

Small Business and Human Resources 2010 Outlook Survey

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The **Small Business and Human Resources 2010 Outlook Survey** was conducted in December 2009 to identify trends regarding business conditions, hiring, employee benefits, compensation, employee morale and engagement. This summary report offers key highlights on the findings.

For a free copy of the complete 2010 Outlook Survey report, contact Insight Performance, Inc. at:

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Survey Respondents

The survey data reflects small to mid-sized companies located in the New England area, while the largest cluster of data represents companies located within the Greater Boston area including Boston, Rt. 128, or Rt. 495. The majority of respondents had 50 or less employees and annual revenues of \$20 million or less. Participants from all industry sectors participated and the industries most widely represented were Professional Services, Manufacturing and Financial Services.

Executive Summary

The consensus seems to be “Goodbye 2009 and Hello to the ‘New Normal’”! The days of Wall Street bonuses and double digit salary increases are gone. Main Street employers and employees have a new appreciation of the meaning “pay for performance”.

Organizations are reshaping their business practices to better align their human resource policies, procedures and people practices with the new economic outlook. The data indicates optimism that 2010 will be a better year, from both a business perspective and a labor market perspective.

While most survey respondents indicated that they will continue to closely monitor costs and hiring, they also recognize the need to openly communicate business conditions to ensure they retain and engage employees as the labor market improves.

Business Conditions Trends

Business Optimism is Increasing:

- 40% of respondents felt that business conditions had improved compared to the prior year (12 month comparison December 2008 to December 2009).
- Heading into 2010, 64% of respondents expected 2010 business conditions to be better compared to 2009.
- Most companies expect business conditions will continue to improve through 2010, but expect progress to be slow and advances small.

Hiring Conditions Trends

Hiring Plans are Key:

- In 2009, 29% of respondents kept their staff at the same level. 29% added to staff. 18% had selective layoffs and 11% had company-wide layoffs.
- In 2010, 42% plan to add to their staff. 39% plan to keep the same staff levels and 19% are planning selective layoffs. No companies are planning company-wide layoffs.
- Several respondents also indicated the importance of developing a hiring plan for 2010. Specifically, companies predict some areas will grow and others will slow down, making it critical to determine the resources for each area and adjust hiring needs accordingly.

Employee Compensation and Benefits Trends

Compensation:

- In 2009, 45% of respondents froze base salaries. 23% also increased employee benefits cost and 23% eliminated their bonus plans.
- In 2010, 43% of respondents are planning base pay increases. 41% are planning to freeze base pay in 2010.
- In 2010, 41% of respondents are basing their incentive plans on company and individual performance, while 17% are basing their incentive plans on individual performance. 18% are not planning to have an incentive plan at all.

Benefits:

- 68% of respondents expect the company's 2010 benefits costs to be higher than 2009. Average expected increase is 13.8% higher than 2009.
- 43% of respondents expect the employee's 2010 benefits costs to be higher than 2009. Average expected increase is 14.9% higher than 2009.
- 100% of respondents are closely watching expenses. Many respondents also indicated that they are openly communicating the employer costs through regular communication.

Employee Morale and Engagement Trends

Check In With Your Employees...How Do They Feel?

- 47% of respondents felt that their employees were confident in their jobs and the state of the company. 30% felt that their employees were worried about their jobs and the state of the company. 16% of respondents didn't know how their employees felt about the state of their jobs or the state of the company.