



LHH

Risks and Opportunities in Workforce Dynamics:

2023 Career Transition Trends Report

Introduction

Labor markets remain strongly affected by local and national conditions, but the turbulence of recent years is of an unmistakably global nature. The reasons why organizations have resorted to layoffs vary, but include a need to “right-size” after hiring sprees (especially in the tech sector), as well as fears related to geopolitical tensions in Eastern Europe and APAC, and volatility in the finance sector. Companies that over-hired during an extended period of low interest rates have had to reassess as rising inflation has led to higher interest rates. These layoffs have

often been large-scale, highly visible, and at a velocity we have not seen before, fueling fear of a global economic downturn that threatens to become self-fulfilling.

That is not the whole picture, though. Employees are being laid off at the same time as organizations – often the same organizations – are engaged in a “war for talent” to address their skills shortages and secure the strongest of the next generation of workers. This scenario of coinciding layoffs and skills shortages is unusual.



LHH decided that this needed a deeper investigation, and to that end, we surveyed

2,524

HR leaders from organizations with 500+ employees

and

7,028

white-collar workers

to uncover their expectations, hopes, and fears about layoffs and workplace expectations for 2023 and beyond.

Our survey sample spanned five countries:



Australia



Canada



France



United Kingdom



United States

Layoff Trends & Impacts Overview

Everyone is concerned about about layoffs (only 1% of survey respondents are not concerned)

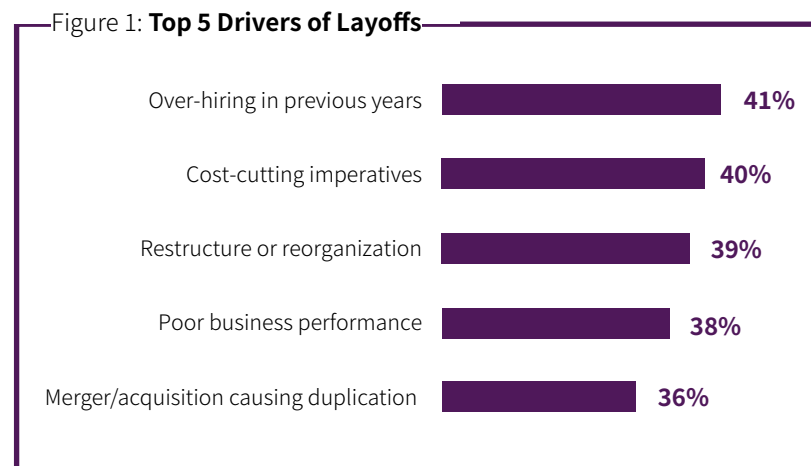
77%

of organizations are undertaking or considering layoffs

One fact was immediately clear from our survey data: Layoffs are widespread. Almost half (47%) of the HR leaders we surveyed reported that their organization is planning or has already conducted layoffs in 2023, and a further 30% said that their organization has not yet made a final decision but might lay people off this year. This means that 77% of the organizations we surveyed are either undertaking or considering layoffs.

The breadth of layoffs is concerning, but so, too, is their depth. Surveyed HR leaders expect layoffs to affect around a fifth of their workforces, with the highest average being found in Australia (21%) and the lowest in France (16%). Layoffs of this scale carry an immense risk of disruption to any business and must be handled with care and sensitivity to mitigate the risk of disengagement among the employees the organization wishes to retain.

The most common reasons given by HR leaders for layoffs planned or implemented in 2023 are shown in Figure 1, below.



36%

are worried about being laid off

45%

expressed fears that layoffs in their industry might effect their future prospects



The reality of widespread layoffs is reflected among surveyed workers, 56% of whom said that their team, unit, or division has been downsized via layoffs in the last 12 months. This is a source of great concern among workers: Over one-third (36%) are worried about being laid off by their current employer, while 45% expressed fears that layoffs in their industry might affect their future career prospects.

HR leaders are also concerned about the impact of layoffs on the overall business – less than

1% said they did not have any concerns regarding layoffs at their organization. In some respects, the concerns of HR leaders match those of white-collar workers: the same proportion of each group cited the risk of disengagement by current employees (35%) and resignations by people the organization wants to retain (34%) as concerns.

This points to a need to focus on retaining the right people, but on this, the views of employees and employers diverge hugely in one key aspect.



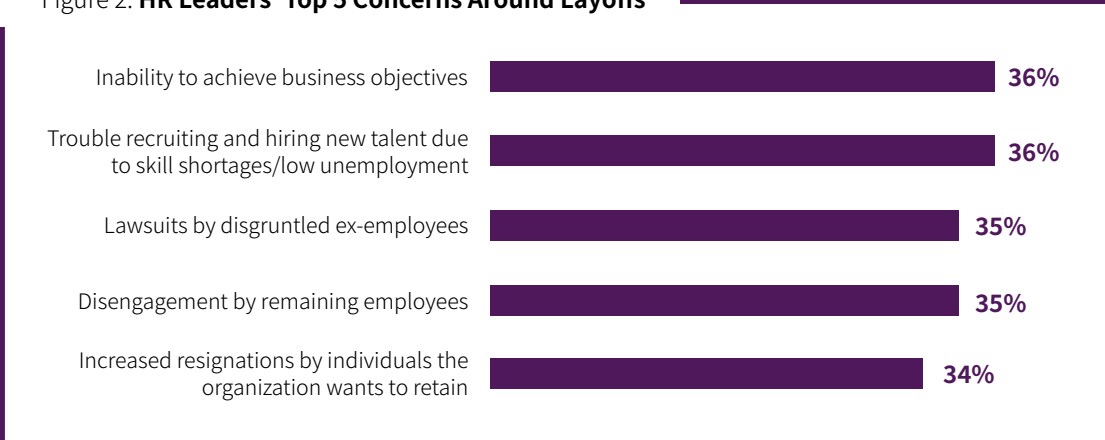
Employees are burned out

A troublingly high proportion (72%) of workers say their team has been burned out in the last 12 months due to uncertainty and increased workloads, yet only 6% of HR leaders cite the risk of employee burnout as a concern. These figures were rather consistent between geographies, with the proportion of employees citing burnout ranging from 67% in Canada to 74% in the United Kingdom, while the proportion of HR leaders citing burnout as a concern varied from 5% in the United Kingdom and France to 8% in Canada.



This is a misstep by HR leaders, given that almost one-fifth (18%) of workers report that this has caused them to become less engaged at work and the same proportion say that they have considered leaving their employer as a result. To address their own concerns about resignations and disengagement, HR leaders need to address workers' concerns about burnout: Most, if not all, of HR leaders' Top 5 concerns (see Figure 2, below) are likely to be exacerbated by employee burnout.

Figure 2: HR Leaders' Top 5 Concerns Around Layoffs



Retention Strategies

Maintaining productivity & retaining critical talent continues to be a challenge during periods of disruption



A third (33%) of surveyed white-collar workers are considering changing jobs within the next 12 months, with a further 24% considering it within a longer timeframe. This means that HR leaders' worries about the impact of layoffs on the business are well-founded, as a total of 57% of workers are open to the idea of leaving. To work out how an organization can keep the people it needs, we need to look at why people want to leave; but, also, why people want to stay. These are shown in Figure 3, below.

Figure 3: **Top 5 Drivers of Employee Satisfaction and Dissatisfaction**



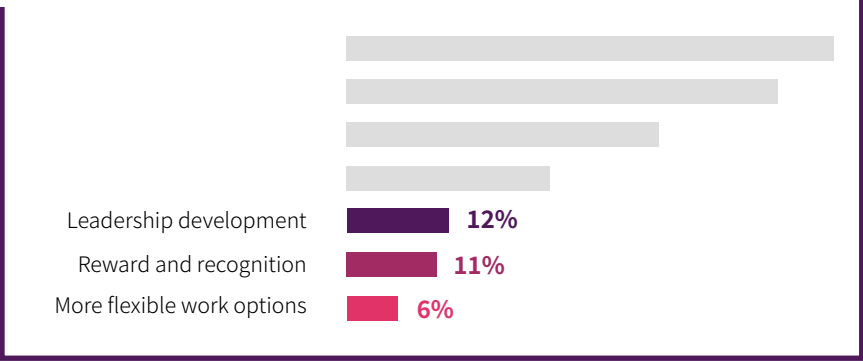
People want to be in control of their own professional lives and destinies, with the ability to work flexibly and develop their skills and careers.

When comparing workers' reasons for staying and leaving, three clear themes emerge – flexibility, culture, and compensation. Compensation is somewhat outside of the scope of this report, though it should be noted that if the people you want to retain are worried about the impact of layoffs happening around them, it will be much harder to keep them on board if your competitors are willing to pay them more and offer superior benefits.

Across the other two factors, though, the picture initially appears self-explanatory: People want to be in control of their own professional lives and destinies, with the ability

to work flexibly and develop their skills and careers. We would expect, then, that organizations' retention efforts would be focused on these factors, but that does not appear to be the case. When we asked HR leaders about the retention strategies they have in place, the three least common answers were leadership development (12%), reward and recognition (11%), and more flexible work options (6%). Each of these directly addresses the most common reasons given by workers for wanting to leave, so HR leaders seeking to retain key people amid layoffs should adjust their strategies to focus more strongly on these factors.

What kind of retention strategies do HR leaders have in place?



A disconnect exists between HR and employees on effective retention

81%

of HR leaders believe existing retention strategies are effective



yet **57%** of workers are considering leaving their jobs.

This disconnect perhaps helps explain the next area in which the views of HR leaders and employees diverge: Among surveyed HR leaders, 81% believe that their existing retention strategies have been effective, but the fact that 57% of white-collar workers are considering leaving their jobs suggests that these strategies are not as effective as leaders believe them to be. HR leaders should be careful not to presume that their organization's retention efforts are working because people have not left, when the reality is more likely to be that they have not left yet. HR departments need to improve their communications in this area, ensuring that workers feel free to express their needs with honesty and that they are heard and acted upon. This is especially important during layoffs, as emotions and the risk of burnout are heightened. If the employees you want to retain are feeling stressed and burned out, the likelihood of them disengaging and resigning will rise.

Redeployment Programs

Workers don't know how to move elsewhere in the organization

While only 22% of surveyed leaders said their organization operates a redeployment program (i.e., moving people into vacant positions within the business), 53% said that they are considering delaying layoffs and redeploying people into open jobs instead, but lack the resources for a redeployment program.

We cannot stress enough the value of redeployments as an alternative to layoffs, and we advise organizations to prioritize setting up a redeployment program and look at options such as outsourcing

if establishing it in-house is problematic – 42% of surveyed white-collar workers said they would be interested in changing roles but did not know how to do so, a need that can be met by an effective redeployment program. We've already looked at how valued skills development and career development are to employees, and redeployment offers a lot of value in that respect – it gives workers the opportunity to expand their skillsets and try areas of work that interest them, but they were unsure how to access.



42%

of surveyed white-collar workers said they would be interested in changing roles but did not know how to do so



Redeployment directly addresses all the Top 5 concerns cited by HR leaders in relation to layoffs. It also means that the organization retains the skills and knowledge that would be lost if the person is laid off – skills and knowledge that may be valued by competitors (a concern that is particularly relevant in the United States, given the FTC’s recently proposed rule banning non-compete clauses¹).

HR leaders should also consider the positive impact of redeployments on the organization’s employer brand. When layoffs attract outsized negative publicity, it is usually for one of two reasons – the sheer scale of the layoffs, or the lack of sensitivity with which they were handled. Redeployments help keep the number of people laid off as low as possible and demonstrate that the organization remains committed to its people’s welfare, even during difficult times. Of course, the rapidly changing skills mix in certain roles can make redeployments difficult, so we expect to see layoffs continue through the mid-term horizon: But, in light of HR leaders’ concerns about disengagement, resignations, and difficulties recruiting after layoffs, the value of redeployments is clear.

¹ <https://www.reuters.com/practical-law-the-journal/transactional/ftcs-proposed-rule-banning-employee-non-competes-2023-02-07/>

Layoff Support

Layoff support is available, but employees don't know about it

While layoffs should be treated as a last resort, sometimes they are truly unavoidable. In these situations, offering comprehensive support to laid-off workers can go a long way in protecting the organization from negative publicity, as well as mitigating the hit to morale as much as possible. But here, too, there is a marked disconnect between what surveyed HR leaders and white-collar workers say is available, as shown in Figure 4, below.

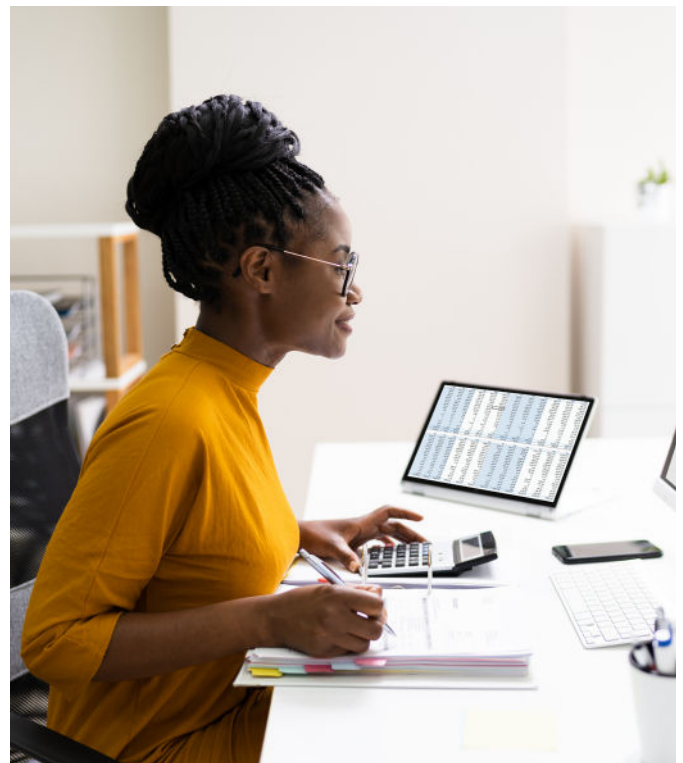
Figure 4: **Layoff Support Reported by HR Leaders and Employees**



Remaining employees' morale will suffer if they hear that their former colleagues have been treated uncaringly.

While it is positive that HR leaders have these types of support for laid-off workers in place, support cannot be effective if workers do not know about it. We therefore advise HR leaders to re-examine how this support is communicated to employees and ensure that it is given due prominence in all communications about layoffs.

Providing such support is not only the right thing to do, but also benefits the organization in terms of morale and protecting the employer brand. The personal relationships laid-off workers have built with their former coworkers often persist after the working relationship has ended, and your remaining employees' morale will suffer if they hear that their former colleagues have been treated uncaringly. Your remaining employees are also less likely to start immediately searching for new jobs if they know they will be well supported should they be laid off too.



Recommendations

At a time when organizations are struggling to recruit the specific skills they need, layoffs should be a last resort – but we recognize that in many cases, layoffs will be unavoidable. Below, we list our recommendations for organizations that are considering or undertaking layoffs.



Practice empathetic leadership

HR leaders must recognize that 2023 is a turning point in their talent management strategies, as many will face unavoidable reductions in their workforces this year and next. This is always a difficult choice, which may lead to distress and even anger among employees. Employers should resist the impulse to “circle the wagons” in response, and instead act with empathy and transparency, recognizing and understanding the emotional distress layoffs will cause – both to departing employees and their remaining colleagues. Existing approaches to layoffs should be revised to ensure that the emotional wellbeing of employees is given due weight and consideration.

One practical way to demonstrate empathy is to ensure that appropriate career transition support is in place. Being laid off can trigger despair among those affected and make it difficult to see that their skills are valuable and transferable – 43% of our surveyed workers expressed concern that their skills are not up to date enough for future opportunities. Helping outgoing employees to identify their most valuable skills and develop the ones they need for future success can provide a great deal of reassurance, as well as ameliorating the sense that they are being “cast adrift.”



Explore alternatives to layoffs

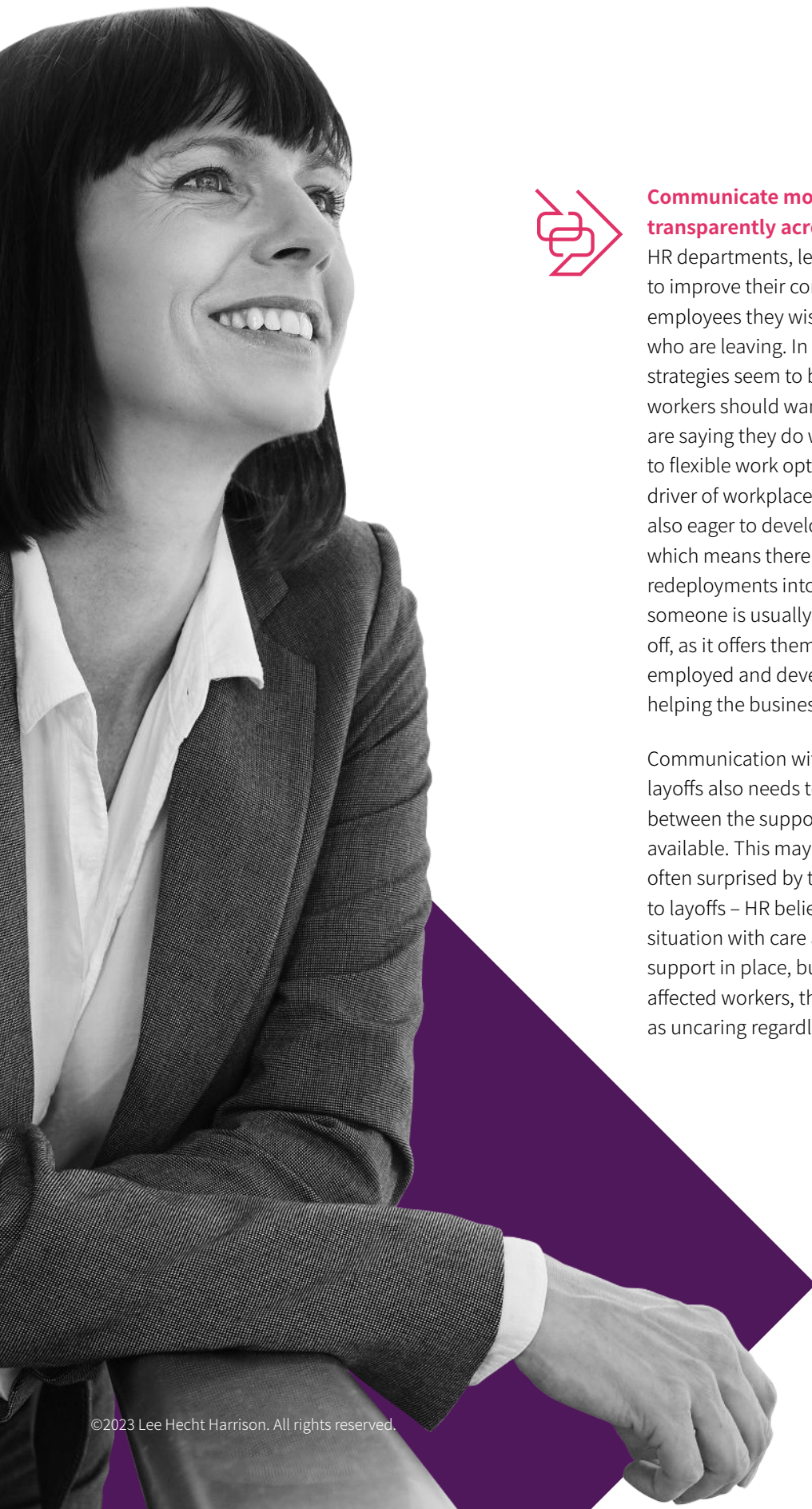
Organizations should look to reskilling, upskilling, and redeploying employees as alternatives to layoffs wherever possible. This will not only reduce the negative impact of layoffs on the business, but will also help employers access the skills they require while ensuring that workers' knowledge of the business is not lost to the organization – or gained by competitors. Even the most sensitively handled layoffs will have a negative impact on morale and the employer brand, damaging the trust that staff (and, in some cases, customers) have in the organization. Upskilling, reskilling, and redeployments are options that not only avoid the negative impact of layoffs, but also benefit the organization as well as the workers in question.

Among surveyed white-collar workers, 59% said that they would like to develop new skills that will propel their career, but do not know what to pursue. This means it is likely that some of the people an organization is planning to lay off are willing to develop the skills the business needs and could help address skills shortages in other areas – with the right support. In turn, this means helping employees to reimagine their careers in ways that can point to a sustainable career in the future.

59%

said that they would like to develop new skills that will propel their career, but do not know what to pursue





Communicate more effectively and transparently across the board

HR departments, leaders, and managers need to improve their communications with the employees they wish to retain as well as those who are leaving. In many cases, retention strategies seem to be based on what HR thinks workers should want, rather than what workers are saying they do want – particularly in respect to flexible work options, which are a powerful driver of workplace satisfaction. Employees are also eager to develop their skills and careers, which means there is an opportunity to bring redeployments into the equation. Redeploying someone is usually preferable to laying them off, as it offers them the opportunity to remain employed and develop their careers while helping the business gain the skills it needs.

Communication with workers earmarked for layoffs also needs to improve, as there is a gulf between the support HR and employees say is available. This may be the reason employers are often surprised by the negative public reaction to layoffs – HR believe they have handled the situation with care and put the necessary support in place, but if it is invisible to the affected workers, the employer risks being seen as uncaring regardless.

Conclusion

by John Morgan,
Group SVP for Career Transition &
Mobility and Leadership Development



Layoffs remain a critical talent management tool for organizations to adjust their workforce during times of change. Regrettably, layoffs are often unavoidable – and, in the current business climate, this is likely to be the case for many organizations. In such circumstances, process must include empathy and support at its core to protect the employer brand and culture as well as maintain employee engagement. Exploring strategic career mobility alternatives by assessing, reskilling, and redeploying current employees into new critical roles is a win-win, as it retains loyal employees and is more cost effective than hiring in the competitive talent market we are still seeing today.

Employers should strive to lessen the impact on departing employees as well as those who remain. Effective and empathetic communication is part of the solution here, but it must be backed up with meaningful support to give outgoing employees the best possible prospects outside your organization. This will help demonstrate that, although their time with you has come to an end, outgoing employees' contributions to the organization have been valuable and are valued. Show, with your actions, that you have confidence these outgoing employees are capable of thriving elsewhere – it is both a way to protect your employer brand and, more importantly, the right thing to do.

