

2009 – HR WILL PLAY A BIG ROLE (AGAIN)

In our corresponding article in January 2008, there was mounting evidence going into the new year that people issues and the role that HR plays would be critical. Never before had there been such strong awareness among CEOs of top tier companies that people issues would play a significant role in the year ahead. For a whole range of different reasons, the role that HR plays in 2009 will also be critical to businesses across all industries.

CEOs make their voice heard – people costs

In its annual CEO survey published in the 30th of December edition, The Australian Financial Review asked 34 CEOs from a range of Australia's top companies to voice their candid opinions on the year ahead.

When asked, "What are the biggest cost pressures you will face in the next year and how are you planning to deal with them?" the CEOs clearly emphasized that their staffing costs were the major issue along with credit costs. To emphasise how the markets have changed, CEOs answered the same question last year by saying they were focused on how to attract and keep top staff.

The 2008 AFR survey clearly indicated that many CEOs were grappling with the challenge of how to attract staff in a competitive global environment. In stark contrast, the 2009 survey shows that companies from a wide range of industries such as retail, banks, insurance, consumer discretionary and staples, industrials, resources, telecommunications, property and energy are looking to reduce their people costs and make improvements in productivity as their main focus.

John Grill from Worley Parsons was typical of CEOs surveyed this year, and said, "people are our biggest cost and our focus is on productivity". In contrast, last year, there were comments like "ensuring we compete for top talent is a constant challenge" from Greg Clarke of Lend Lease.

In the current environment, there will be substantial changes in an organisation's people mix, structure and work practices. HR will be at the forefront of the management of this change in good quality companies. There will be plenty of opportunities for HR professionals to add value to those change processes.

Other human capital matters at the forefront

Remuneration - The stock market's rapid decline and the associated disintegration of share holder value has brought into crystal clear focus the issues related to executive compensation. The January 10 edition of the AFR had one issue on its front page – "pay for performance". It read "this year's burning issue – is the boss paid too much?". The front page went onto to say "shareholders are furious about paying salaries that appear to reward failure."

CEOs are paid 1000 times more than the average production worker in the US, and since 2001 the average CEO remuneration in Australia has increased over 210%. The question of CEO remuneration is certainly a headline issue.

So while executive pay levels will be under scrutiny, an even bigger question for HR professionals will be the design of variable pay programs. As the AFR clearly stated, "an even more fundamental and profound question is whether the structure of executive pay is actually destructive."

High quality remuneration advice from the external market will be critical but there will be a significant volume of remuneration work in 2009 for HR professionals in corporate organisations.

Industrial relations – Once again, using the AFR as a reference to reflect business sentiment, the first regular edition of 2009 on the 5th of January was full of HR issues. The main headline stated, "Business braces for wages battle". While the downturn in the economy will keep a lid on wage increases, there are over 5000 enterprise agreements up for renegotiation this year along with the introduction of the Fair Work Bill.

HR professionals will need to think through the implications of the new bill, particularly the new 'right to entry' provisions. Additionally, there is always an increase in union membership in an environment where job security is a concern.

Safety and workplace health – Job security concerns and personal financial stress will be the major health and safety issues. There will be a special role that HR can play to help management identify and support employees who are starting to come undone by personal and work stress. Empathy, compassion and proactivity will have a role in 2009 as well.

HR in 2009 – what's in store for HR professionals?

As always, the HR recruitment market will reflect the overall trends in the broader employment market, but for those already in roles there will be rich and sometimes difficult work ahead. It is a time when HR can step up to the plate and make a real difference.

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