

# How Predictions of a Recession Impact Talent Strategy



As budgets tighten and leaders prepare for a possible recession, investing in the employee experience is still a high priority.

Most economists agree we're in a *weird* place right now, unsure if and when a recession might occur and what it will look like. For businesses that are trying to prepare, now appears to be the time to tighten up spending and establish a strong foundation to make it through. But what about hiring and investing in talent amid economic uncertainty? The talent market remains bullish despite the threat of a recession, so how should leaders navigate accordingly?

## How Imminent Is a Recession?

The news appears to shift on a weekly basis. [JPMorgan Chase CEO, Jamie Dimon](#), confirms there is indeed “recessionary” activity in the current landscape, stemming from some of the headlining bank failures and layoffs.

However, it’s not indicative of a recession such as the U.S. experienced in 2008. The fact is, the monthly job reports of the first quarter were highly positive, and the unemployment rate remains at a fifty-year low. Although [economists expect](#) unemployment to rise as we edge closer to a recession, the projections are still lower than other historic recessions.

With such optimistic numbers, [the result](#) is a sustained trajectory of robust consumer spending, despite inflation and rising interest rates. Together, these activities actually appear contrary to a recession. In fact, [economic forecasters at Deloitte](#) say that a recession is only 30% likely—and that it’s more probable that economic growth will simply slow to a crawl, along with job growth, spending, investments and more.

## How Economic Uncertainty Impacts Employment

Even if a recession *doesn’t* happen, there is still [a challenging landscape](#) that employers must grapple with: namely, high demand for talent, a short supply of skills, inflation-led wage increases, elevated quit rates, and shifting employee expectations. In [our recent executive survey](#), we discovered that 72% of senior leaders were considering a job change in 2023, and in many sectors, [C-suite turnover](#) is ballooning. Furthermore, in fields like technology, talent is expensive and scarce, despite the tech sector layoffs that took over headlines in late 2022 and early 2023. In fact, layoffs at companies besides these high-profile organizations [are still relatively rare](#).

And, interestingly, even if a recession *does* occur, these challenges will [likely remain](#), especially where the competition for top talent is critically high. Demographic shifts in the U.S. are largely to blame. In particular, the pandemic kickstarted many retirements, and Baby Boomers continue to age out of the workforce—especially those in executive positions who are increasingly experiencing “COVID fatigue.” At the same time, [data shows](#) that college enrollment rates are on the decline, purportedly because of ballooning tuition costs as well as the more pragmatic outlook of Gen Z compared to their predecessors. The result is decreased access to the skills companies need to lead into the future.

Additionally, despite low unemployment rates, [labor force participation is still lower](#) than pre-pandemic levels—many have left the workforce entirely, and not just because of retirement. Some of the [reasons behind the smaller work force](#)

are mostly COVID-related including: slower population growth (fueled in part by higher death rates), increased dependent care needs, higher unemployment benefits, and decreased attraction to low-paying jobs (due to inflation).

Ultimately, employers are facing tight competition for skilled professionals and leaders, and this will likely continue regardless of the foreseeable economic outlook.

### **How Leaders Are Responding**

The pandemic and post-pandemic approach to talent acquisition and retention was generous, to say the least. Unrestricted remote work opportunities, unlimited PTO, and various perks [became the norm](#) in the quest to attract and keep top talent in the face of the Great Resignation.

But as the tides change, leaders are faced with two options: take the traditional recessionary approach to right-size their workforce, freeze hiring initiatives, and dial back perks and benefits; *or* continue to invest in their people despite economic red flags.

There's no question that corporate budgets are getting tighter as companies prepare for the potential repercussions of economic turbulence. However, with the talent market equally tight, not to mention the higher expectations of today's workers, many companies may find themselves in a double-bind.

It's a contradiction that requires companies to be strategically thoughtful. [Gartner](#) recommends smart budget trade-offs, savvy talent strategies, and optimal digital investments, among other tactics. Committing to a talent-first, human-centric work model will ensure higher levels of retention, motivation, and productivity—all critical factors to sustain in the face of economic uncertainty.

[Forrester](#) is direct in saying that if a company is overly focused on a coming recession and cuts their investment in employee experience accordingly, they will pay the price. [Responding to the mixed signals](#) of the current economy requires companies to protect their business in the short-term while staying focused on long-term success. It's a tight balance.

Emerging strong from any recessionary storms that may come will depend upon prioritizing the employee experience from top-level leadership all the way down to the front lines. Hiring the right professionals with the right skills, focusing

on career and leadership development, and designing a flexible working model are three key strategies for building a resilient workforce.

At the end of the day, storm clouds are gathering. Whether or not they will wreak havoc on businesses is still unclear. Leaders who prepare by readjusting their budgets and focusing on the employee experience will be the ones to come out stronger on the other side.

How is your organization responding to projections of a recession?