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# Employee Communications in a Down Economy

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There are many HR implications related to managing in a declining or tough economy. One of the most challenging for organizations is communicating with employees. This is an area that must be a high priority during the worst of times. Yet it is an area that often needs attention even in the best of times.

"The only currency you have is influential communication." — Roger Love, vocal coach

Employee engagement and employee productivity are critical especially in a tough economy. During this recent economic recession, organizations made strategic decisions that affected many of the motivators that drive employee engagement and productivity: job security, pay, benefits, rewards, recognition, etc. According to Watson Wyatt, 72 percent of organizations they surveyed in 2009 have gone through restructuring or made layoffs. Over 45 percent imposed salary or wage freezes and over 40 percent cut bonuses.

Survey data indicates that these actions, although strategic, increased workers fear about job security, and resulted in increased absenteeism and labor and employment related litigation. Employee engagement in 2009 dropped 9 percent overall; it fell almost 25 percent for top performing employees. Employee engagement is lower for employees whose organizations conducted layoffs. Employees have disengaged at a time when their contributions to efficiency and effectiveness are most important to organizational success.

In a 2008 Society for Human Resources Management survey, communications between employees and senior management was cited as a major source of job satisfaction. However, in this tough economy, while over 70 percent of workers surveyed said they needed more communication from their executives, 54 percent had heard nothing. To make matters worse, communication between supervisors and employees typically tends to decrease in a declining economy.

People crave information in a crisis; this is the time when communication is critical. Business owners and executives must improve their communications to employees to offset the gloomy economic news presented by the media. Otherwise fear takes control as employees share rumors and inaccurate information. Employees who have survived layoffs and restructuring may be de-motivated and disengaged. Without effective communications from leaders, this can have a negative impact on the fiscal health of the entire organization.

In a declining economy the three most important factors contributing to employee engagement are:

1. Leadership
2. Communications
3. Employee involvement

# Employee Communications *Continued...*

It is very important that leaders communicate frequently, regularly and honestly. They might give regular updates on the "state of the business" and focus on progress being made. It is important that employees know that difficult decisions were made, but they were necessary and equitable and management is confident that they will result in a better work environment long-term. Employees need to understand the reasons behind some of the cuts made to save money.

In a tough economy, supervisors need to provide clear direction to employees, so their employees focus on those tasks that are essential and add value. They must provide meaningful work assignments and promptly recognize employees who are willing to take on additional work or who perform above expectations. This is not the time to discontinue performance appraisals; employees need feedback. It is the time for supervisors to increase coaching and mentoring.

Employee involvement is a tremendous tool, especially in tough times. Supervisors can ask employees for ideas, involve employees in making decisions and encourage employees to express their concerns. Make sure that employees clearly understand the resources available to help them (e.g., EAP). It is important to actively solicit ideas for reducing costs, increasing efficiency, increasing sales, improving customer service, etc. Encouraging employee involvement builds a culture of ownership; this increases employee engagement. It has been shown that increased employee engagement increases customer engagement.

Managers at all levels must convey a consistent message. If, through their words or actions, supervisors communicate that they lack faith in senior management, employee confidence will decline. Supervisors are like flight attendants on an airplane. If they show fear or hide, this can communicate, "We're going down!"

## Basic Rules for Good Employee Communication

1. Communicate frequently and honestly. Don't sugarcoat the situation, but don't be melodramatic, either.
2. Give basic facts and reinforce management's goal of creating a better work environment. Build a sense of "we are in this together."
3. Give regular status reports on the "state of the business," including updates on layoffs, pay freezes and benefit reductions.
4. Ensure that employees receive a consistent message from all levels of management.
5. Define expectations; communicate clear goals and priorities; give employees clear direction.
6. Do not eliminate performance appraisals in 2009; hold supervisors accountable for providing regular, informal feedback.
7. Promptly recognize employees who "go the extra mile."
8. Actively solicit ideas from employees; involve them in decision-making.
9. Encourage employees to express their concerns.
10. Be sensitive to negative non-verbal messages that may be sent to employees.

Employees, especially in these difficult times, are continuously monitoring the actions of their leaders and supervisors. As the saying goes, "actions speak louder than words." It is very important for leaders and supervisors to be aware of the non-verbal messages they may be sending. If employee communications is poor, a meeting behind closed doors may tell employees that more bad news is on the way.

# Employee Communications *Continued…*

In October 2009, the management consulting firm McKinsey & Company conducted a survey to obtain opinions on the most important behaviors for managing corporate performance through the current economic crisis. More than 25 percent of respondents mentioned communications-related activities including:

- Inspiring employees
- Defining expectations and offering rewards
- Participative decision-making
- Communicating in a convincing way

During tough economic times, organizations must focus on improving the quality of employee communications. This will help them retain good workers, improve employee engagement and productivity, and position them to compete more effectively during the economic recovery.