

InsideBusiness

Issue Date: February 2009, Posted On: 1/30/2009

The Upside of Downsizing

Many Northeast Ohio companies are taking advantage of competitors' layoffs and implementing a flexible work force to get through tough times and prepare for future growth.

Recently, Mike Cantor was working late into the evening doing something many employers haven't been able to do in months: The COO and general counsel of Allegro Realty Advisors was interviewing a candidate for one of three positions that the corporate real estate firm plans to fill this year.

"We're focused on growth, but we're not doing it blindly," says Cantor. "We are being cautious in this economy. But we are also aware that our business is strong, and it's a good time to take advantage of other opportunities that our competitors can't pursue."

One of those opportunities is hiring new talent to expand its markets. Based in Valley View, Allegro helps corporations align their national and international real estate portfolios with their business strategies. Because many of Allegro's competitors are laying off employees or lowering compensation to survive the recession, Cantor is recruiting from a larger pool of qualified candidates.

With recruiting and screening assistance from Administaff, which runs human resource departments for small and midsize companies, Cantor has interviewed experienced candidates from southeastern states who are ready to relocate to Cleveland.

"When the economy slows down, I think people re-evaluate their career situation and start looking around," says Cantor. "I've been interviewing candidates with deep experience and great track records that I don't think I would see in a good economy."

Many staffing and recruitment professionals, hit hard by double-digit declines in business last year, predict companies such as Allegro will hire new employees at a gradual, albeit cautious, pace in 2009.

"Yes, this is a bad recession, but it's in line with previous ones from the '80s and '90s," says Robert Schepens, CEO and owner of Champion Staffing, which serves 8,000 companies in Northeast Ohio. "The difference is that this recession is worldwide, and it has been more media-driven than in the past because we had a lame-duck president." Schepens expects job demand to pick up in the first half of 2009, then slowly improve throughout the year. However, he doesn't expect a 100 percent turnaround in the Northeast Ohio job market. Instead, Schepens, like many Northeast Ohio employers, is hopeful that President Barack Obama's proposed \$800 billion economic stimulus plan (as well as Ohio's \$1.6 billion stimulus package) will give companies the confidence to post help-wanted signs.

Cantor says strong, stable companies — primarily small and midsize firms — have the advantage of growth opportunities during a down economy that will create new jobs. Small banks, for example, with little or no exposure to the subprime mortgage crisis, are still making loans to credit-worthy consumers who can't get them from larger banks hit hard by the subprime mess.

While many employers have tightened their belts and downsized their staff, it doesn't always mean workloads disappear. In fact, workloads often get heavier for employees who were lucky enough to survive a layoff.

To control and reduce labor costs, many staffing and recruitment professionals advise employers to adopt a flexible work force model, which includes part-time or temporary freelancers, contractors, consultants, interim or interim-to-hire employees who only work when needed for specific workloads, projects or events.

By working with a staffing firm, employers can lower their costs by as much as 30 percent over what it would cost to hire full-time employees, says Brad Qua, vice president of national sales for the Reserves Network.

Employers are not burdened with administrative costs of recruiting, selecting, interviewing and testing candidates — those tasks are handled by the staffing firm. In addition, since the staffing firm employs temporary employees, the client company doesn't pay for unemployment insurance, worker's compensation or benefits such as health care, retirement and life insurance.

The flexible work force has become a nationwide remedy for employers taking the "wait and see" approach to hiring. About 28 percent of U.S. employers are expected to hire freelance and contract workers this year, compared to 31 percent in 2008, according to CareerBuilder.com's 2009 Job Forecast, which interviewed more than 3,000 hiring managers and human resource professionals in private sector companies

During a recession, it's even more critical for employers to hold onto their best employees, as well as recruit top talent.

"Forward-looking companies know they need to recruit and keep their A-talent employees, because they can help you make money even during tough times," Qua says. "At a time when unemployment is high, some of that A talent your company is looking for may be available."

For example, despite a significant slowdown in business, one of Champion Staffing's manufacturing clients recently hired several highly skilled machinists, the type of worker that is often hard to find in the area.

As baby boomers retire, many manufacturers struggle to replace their skilled machinists since more young people are opting for college over technical training and trade schools.

"When the economy picks up, this manufacturer knows he'll have the right people onboard, at the right time, to produce quality products for his customers," says Champion Staffing's Schepens. "He is spending money on the future and not just looking at how to cut costs today."

Schepens' client is following a popular trend. Nearly 17 percent of employers said they are likely to hire retirees from other companies this year, according to CareerBuilder.com's 2009 Job Forecast. Another 12 percent reported they are likely to provide incentives for workers at or approaching retirement age to stay with the company longer.

Not all business segments are struggling. Schepens, who saw his own business drop by 40 percent in 2008, sees hiring and recruiting among manufacturers that make health care equipment, green energy products and some consumer products, as well as manufacturers who have government contracts. Information technology companies and legal firms also have more job opportunities.

Qua, who has seen a 15 percent drop in business, anticipates some job growth in the food and technology industries.

"Interestingly, a few of the larger banks are beginning to hire employees to process mortgages, as record-low interest rates are motivating homeowners to refinance," he adds.

Regardless of the job market in Northeast Ohio, one thing is certain: Those with a broad range of portable skills and talents who are not tied to any one industry will continue to be in high demand.

"You can't just learn the skills you need to do just one job anymore. You need to learn new skills that can be applied to any company or industry," Schepens says. "Businesses have come to realize that legacy employment is a thing of the past."