and practices. That is the purpose of this study.

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STUDY QUESTIONS

This study is designed to address the following questions among a nationally representative sample of U.S. employers with 50 or more employees:

1. What percentage of employers have taken steps to reduce labor and operational costs in the past 12 months?
2. Among these, what specific cost reduction strategies have they used?
3. What are employers doing to help employees deal with the recession?
4. What is happening with workplace flexibility during the recession?
5. Do the strategies employers use for dealing with the recession differ for employers that have larger proportions of women or men; of hourly or salaried employees; of unionized or non-unionized employees? Do they differ for employers that are nonprofit or for-profit? And do they differ for employers of various sizes?
6. What are employers doing that they think would serve as useful examples for other employers? Throughout the report, we include employers' responses to this open-ended question.

OVERALL FINDINGS

Table 1 addresses the first two study questions—the percentage of employers that have taken steps to reduce labor and operational costs in the past 12 months and the specific cost reduction strategies they have used.

The most obvious indication of the recession's impact on employers is that two thirds (66%) of employers report that their revenues declined in the past 12 months.

- In addition, 28% of employers say revenues remained at approximately the same level, while only 6% report higher revenues.

Most employers (77%) have made some effort to reduce or control costs during the recession.

- Among employers that have experienced lower revenues, 90% have taken steps to reduce labor and operational costs versus 50% of other employers.

In response to our open-ended question about promising practices, some employers reported that they have turned to their employees for suggestions on cost-cutting measures. These include informal requests to more formal procedures:

We generated a cost-savings program where employees submitted cost-saving ideas—the implementing of employees' ideas is going to save a lot of money.

We have organized an active cost committee that is made up of administration and laborers that have meetings once a month and make recommendations.

Decreasing or eliminating bonuses, eliminating salary increases, laying off employees and instituting hiring freezes are the most frequent strategies employers have used to control costs.

As can be seen in Table 1, among those employers that implement cost-saving strategies, 69% have decreased or eliminated bonuses and salary increases; 64% have laid off employees to reduce costs; 61% have implemented a hiring freeze; and 57% have eliminated all travel that is not essential to their businesses.

Other strategies have been used much less frequently, though some of these other strategies to reduce costs may have actually saved jobs—for example, reductions in hours to lower labor costs, increased telecommuting to save on occupancy costs and increased use of compressed workweeks.

In their comments, employers describe some of these practices:

We've had employees go a week a month without working and without pay, and we do this on a revolving basis throughout the location or department. It has worked well to share the pain and maintain morale.

The biggest [strategy] is using compressed workweeks, because it doesn't have an impact on employees' wages, but has an impact on operational costs.

We reduced working hours. That was our biggest cost-saving strategy. Our employees and unions supported that choice.

Table 1: What have employers done to reduce costs during the past 12 months?

Reduction of costs during recession	% of employers
Employer has taken at least one step to reduce labor and operational costs in the past 12 months	77%

Among those employers who have taken steps to reduce labor and operational costs in the past 12 months (maximum N=304), what proportion have used each strategy

1. Decreasing/eliminating bonuses and salary increases	69%
2. Layoffs	64%
3. Hiring freeze	61%
4. Eliminating all travel that is not essential to business	57%
5. Freezing promotions	35%
6. Reducing health care benefits or increasing employee costs	29%
7. <u>Voluntary</u> reductions in hours	29%
8. <u>Involuntary</u> reductions in hours	28%
9. Reducing salaries/wages	27%
10. Increasing use of compressed workweeks	22%
11. Reducing employer contributions to 401(k) or 403(b) plans	21%
12. Increasing telecommuting to save on occupancy costs	19%
13. Hiring workers who earn less	13%
14. Outsourcing work or moving employees into contract work	11%
15. Reducing sick time	8%
16. Offering buyouts or other inducements for early retirement	7%
17. Encouraging phased retirement by working reduced hours	7%
18. Reducing paid vacation time	7%
19. Eliminating the legacy costs of a defined-benefit pension	4%
20. Eliminating health care benefits for retirees	2%

Table 2 addresses the third study question: what are employers doing to help employees deal with the recession? We see such initiatives as having the potential to help employees and employers alike. For example, by reducing stress, health care costs could go down; by treating employees with respect, helping them manage the recession, giving them input and providing them with flexibility to meet personal or family needs, employee engagement could increase.

Between 34% to 44% of employers are helping their employees weather the recession by helping those who have been laid off find other work, providing information on how to manage their own finances and connecting them to publicly funded benefits and services.

Among employers that have laid off employees, 43% have provided them with help to find other work and/or manage this transition. One employer says:

On a fairly personal level, I would like to say that the Human Resources departments work rather closely with former employees to update résumés, remarket their skills and basically just help them get re-employed. It's not a formal program, but we work very hard at it.

More than one third of employers communicate about the financial situation of their organization very often, and another 41% do so somewhat often. An employer says:

We have board meetings twice per month, and we have an open door policy. Communication is the key—to be available to listen to employees and their concerns.

Additionally, more than one third of employers (34%) report providing special support to help employees manage their own financial situations. This includes helping employees deal with their own finances more effectively in the downturn:

We have a financial advisor who we make available to our employees. He actually comes into our office which makes it more convenient to our employees.

We use our EAP provider to provide financial counseling and assistance that we use to assist employees with their finances. We do this both because of the economic crisis and as a benefit to our employees. [In addition], a group of other businesses in the area has identified resources that are available in the community. When a local business is in need, this is a way we have used to become proactive—to assist those who may become victims of the current financial situation.

Employers also provide help in managing stress:

We have a motivated association program concerned with stress. It is directed to employees that have financial stress, family stress.

And companies report helping others in their community who need assistance:

We have made donations for clothes, toys and food for people in the community, for people in need. We're having a big garage sale and will donate in the community.

Employer efforts to refer low-income employees to public programs are not new or necessarily related to the current recession. Indeed, there have been various public, NGO and private employer

initiatives addressing this issue in recent years in response to the fact that even in the best of times, various public programs (e.g. EITC, child care subsidies, free tax preparation, SCHIP) are under-utilized by those who are eligible and could benefit from them. We find that more than two in five employers nationally (44%) are currently making some effort to encourage employee enrollment in public programs or to connect employees to community services.

Table 2: Specific steps taken by employers to support employees

Specific steps by employers to support employees	Overall % of employers
Among those employers that have laid off employees: Do you provide any assistance to employees who have been laid off to help them find other work or to manage this transition? (N=192)	
Yes	43%
No	37
All employers: How often do you communicate with your employees about the financial situation of your organization? (N=398)	
Very often	34%
Somewhat often	41
Not often	25
All employers: Are you providing any special support to employees to help them manage their own financial situations during this recession? (N=396)	
Yes	34%
No	66
All employers: Do you make a special effort to inform employees or laid-off employees who are potentially eligible for publicly funded benefits or services about the availability of these benefits and services? (N=383)	
Yes	44%
No	36

A very large majority of employers is either maintaining the workplace flexibility they offer (81%) or increasing it (13%) during the recession.

Table 3 addresses the fourth study question: what is happening with workplace flexibility during the recession?

- Among employers that have encouraged employees to choose flexible work arrangements (telecommuting, compressed workweeks, voluntary reduced hours and phased retirement), the majority (57%) of employers give employees a great deal or some input into decisions about using those arrangements.
- Among employers that have implemented reduced work hours—both mandatory and voluntary—to reduce costs, a large majority (83%) have maintained the same level of benefits for employees.
- In addition, fully 81% of employers have maintained existing flexible work options during the recession and 13% have actually increased those options, while 6% have reduce them.
- Finally, 26% of employers have specifically used flexible workplace options to minimize the need for layoffs.

Table 3: Workplace flexibility during the recession

Flexible workplace options during the recession	Overall % of employers
Among those employers that have encouraged flexible work arrangements (telecommuting, compressed workweeks, voluntary reduced hours, phased retirement): How much input or choice have employees had about working under the flexible arrangements now in place? (N=156)	
A lot/Some	57%
Not much/None	44
Among those employers that relied upon reduced work hours (phased retirement, voluntary part time, and mandatory part time): Do you still provide the same level of benefits to employees who work reduced hours? (N=134)	
Yes	83%
No	18
All employers: Have you reduced, maintained or increased flexible work options such as flexible schedules or flexible workplace options because of the current economic downturn? (N=375)	
Reduced	6%
Maintained	81
Increased	13
All employers: Have you used flexible workplace options to minimize the need to lay off employees? (N=394)	
Yes	26%
No	74

Although we didn't ask about this in our survey, some employers report that they have tried to find ways to improve morale and to bring fun into the workplace during these trying times:

We've just incorporated incentives—games to increase morale when the employees go above and beyond. [These are] low-cost or non-monetary incentives.

We're looking at creative ways to have fun in the workplace at low cost. These include secret pal, potlucks, raffles, fund drives, etc.

Employers who report helping their employees manage the recession make statements such as this one:

Don't impair your most important asset—your human asset.

HOW HAVE EMPLOYERS WITH DIFFERENT CHARACTERISTICS RESPONDED TO THE RECESSION?

In the remainder of the report, we address the fifth study question: do the strategies employers use for dealing with the recession differ for employers that have larger proportions of women or men; of hourly or salaried employees; of unionized or non-unionized employees? Do they differ for employers that are nonprofit or for-profit? And do they differ for employers of various sizes?

EMPLOYERS THAT DIFFER IN THE PROPORTION OF WOMEN AND MEN

Men have been disproportionately affected by the recession. They are more likely than women to work for employers that have laid off employees, reduced working hours, changed the scheduling of work hours and reduced salaries.

As shown in Table 4, employers with larger proportions of men than women on the payroll are more likely to have taken steps to reduce costs (80% versus 69%). Specifically:

- Employers with more men on the payroll are more likely to have laid off employees (71% versus 50%). Regarding layoffs, unemployment rates for men have exceeded those for women since the beginning of the recession. In May of 2009, when this survey was conducted, the unemployment rate for men was 9.8% versus 7.5% for women.³ Men, of course, are more likely to be employed in goods-producing industries where job losses have been the greatest.
- Employers with more men on the payroll are more likely to have frozen promotions (39% versus 26%) as well as to have required employees to work reduced hours (35% versus 17%), which typically means lower wages. National statistics from the U.S. Department of Labor also show that men are more likely to be working reduced hours today (under 35 hours a week) than in the past—up from 9.5% in 2007 to 10.2% in 2008. In contrast, women's level has remained stable—23.5% in 2007 and 23.6% in 2008.⁴
- In addition, employers with more men on the payroll rely more heavily on compressed work-weeks (27% versus 15%) to control costs.
- In contrast—although the numbers are quite small, employers with more women on the payroll are more likely (6% versus 1%) to have eliminated health care benefits for retirees. This action has significant implications not only for retirees, but for those nearing retirement as well, especially women since they live longer than men on average and tend to have fewer financial resources.

Table 4: How have employers' strategies to reduce costs in response to the current recession varied in relation to the proportion of women employees?

Strategy to reduce cost	Overall %	Women < 50%	Women 50% +	Sig.
Have taken any steps to reduce costs	77%	80%	69%	*
1. Decreasing/eliminating bonuses and salary increases	69%			ns
2. Layoffs	64%	71%	50%	***
3. Hiring freeze	61%			ns
4. Eliminating all travel that is not essential to business	57%			ns
5. Freezing promotions	35%	39%	26%	*
6. Reducing health care benefits or increasing employee costs	29%			ns
7. <u>Voluntary</u> reductions in hours	29%			ns
8. <u>Involuntary</u> reductions in hours	28%	35%	17%	**
9. Reducing salaries/wages	27%			ns
10. Increasing use of compressed workweeks	22%	26%	15%	*
11. Reducing employer contributions to 401(k) or 403(b) plans	21%			ns
12. Increasing telecommuting to save on occupancy costs	19%			ns
13. Hiring workers who earn less	13%			ns
14. Outsourcing work or moving employees into contract work	11%			ns
15. Reducing sick time	8%			ns
16. Offering buyouts or other inducements for early retirement	7%			ns
17. Encouraging phased retirement by working reduced hours	7%			ns
18. Reducing paid vacation time	7%			ns
19. Eliminating the legacy costs of a defined-benefit pension	4%			ns
20. Eliminating health care benefits for retirees	2%	1%	6%	*

Employers with a larger proportion of women than men are more likely to communicate about the organizations' financial situation and to connect employees to publicly funded benefits and services.

Table 5 details how employers that vary in the proportion of women to men help employees manage the recession.

- Employers with more women on the payroll than men are more likely to inform employees or laid-off employees who are potentially eligible for publicly funded benefits or services about the availability of these benefits and services (51% versus 40%). This may be because women are more likely to earn lower wages and to live in low-income families than men and to be single parents.⁵
- Employers where half or more of the employees are women are also more likely to keep the employees informed about the financial situation of the organization.

Table 5: Specific steps taken by employers to support employees employees that vary in proportion of women to men employees

Specific steps by employers to support employees	Overall %	Women < 50%	Women 50%+	Sig.
Among those employers that have laid off employees: Do you provide any assistance to employees who have been laid off to help them find other work or to manage this transition? (N=192) Yes No	43% 56			ns
All employers: How often do you communicate with your employees about the financial situation of your organization? (N=398) Very often Somewhat often Not often	34% 41 25	28% 43 28	43% 36 21	**
All employers: Are you providing any special support to employees to help them manage their own financial situations during this recession? (N=396) Yes No	34% 66			ns
All employers: Do you make a special effort to inform employees or laid-off employees who are potentially eligible for publicly funded benefits or services about the availability of these benefits and services? (N=383) Yes No	44% 36	40% 60	51% 49	*

As shown in Table 6, there are no statistically significant differences in how employers with higher proportions of women versus men are using workplace flexibility during the recession.

Table 6: Workplace flexibility during the recession among employers that vary in proportion of women to men employees

Flexible workplace options during the recession	Overall %	Women < 50%	Women 50%+	Sig.
Among those employers that have encouraged flexible work arrangements (telecommuting, compressed workweeks, voluntary reduced hours, phased retirement): How much input or choice have employees had about working under the flexible arrangements now in place? (N=156) A lot/Some Not much/None	57% 44			ns
Among those employers that relied upon reduced work hours (phased retirement, voluntary part time and mandatory part time): Do you still provide the same level of benefits to employees who work reduced hours? (N=134) Yes No	83% 18			ns
All employers: Have you reduced, maintained or increased flexible work options such as flexible schedules or flexible workplace options because of the current economic downturn? (N=375) Reduced Maintained Increased	6% 81 13			ns
All employers: Have you used flexible workplace options to minimize the need to lay off employees? (N=394) Yes No	26% 74			ns

EMPLOYERS THAT DIFFER IN THE PROPORTION OF HOURLY EMPLOYEES

There are few differences between employers with larger or smaller proportions of hourly employees in how they control costs during the recession—only two differences were found. Employers where more than half of the workforce is hourly are more likely to have reduced health care coverage or to require larger co-pays, and they are more likely to call for voluntary reductions in hours.

Table 7 compares the strategies for cost controls used by employers with larger and smaller proportions of hourly employees during the recession:

- Employers with more hourly employees on the payroll are more likely to have reduced health care benefits or increased cost sharing by employees, by way of higher premiums (33% versus 22%).
- Employers with more hourly employees are also more likely to rely upon “voluntary reductions in hours” to control costs. Voluntary part-time work is the most common arrangement. Whether employees have truly free choice—uninfluenced by their employers—cannot be determined with certainty from our data.

Table 7: How have employers' strategies to reduce costs in response to the current recession varied in relation to the proportion of hourly employees?

Strategy to reduce cost	Overall %	Hourly ≤ 50%	Hourly > 50%	Sig.
Have taken any steps to reduce costs	77%			ns
1. Decreasing/eliminating bonuses and salary increases	69%			ns
2. Layoffs	64%			ns
3. Hiring freeze	61%			ns
4. Eliminating all travel that is not essential to business	57%			ns
5. Freezing promotions	35%			ns
6. Reducing health care benefits or increasing employee costs	29%	22%	33%	*
7. <u>Voluntary</u> reductions in hours	29%	21%	34%	*
8. <u>Involuntary</u> reductions in hours	28%			ns
9. Reducing salaries/wages	27%			ns
10. Increasing use of compressed workweeks	22%			ns
11. Reducing employer contributions to 401(k) or 403(b) plans	21%			ns
12. Increasing telecommuting to save on occupancy costs	19%			ns
13. Hiring workers who earn less	13%			ns
14. Outsourcing work or moving employees into contract work	11%			ns
15. Reducing sick time	8%			ns
16. Offering buyouts or other inducements for early retirement	7%			ns
17. Encouraging phased retirement by working reduced hours	7%			ns
18. Reducing paid vacation time	7%			ns
19. Eliminating the legacy costs of a defined-benefit pension	4%			ns
20. Eliminating health care benefits for retirees	2%			ns

As shown in Table 8, there is only one difference between employers with a higher versus a lower proportion of hourly employees.

By a large margin, salaried employees are more likely than hourly employees (55% versus 36%) to receive help finding other work and to manage the transition when laid off.

Table 8: Specific steps by employers to support employees that vary in proportion of hourly employees

Specific steps by employers to support employees	Overall %	Hourly ≤ 50%	Hourly > 50%	Sig.
Among those employers that have laid off employees: Do you provide any assistance to employees who have been laid off to help them find other work or to manage this transition? (N=192)				*
Yes	43%	55%	36%	
No	56	45	64	
All employers: How often do you communicate with your employees about the financial situation of your organization? (N=398)				ns
Very often	34%			
Somewhat often	41			
Not often	25			
All employers: Are you providing any special support to employees to help them manage their own financial situations during this recession? (N=396)				ns
Yes	34%			
No	66			
All employers: Do you make a special effort to inform employees or laid-off employees who are potentially eligible for publicly funded benefits or services about the availability of these benefits and services? (N=383)				ns
Yes	44%			
No	36			

Employers with a larger percentage of hourly employees on the payroll are more likely to have used flexible workplace options to minimize the need to lay off employees (30% versus 20%).

Thus, although employers with more hourly employees are less likely to provide help to employees who have been laid off, they are more likely to have taken steps to reduce the need for layoffs.

Table 9: Workplace flexibility during the recession among employers that vary in the proportion of hourly employees

Flexible workplace options during the recession	Overall %	Hourly <= 50%	Hourly > 50%	Sig.
Among those employers that have 'encouraged' flexible work arrangements (telecommuting, compressed workweeks, voluntary reduced hours, phased retirement): How much input or choice have employees had about working under the flexible arrangements now in place? (N=156) A lot/Some Not much/None	57% 44			ns
Among those employers that relied upon reduced work hours (phased retirement, voluntary part time and mandatory part time): Do you still provide the same level of benefits to employees who work reduced hours? (N=134) Yes No	83% 18			ns
All employers: Have you reduced, maintained or increased flexible work options such as flexible schedules or flexible workplace options because of the current economic downturn? (N=375) Reduced Maintained Increased	6% 81 13			ns
All employers: Have you used flexible workplace options to minimize the need to lay off employees? (N=394) Yes No	26% 74	20% 80	30% 70	*

EMPLOYERS THAT DIFFER IN THE PROPORTION OF UNIONIZED EMPLOYEES

The proportion of unionized employees in the U.S. workforce has decreased significantly in recent years. Consequently, there are relatively few employers with large proportions of unionized employees on the payroll. Indeed, 88% of employers have fewer than 25% of employees who belong to a union. Since that was the lowest percentage group in our measured distribution, we compare employers with fewer than 25% unionized employees with those that have more.

There is only one difference in the cost control strategies used by employers with more and fewer union employees on the payroll: offering buyouts for early retirement.

- As shown in Table 10, 18% of employers with 25% or more union employees have offered buyouts or other inducements for early retirement versus 6% of other employers.

Table 10: How have employers' strategies to reduce costs in response to the current recession varied in relation to the proportion of unionized employees employees?

Strategy to reduce cost	Overall %	Union <25%	Union 25%+	Sig.
Have taken any steps to reduce costs	77%			ns
1. Decreasing/eliminating bonuses and salary increases	69%			ns
2. Layoffs	64%			ns
3. Hiring freeze	61%			ns
4. Eliminating all travel that is not essential to business	57%			ns
5. Freezing promotions	35%			ns
6. Reducing health care benefits or increasing employee costs	29%			ns
7. <u>Voluntary</u> reductions in hours	29%			ns
8. <u>Involuntary</u> reductions in hours	28%			ns
9. Reducing salaries/wages	27%			ns
10. Increasing use of compressed workweeks	22%			ns
11. Reducing employer contributions to 401(k) or 403(b) plans	21%			ns
12. Increasing telecommuting to save on occupancy costs	19%			ns
13. Hiring employees who earn less	13%			ns
14. Outsourcing work or moving employees into contract work	11%			ns
15. Reducing sick time	8%			ns
16. Offering buyouts or other inducements for early retirement	7%	6%	18%	**
17. Encouraging phased retirement by working reduced hours	7%			ns
18. Reducing paid vacation time	7%			ns
19. Eliminating the legacy costs of a defined-benefit pension	4%			ns
20. Eliminating health care benefits for retirees	2%			ns

There are no differences between employers with higher proportions and a lower proportion of unionized employees in their specific efforts to support employees during the recession, as shown in Table 11.

Table 11: Specific steps taken by employers to support employees that vary in proportion of unionized employees

Specific steps by employers to support employees	Overall %	Union <25%	Union 25%+	Sig.
Among those employers that have laid off employees: Do you provide any assistance to employees who have been laid off to help them find other work or to manage this transition? (N=192) Yes No	43% 56			ns
All employers: How often do you communicate with your employees about the financial situation of your organization? (N=398) Very often Somewhat often Not often	34% 41 25			ns
All employers: Are you providing any special support to employees to help them manage their own financial situations during this recession? (N=396) Yes No	34% 66			ns
All employers: Do you make a special effort to inform employees or laid-off employees who are potentially eligible for publicly funded benefits or services about the availability of these benefits and services? (N=383) Yes No	44% 36			ns

Only one significant difference is shown in Table 12:

- Employers with more unionized employees on the payroll are more likely to have reduced flexible work options and less likely to have increased them because of the recession.

Table 12: Workplace flexibility during the recession among employers that vary in proportion of unionized employees

Flexible workplace options during the recession	Overall %	Union <25%	Union 25%+	Sig.
Among those employers that have 'encouraged' flexible work arrangements (telecommuting, compressed workweeks, voluntary reduced hours, phased retirement): How much input or choice have employees had about working under the flexible arrangements now in place? (N=156) A lot/Some Not much/None	57% 44			ns
Among those employers that relied upon reduced work hours (phased retirement, voluntary part time and mandatory part time): Do you still provide the same level of benefits to employees who work reduced hours? (N=134) Yes No	83% 18			ns
All employers: Have you reduced, maintained or increased flexible work options such as flexible schedules or flexible workplace options because of the current economic downturn? (N=375) Reduced Maintained Increased	6% 81 13	6% 80 13	11% 85 4	*
All employers: Have you used flexible workplace options to minimize the need to lay off employees? (N=394) Yes No	26% 74			ns

NONPROFIT VERSUS FOR-PROFIT ORGANIZATIONS

Employees at for-profit firms are at greater risk of negative financial outcomes during the recession than are employees at nonprofits.

As shown in Table 13, for-profit employers are much more likely (71% versus 54%) to report lower revenues during the previous 12 months. So not surprisingly, they are much more likely (82%) to have taken some steps to reduce costs during the recession than nonprofit employers (63%). The extent of this difference is, however, unexpected since donations to nonprofits are reported to be decreasing, costs have risen and endowments have declined.⁶

- For-profit employers are more likely (74%) than nonprofit employers (54%) to have decreased or eliminated bonuses and salary increases.
- For-profit employers are much more likely to lay off employees (70% versus 43%).
- For-profit employers are more likely to reduce contributions to retirement plans (25% versus 10%).

Table 13: How have employers' strategies to reduce costs in response to the current recession varied in relation to their nonprofit or for-profit status?

Strategy to reduce cost	Overall %	Nonprofit	For-Profit	Sig.
Have taken any steps to reduce costs	77%	63%	82%	***
1. Decreasing/eliminating bonuses and salary increases	69%	54%	74%	**
2. Layoffs	64%	43%	70%	***
3. Hiring freeze	61%			ns
4. Eliminating all travel that is not essential to business	57%			ns
5. Freezing promotions	35%			ns
6. Reducing health care benefits or increasing employee costs	29%			ns
7. <u>Voluntary</u> reductions in hours	29%			ns
8. <u>Involuntary</u> reductions in hours	28%			ns
9. Reducing salaries/wages	27%			ns
10. Increasing use of compressed workweeks	22%			ns
11. Reducing employer contributions to 401(k) or 403(b) plans	21%	10%	25%	**
12. Increasing telecommuting to save on occupancy costs	19%			ns
13. Hiring employees who earn less	13%			ns
14. Outsourcing work or moving employees into contract work	11%			ns
15. Reducing sick time	8%			ns
16. Offering buyouts or other inducements for early retirement	7%			ns
17. Encouraging phased retirement by working reduced hours	7%			ns
18. Reducing paid vacation time	7%			ns
19. Eliminating the legacy costs of a defined-benefit pension	4%			ns
20. Eliminating health care benefits for retirees	2%			ns

In addition, nonprofit employers are more likely (44%) than for-profit employers (30%) to help employees manage their own financial situations during the recession, as shown in Table 14. Helping their own employees may be an extension of their missions for a number of nonprofits—to help those in need.

Table 14: Specific steps taken by employers to support employees that vary in relation to their nonprofit or for-profit status

Specific steps by employers to support employees	Overall %	Nonprofit	For-Profit	Sig.
Among those employers that have laid off employees: Do you provide any assistance to employees who have been laid off to help them find other work or to manage this transition? (N=192) Yes No	43% 56			ns
All employers: How often do you communicate with your employees about the financial situation of your organization? (N=398) Very often Somewhat often Not often	34% 41 25			ns
All employers: Are you providing any special support to employees to help them manage their own financial situations during this recession? (N=396) Yes No	34% 66	44% 56	30% 71	**
All employers: Do you make a special effort to inform employees or laid-off employees who are potentially eligible for publicly funded benefits or services about the availability of these benefits and services? (N=383) Yes No	44% 36			ns

We found no significant differences between nonprofit and for-profit employers in the use of flexible workplace options, as shown in Table 15.

Table 15: Workplace flexibility during the recession among nonprofit and for-profit employers

Flexible workplace options during the recession	Overall %	Nonprofit	For-Profit	Sig.
Among those employers that have 'encouraged' flexible work arrangements (telecommuting, compressed workweeks, voluntary reduced hours, phased retirement): How much input or choice have employees had about working under the flexible arrangements now in place? (N=156) A lot/Some Not much/None	57% 44			ns
Among those employers that relied upon reduced work hours (phased retirement, voluntary part time and mandatory part time): Do you still provide the same level of benefits to employees who work reduced hours? (N=134) Yes No	83% 18			ns
All employers: Have you reduced, maintained or increased flexible work options such as flexible schedules or flexible workplace options because of the current economic downturn? (N=375) Reduced Maintained Increased	6% 81 13			ns
All employers: Have you used flexible workplace options to minimize the need to lay off employees? (N=394) Yes No	26% 74			ns

EMPLOYERS THAT DIFFER IN SIZE

When analyzing employer size as an independent variable, it is unnecessary to weight sample data for size of employer as is done elsewhere in this report. Thus, we use unweighted sample data giving us roughly equal numbers of employers in each size category: 50 – 99, 100 – 999 and 1,000 or more.

To simplify the presentation and interpretation of employer-size comparisons, we exclude medium-size employers (100 – 999) from the comparisons reported below, comparing only employers with fewer than 100 employees (small) and those with 1,000 or more employees (large). Generally, the responses of medium-size employers fall between those of small and large.

Three significant differences are reported in Table 16:

- Large employers are more likely (68%) than small employers (51%) to eliminate all travel that is not directly related to doing business. Employers with 1,000 or more employees are more likely to have employees as well as clients in a variety of locations and are, thus, affected to a greater extent than small employers by travel expenses.
- Large employers are more likely (33% versus 13%) to have increased telecommuting to reduce occupancy costs.
- Large employers are more likely (17% versus 3%) to offer buyouts or other inducements for early retirement.

Table 16: How have employers' strategies to reduce costs in response to the current recession varied in relation to their employee size?

Strategy to reduce cost	Overall %	<100 employees	1000+ employees	Sig.
Have taken any steps to reduce costs	77%			ns
1. Decreasing/eliminating bonuses and salary increases	69%			ns
2. Layoffs	64%			ns
3. Hiring freeze	61%			ns
4. Eliminating all travel that is not essential to business	57%	51%	68%	*
5. Freezing promotions	35%			ns
6. Reducing health care benefits or increasing employee costs	29%			ns
7. <u>Voluntary</u> reductions in hours	29%			ns
8. <u>Involuntary</u> reductions in hours	28%			ns
9. Reducing salaries/wages	27%			ns
10. Increasing use of compressed workweeks	22%			ns
11. Reducing employer contributions to 401(k) or 403(b) plans	21%			ns
12. Increasing telecommuting to save on occupancy costs	19%	13%	33%	**
13. Hiring employees who earn less	13%			ns
14. Outsourcing work or moving employees into contract work	11%			ns
15. Reducing sick time	8%			ns
16. Offering buyouts or other inducements for early retirement	7%	3%	17%	**
17. Encouraging phased retirement by working reduced hours	7%			ns
18. Reducing paid vacation time	7%			ns
19. Eliminating the legacy costs of a defined-benefit pension	4%			ns
20. Eliminating health care benefits for retirees	2%			ns

Large employers are more likely than small employers to provide support to employees to manage the recession.

- As shown in Table 17, large employers are much more likely (66%) than small employers (33%) to help laid-off employees find other work and to manage the transition. This difference may be explained by a number of factors. Large employers are more likely to have human resource professionals on staff who can address these issues and to have contracts with EAP vendors and other business and professional service firms that provide outplacement and counseling services. In addition, providing such services may be important to the organization's reputation in the communities where they operate and among their peers.
- Large employers are more likely (44% versus 25%) to help employees manage their own financial situations during the recession. As above, large employers typically have more resources to provide this sort of support.

Table 17: Specific steps taken by employers to support employees that vary in relation to employee size

Specific steps by employers to support employees	Overall %	<100 employees	1000+ employees	Sig.
Among those employers that have laid off employees: Do you provide any support to these employees to Do you provide any assistance to employees who have been laid off to help them find other work or to manage this transition? (N=192)				***
Yes	43%	33%	66%	
No	56	67	34	
All employers: How often do you communicate with your employees about the financial situation of your organization? (N=398)				ns
Very often	34%			
Somewhat often	41			
Not often	25			
All employers: Are you providing any special support to employees to help them manage their own financial situations during this recession? (N=396)				**
Yes	34%	25%	44%	
No	66	75	56	
All employers: Do you make a special effort to inform employees or laid-off employees who are potentially eligible for publicly funded benefits or services about the availability of these benefits and services? (N=383)				ns
Yes	44%			
No	36			

Large employers are more likely (25%) than small employers (12%) to have increased flexible work options such as flexible schedules and flexible workplace options because of the recession.

- Finally, as shown in Table 18, large employers are more likely (37%) than small employers (23%) to have used flexible workplace options to minimize the need to lay off employees.

Table 18: Workplace flexibility during the recession among employers that vary in relation to employee size

Flexible workplace options during the recession	Overall %	<100 employees	1000+ employees	Sig.
Among those employers that have 'encouraged' flexible work arrangements (telecommuting, compressed workweeks, voluntary reduced hours, phased retirement): How much input or choice have employees had about working under the flexible arrangements now in place? (N=156) A lot/Some Not much/None	57% 44			ns
Among those employers that relied upon reduced work hours (phased retirement, voluntary part time and mandatory part time): Do you still provide the same level of benefits to employees who work reduced hours? (N=134) Yes No	83% 18			ns
All employers: Have you reduced, maintained or increased flexible work options such as flexible schedules or flexible workplace options because of the current economic downturn? (N=375) Reduced Maintained Increased	6% 81 13	7% 81 12	3% 73 25	**
All employers: Have you used flexible workplace options to minimize the need to lay off employees? (N=394) Yes No	26% 74	23% 77	37% 63	*

CONCLUSION

Obviously, the impact of the recession on employers is a moving target, subject to continual change. It is our intention that this "snapshot in time"—May 2009—of a representative group of employers will provide a picture of the trends, both the negatives and the positives. This study makes it clear that employers are reducing labor and operational costs. This study also indicates that employers recognize that retaining and engaging employees are critical strategies to organizational strength during the recession and beyond.

RESEARCH DESIGN AND METHODOLOGY

Dun & Bradstreet drew a random sample of employers with 50 or more employees from its database. It's coverage of employers of this size is quite good, and we know of no other privately available database that rivals it. Harris Interactive conducted 400 20-minute telephone interviews with Directors of Human Resources or persons with primary responsibility for human resources in (mainly smaller) organizations without HR directors. Interviews were conducted in May of 2009. The response rate was 21%. The maximum sampling error (i.e., margin of error) is approximately +/- 5%.

Employer size is defined as small = 50 – 99; medium = 100 – 999; and large = 1,000 or more. Because smaller employers far outnumber larger employers in the U.S., employers were sampled to provide similar numbers in each size category to obtain reliable population estimates for employers of all sizes. Then, the proportions of employers of different sizes in the sample were weighted to their proportions in the population of employers in the U.S. (as appropriate). Only our analyses of employer size as an independent variable use unweighted sample data. The sample excludes federal, state and local government entities, including public universities. It includes, however, private nonprofit organizations.

We report absolute “differences” as statistically significant only when there is at least less than one chance in 20 ($p < .05$ or “*”) that they occurred by chance. The symbols “**” and “***” indicate that absolute differences are less likely than “one in 100” or “1 in 1,000” times, respectively, to have occurred by chance. When no significant difference (“ns”) is found among groups, the reader should assume that overall sample %s apply to the groups being compared. Only the findings from tests of *linear* relationships are reported in order to simplify interpretation and presentation.

ENDNOTES

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- 6 Salamon, L.M., Geller, S.L. and Spence, K.L. (2009) "Impact of the 2007-09 Economic Recession on Nonprofit Organizations," *Communiqué*, No.14
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