

THREAT or Opportunity?

Gerard Nelson looks at Human Resources in times of adversity.

It's rare to be able to provide timely advice on Human Resource matters in a periodic Journal such as the AGENT, as usually the topics chosen are general in nature and applicable to most circumstances. However, the topic of this column is applicable to the current circumstances facing Australian businesses.

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It's often said that in times of economic adversity, “some make money and others lose money but not everyone loses money”. Those who are prepared or who move quickly are usually those who make money. A similar situation can occur, in the human resources world. Employers who move quickly can enhance their human resources at a lower than usual cost.

There has been a situation in Australia for the past several years, where high-quality labour has been very much in demand and employees have been able to pick and choose their employment. Although, the statistics do not indicate it at this time, a drop in the demand for labour is inevitable as there will be some redundancies or terminations as a result of this economic downturn.

A number of opportunities for employers arise as a result of these changes to the labour market. An astute employer will take this opportunity to review their workforce and identify those employees who they consider should be retained. Those selected employees should then be locked into the business by renegotiating their contracts of employment on terms which are favourable to the employer and the employee.

It is not suggested that this renegotiation should be in any way inequitable, rather the negotiations should ensure that both parties are happy with the terms and conditions of employment.

‘Happy’ is the operative word - in the recent past, employees have often been very happy about their employment arrangements, whilst employers have been less than happy about those arrangements. However, the very happy/unhappy balance has been necessary to retain those employees.

It is unlikely that in these uncertain times, any employee would refuse the prospect of permanent employment if the renegotiation is fair and equitable to both parties. It is not recommended that employers become too heavy-handed as most employees have long memories.

Now is also a good time to be looking at moving contractors who are really employees on to more appropriate employment arrangements.

Another area of possible advantage in these times for employers is the recruitment of good employees who are either retrenched or who are seeking employment where the prospect of permanency is greater than it is with their current employer. Employers should be looking for good employees who would complement their existing workforce. Once those good employees have been identified the proactive employer should contact them to establish if they are interested in moving.

Another area of opportunity for the astute employer is to use the current economic situation to trim the size of the workforce. Employers in good times will always employ more employees than are required to do the work. A good rule of thumb is that most businesses have between 10% to 15% more employees than required. Employers are often reluctant to make drastic cuts to the size of the workforce, however, once the cuts have been made, employers are often surprised at how little the loss of those staff has affected the overall productivity of the business!

It is not only large businesses who should go through this process, small businesses can benefit equally by reviewing the size and composition of their workforce.

One impediment to trimming one's workforce is the cost of making redundancy payments and the payment of entitlements such as annual leave and long service leave. There is not much that can be done about redundancy payments, however, employers should reduce their exposure to large payments for annual leave, which is not been taken by the employees. This reduction can be achieved through policies relating to the accumulation of annual leave.

Please feel free to contact me if you would like to discuss these matters. ■

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