



Small Business Bulletin

JANUARY 2023

Recession-proofing Strategies for Small Businesses and HR Teams

A recession is a prolonged and pervasive reduction in economic activity that can last for several months or years. Amid a recession, organizations of all sizes and sectors usually experience decreased sales and profits stemming from changing economic environments and consumer behaviors. While these behaviors can threaten the financial stability of any organization, large businesses are often better positioned to weather a recession because of their substantial revenues, excess reserves and expanded access to a wider range of credit markets. On the other hand, small businesses may be particularly vulnerable during an economic downturn, as they generally lack the additional capital necessary to offset extended periods of loss. As a result, when a recession occurs, small businesses are more likely to have to make difficult financial decisions to avoid issues such as insolvency or bankruptcy.

Although a recession can't be prevented, HR teams' strategies can greatly impact whether their organizations withstand such a downturn. Specifically, HR teams can ensure their organizations are sufficiently prepared for a recession by taking steps to limit related ramifications and maintain financial stability. To promote financial stability among their organizations during an economic downturn, HR teams should consider the following recession-proofing strategies:

- **Revisit compensation and benefits strategies.** HR teams may need to rethink how their organizations will address attraction and retention struggles, while maximizing every dollar. Recession-proof

organizations tend to develop their budgets with an eye toward the future, thus requiring HR teams to revisit compensation and benefits strategies.

- **Minimize the impact of layoffs.** Layoffs can create risks and negatively impact business operations by decreasing productivity. HR teams may be able to minimize the need for layoffs by implementing a voluntary reduction in force, slowing hiring or freezing it entirely.
- **Stay transparent.** The possibility of a recession can bring uncertainty, which could lead to employee retention and operational challenges. Creating a transparent workplace culture can help organizations limit recession-related ramifications and ease employee worries.
- **Prioritize employee engagement.** Highly engaged employees can help limit recession-related labor challenges for organizations, as they're more likely to accept negative work changes and remain loyal. By increasing engagement, HR teams can help maintain morale and productivity.
- **Manage health care costs.** As budgets shrink during a recession, finding cost-effective solutions can allow organizations to maintain affordable employee benefits.

A recession can have serious impacts on small businesses. Fortunately, by properly preparing for an economic downturn, HR teams can help their organizations be better positioned to minimize financial hardships.



5 Small Business Attraction and Retention Trends for 2023

Employers of all sizes are currently facing attraction and retention challenges. These challenges will likely continue through 2023. Successful efforts to win over employees can require a time investment and carry high costs. Unfortunately, small businesses often don't have excess resources to invest in attraction and retention efforts in today's worker-friendly labor market; however, they have the agility to respond to the employment market with new strategies. Amid current labor obstacles, many smaller employers are focusing on what's feasible in 2023.

To aid in developing effective attraction and retention strategies, small businesses can consider the following five trends for 2023:

- 1. Focusing on benefits**—Last year's labor challenges revealed how offering competitive benefits is critical when vying for talent. The importance of employee benefits is expected to increase in 2023. With the current economic downturn, small employers likely have limited funds for benefits this year. As a result, many smaller organizations are tailoring their benefits offerings to meet the specific demands of current and prospective employees, including offering nontraditional benefits (e.g., financial wellness programs and pet insurance). The best benefits offerings will vary in each organization depending on the needs of the workforce, but they can be leveraged to attract and attain the right employees.
- 2. Creating opportunities for advancement**—In 2022, many small businesses focused on upskilling employees and providing avenues for career advancement out of necessity to address their labor challenges. Creating paths for career growth has proven to be one of the most effective employee retention strategies since employees generally feel more satisfied at work when they're provided opportunities to learn new skills and gain experience. Due to the current economic uncertainty, this will remain a key attraction and retention strategy for small businesses in 2023.
- 3. Offering a flexible work environment**—Surveys overwhelmingly indicate that many employees continue to prefer flexible work options afforded to them since the outset of the COVID-19 pandemic. These offerings include work-from-home arrangements, hybrid work schedules and flexible work schedules. The feasibility of a small organization being able to offer these types of flexible arrangements will vary, but these offerings remain a priority for many workers today.
- 4. Building a strong workplace culture**—In 2023, more employees are prioritizing working for organizations with a strong culture. Even if resources are limited, small employers can foster a desirable workplace. A strong and healthy workplace culture can help retain employees and, in turn, create an environment that's attractive to prospective employees. This may include training managers to identify employee burnout, designate fair workloads, be transparent about pay and create an inclusive environment.
- 5. Improving employee recognition**—Many employers prioritized employee recognition programs, such as celebrating anniversaries and milestones, to improve retention rates in 2022. These programs allow organizations not only to celebrate outstanding employees but also to signal to others that their hard work doesn't go unnoticed. As these efforts don't carry high costs, they'll be an effective retention strategy for small businesses in 2023.

Like most organizations, small employers face a set of challenges with attracting and retaining the employees they need in 2023. Fortunately, small businesses have the ability to stay agile and should consider what strategies they can leverage to compete in today's labor market.

Reach out to Canary/Blomstrom Insurance Agency, Inc. to learn more about these trends.