


THE
BIG
CHILL

The image features the title 'THE BIG CHILL' rendered in large, three-dimensional, block letters that appear to be made of ice. The letters are arranged in three rows: 'THE' on top, 'BIG' in the middle, and 'CHILL' at the bottom. The ice has a textured, crystalline appearance with some melting, as evidenced by small drips of water falling from the top of the 'T' and the bottom of the 'G'. The letters are set against a light blue, gradient background that transitions from a pale blue at the top to a slightly darker blue at the bottom. The entire scene is reflected on a smooth, light blue surface, creating a symmetrical effect. The lighting is soft and even, highlighting the edges and textures of the ice.



Effective hiring freezes require analysis, communication and continued recruiting.

By Adrienne Fox



Ellen Raim, principal in the Corragio Group, an HR consulting firm in Portland, Ore., has orchestrated hiring freezes in two companies during the last several years, first as director of worldwide staffing at Intel and again as the vice president of HR at Electro Scientific Industries.

Senior leaders understand that salaries represent one of the largest corporate costs, Raim points out. "If hiring can be controlled, the theory is that more drastic actions such as layoffs can be avoided."

She numbers among many HR professionals who have valuable advice to share with peers when it comes to implementing these measures. And their knowledge comes at the right time: To survive the current economic crisis, many companies are adopting hiring freezes. Not as drastic as layoffs and not as cosmetic as cutting office supplies, hiring freezes fall somewhere between trimming expenses and trimming headcount. >

The author, a freelance writer and editor in Alexandria, Va., is a contributing editor and former managing editor of HR Magazine.



A 2008 Society for Human Resource Management poll found that 48 percent of the organizations surveyed have used hiring freezes as a top way to cut staffing costs. Nearly half (47 percent) of companies polled in a December survey by HR consulting firm Watson Wyatt said they have already instituted hiring freezes, and 18 percent said they will do so within the next 12 months.

Linda Konstan, owner of LMK Associates, a human resources consulting firm in Denver, has noted an increase in clients needing advice on hiring freezes and layoffs. How a hiring freeze is handled depends on what your definition of a hiring freeze is. A hard freeze means all open positions are not being filled for an indeterminate amount of time. A soft one means the company is not filling support or noncritical jobs but is still hiring to fill certain critical positions or departments that are usually revenue-driven.

And a new term has emerged into today's cost-conscious vernacular—a “smart” freeze where HR and managers evaluate every position to determine the ones the company could not survive without and other hard-to-fill ones and continue to hire for those. Taking the “smart” freeze one step further, some companies are even laying off middling players in these critical positions to fill with top players suddenly on the market.

Online Resources

See the online version of this article at www.shrm.org/hrmagazine for links to more SHRM articles and resources on imposing a hiring freeze and managing talent during a downturn.

It's a strategy John Sullivan is seeing at the San Francisco-based Internet social-networking applications developer Slide, computer giant Hewlett-Packard and other companies he consults with. HR professionals “should know which jobs are most important in your organization. And you should always be replacing [employees in] these jobs with top performers,” says Sullivan, Ph.D., founder of John Sullivan & Associates, an HR consulting firm in Pacifica, Calif. “When the CEO calls for a hiring freeze, sit down with the CFO and say, ‘Here are some areas you could cut or stop hiring and there would be no impact.’ ”

Typically, the mandate for a hiring freeze comes from the CEO, and it's up to HR professionals to work with senior managers and the CFO to analyze the positions, communicate the decision and continue to recruit for jobs, even if the company can't fill them at the moment.

When to Freeze

The University of Kentucky (UK) in Lexington has gone through a few hiring freezes in recent years. The last “smart” freeze began in January 2008 and lasted four to six months, depending on the position.

“The university is state-funded, and budgets are hurting,” notes

Avoid Freezer Burn: Don't Lose Top Performers

John Sullivan, Ph.D., has strong opinions about how companies manage people. The topic of hiring freezes gets the consultant and educator from Pacifica, Calif., riled up.

The last thing a company should do in an economic crisis is freeze hiring, he says. Rather, lay off dead weight with poor performance ratings and hire the star players now available.

“You don't want to keep people at all costs,” argues Sullivan. “Now is the best time we've seen in a really long time to go after star players who have lost their jobs. And if that means telling Sally she loses her job to make room for Tiger Woods—then, so be it. You can help Sally find a new place, but you're not going to tell shareholders, ‘Yes, I had a chance to hire Tiger

Woods, but we couldn't because of this hiring freeze.’ That's crazy!”

Sullivan also says hiring freezes can hurt retention of top performers. These employees may jump ship when hiring freezes are announced.

“Even in this economy, where it doesn't seem that people have anywhere else to go, top performers do,” says Sullivan.

Companies may encounter other downsides to hiring freezes.

“Unless a program is well-planned and designed, the program can cause issues inside and outside the organization,” cautions Ellen Raim, principal in the Corragio Group, an HR consulting firm in Portland, Ore. Some examples:

- Managers try to bypass the process.
- Projects suffer because of the loss of key talent that cannot be replaced.
- External PR issues and longer-lasting recruiting issues persist because of external buzz about the health of the company.
- Internal public relations issues crop up if hiring is allowed in some groups but not others or if “exception” hiring is allowed despite a general freeze.
- Too much internal energy and resources get put toward designing a staffing process to manage a freeze.
- Fear and concern from employees surface about how to complete the necessary work without the needed staff.

—Adrienne Fox



Sarah Bowes, assistant manager of HR employment. “Some positions rely completely on state funding, while others are funded on income.” Two hospitals on campus have “income-funded, critical positions, and we had to expedite the hiring of some of those.”

The hiring freeze was one of several university cost-containment measures. The HR professionals’ job was to take a snapshot of all open positions and work with department managers to analyze each position and determine those to put on hold, cancel or fill. “We wanted to be very transparent,” says Bowes.

Carlsbad, Calif.-based Callaway Golf and Callaway Golf Interactive instituted a soft hiring freeze in the last quarter of 2008. The decision was based on economic indicators on unemployment and lower consumer spending.

Steve Benasso, director of human resources at Callaway, says company officials looked at where they needed to invest resources right now and focused on research and development. “This would also be the wrong time to drastically cut back on our marketing spend or pull back from our retailer partnership programs,” which influence product design, he says. “Those are short-term decisions companies will regret when we emerge from this recession.”

For Callaway, the decision to impose a hiring freeze came after scaling back hours in the plant. “With salaries representing such a massive portion of fixed costs, it is impossible not to consider their impact,” says Benasso. “Once you have scaled back your labor expense on the manufacturing side by reducing hours worked, you have a couple of choices with respect to the fixed expense of exempt employee salaries: You can reduce the number of employees and their respective salaries with a layoff, you can reduce the amount of total salaries with an across-the-board percentage decrease, or you can manage the salary expense through attrition and a hiring freeze.”

Callaway managers agreed that the first two approaches would have negative effects on morale. Callaway, which has staved off layoffs so far, will revisit the hiring freeze monthly during 2009, keeping a close watch on industry and economic indicators.

Atlanta-based UPS has been under a soft freeze since early last year by ceasing hiring in management and staff positions while continuing to hire in operations. “We still need to hire package handlers and drivers,” says John Saunders, HR manager. “Retirement in our driver ranks is one reason.”

HR professionals worked with each functional head at UPS to review all open positions and decide if a certain requisition could be put on hold or eliminated. When a critical position opens up now, the company relies on participants of its cross-training program to fill it. “That sort of bench strength is a competitive advantage,” says Saunders.

On deciding when to lift the freeze, Saunders says, “Our management committee considers many factors, the most important of which are package volume levels and the economic forces facing commerce in this country and abroad.”

Breaking the Ice

HR professionals should be honest and forthright about how the economy is affecting the organization and communicate to employees why they have to make such decisions.

A December 2008 survey by Watson Wyatt, *Communicating to Employees During the Current Financial Crisis*, found that companies are doing just that. The survey of 92 employers found that 77 percent have sent out or are planning to send out communication on the impact of the nation’s financial crisis.

“You need to make employees aware of the financial condition of the employer,” says Laura Sejen, global director of strategic

Chilly Days Ahead

Given the recent events in the economy and financial markets, what changes will you make?

Action	Change made (as of October 2008)	Change made (as of December 2008)	Expect to make change in next 12 months (as of December 2008)
Hiring freeze	30%	47%	18%

Source: Watson Wyatt, *Effect of the Economic Crisis on HR Programs, Update: December 2008*, a survey of 117 U.S. companies, and a similar poll in October 2008.

rewards consulting at Watson Wyatt. “It has to come from the top in order for HR to effectively implement the freeze.”

Konstan advises making the hiring freeze announcement in a group setting led by the CEO and HR leader with breakout sessions afterward for members of affected departments. “A representative from HR or a senior-level executive should then sit down with the department head and answer employees’ questions and concerns,” she says. “The homework has to be done in advance, and the manager has to have thought of how the work is going to get done before this meeting takes place.”

Benasso says having the message come from the CEO makes it clear that it’s a business decision, not an HR one. “All employees should read or hear the same message. Communication from department heads runs the risk of employees receiving an inconsistent message tainted by bias.”

On the other hand, UPS managers deliver the news. “We ask each functional head to sit down face to face with their people to explain the company’s decision and why it is necessary,” says Saunders. “We have an open-door policy that allows all employees to freely ask questions and give input. Our senior and mid-level



managers are very visible when an issue like a hiring freeze, or any other issue that affects our people, arises.”

At the University of Kentucky, the message came from the president, Lee Todd Jr. “His e-mails went to all the 12,000 full-time employees, and HR quickly followed up with how we were going to address it and how we were going to take the time to make the hiring process more efficient,” says Bowes.

UK’s HR professionals communicated to three groups—hiring managers, employees and the community. “HR reached out to hiring managers and sent out frequently asked questions,” says Bowes. “We sent e-mail blasts to all employees explaining what was happening so it was clear that we weren’t making rash decisions. And we communicated with the community at large because the university is a major employer in Lexington, and it’s partly their taxpayer funds” supporting positions.

Bowes also recommends communicating directly with candidates. “If a position was put in a holding status,” she says, “HR and the hiring manager e-mailed the candidates to let them know that we couldn’t fill the position at this time because of budgetary concerns and when the situation changed, we would let them know.”

At the time of the freeze, the HR department had an open position for a work/life manager and decided to put the position on hold. Once the freeze was lifted, HR hired from the original pool of candidates.

Especially in the case of exceptions to the hiring-freeze rule, communication should be clear and consistent to avoid one depart-

ment head grouching that another head gets open positions filled while his department is working harder with fewer people.

“The only cure for resentment is communication,” says Sejen. “You can’t prevent that kind of e-mail discussion, but you can make sure employees understand the context and rationale for the decision to fill one position over another.

“I’ve encouraged clients to make use of recognition programs for employees who pick up the slack of those vacant positions,” continues Sejen. “Companies have cut back their salary increase and bonus budgets, so now is a great time to use recognition programs. Even a fairly minimal monetary or nonmonetary reward will go a long way in helping morale.”

Making Exceptions

While a hiring freeze may help stave off layoffs and curtail labor costs in the short term, it also may put a company at a disadvantage if it doesn’t have the right people when the economy starts rolling again. The approach that overcomes this fate, experts suggest, is to freeze hiring for nonessential jobs but keep hiring for critical ones.

“If a critical position is vacated in the throes of a downturn, it would be foolish not to fill it,” says Sejen.

Who’s critical? “This should be a business decision—not an HR decision,” says Raim. “The managers should make a case that a particular hire or group of hires is necessary for the business to deliver against the tasks needed to ensure the company makes money in the downturn.”

Konstan gives three categories of jobs companies should fill, despite a freeze:

- Direct revenue producers.
- Hard-to-fill positions.
- Positions where there is a projected shortage of talent.

“In these areas, I would not stop recruiting,” she says. “Or, I would also rely on freelancers and contractors. It’s a cheaper way to hire talent and could lead to permanent placement if things turn around—or not. It’s flexible.”

Certain positions are just too critical not to be filled, Benasso agrees. “Communicate this clearly as well as the process for exceptions. Be rigorous about your process; no short cuts.”

Establishing a sound exception policy is a good way to ensure consistency and back up communication efforts.

The University of Kentucky’s exception policy consisted of three steps:

- Verifying the job as one of the positions under the freeze.

Before the Chill

Questions to ask before implementing a hiring freeze:

- **What problem is this intended to solve—is this the right solution for the problem at hand?**
- **How will you maintain productivity levels if people in key jobs leave?**
- **How long do you expect this to last?**
- **What groups will be affected?**
- **What hiring “work in process” will you allow? For instance, if offers to candidates are outstanding, can these people be hired?**
- **Will there be an exception process?**
- **What will you communicate externally?**
- **What will you communicate internally?**
- **What milestones will signify an end for the program?**
- **Will the groups most affected by the freeze be treated any differently when the freeze is lifted?**

Source: Ellen Raim, principal in the Corragio Group, an HR consulting firm in Portland, Ore.



- Providing justification for the critical nature of filling the position to the dean, vice president or appropriate comparable unit administrator.
- Sending the application to the president for review and decision.

Although the freeze has been lifted, a similar approval process for each position posted has been adopted, Bowes says.

Konstan is a fan of keeping approval processes in place even past a financial crisis. "If someone comes to me and says, 'I have a vacant position that I need to fill,' I put them through the wringer. I ask, 'Why do you need somebody?' I'd rather have people think about how they work and how they can make it more efficient."



A hiring freeze can allow an HR team to step back and take a big-picture look at how to improve efficiencies.

At Callaway, the exception process consists of three levels of review: the senior vice president of the function, the HR vice president and the CEO, for whom "It's a discussion of the risk to the business if the position isn't filled immediately," says Benasso.

Don't Stop Recruiting

Recruiters can still keep busy filling the pipeline even during a freeze. Keep your recruiting team focused on the markets and in touch with candidates in the pipeline, advises Sejen. "Be honest with the candidate and say you've implemented a hiring freeze but you're interested and want to keep in touch for when you do start

hiring. There is some risk that a competitor will hire that person, but the risk has diminished significantly in this downturn."

A company "will want to turn the hiring faucet back on as soon as the freeze is over, so recruiting should not cease," Raim says. "In fact, there will be some acute demand for some positions."

College recruiting is another area of hiring that HR professionals and experts agree should continue. "The upside is that you continue bringing in new talent to groom and train," says Raim. "The downside is that it's very difficult to explain to managers why the company is bringing in people who don't have any experience when, for the price of two new college graduates, the company could get one person who could make an immediate impact."

But the politics of college recruiting is a consideration. "Shutting down a college recruiting program has pretty big reverberations on campus," Raim adds.

"If you miss a year at our university, you will be at the bottom of the list next year," warns Sullivan, also a professor of management at San Francisco State University. "I don't care how much money you've donated—you abandoned us in the tough years."

The good news for companies that can recruit now: less competition for top graduates.

The Big Thaw

HR professionals need to look at overall projections for the business and workforce to determine when to start hiring again. That may be more difficult in this economy, however.

"It's harder for companies in this kind of a downturn—because it is so deep and so widespread—to predict when they are going to come out of it," says Sejen. "The recovery will depend on factors they can't control like consumer confidence for products, for instance. HR and finance [officials] need to work together to the greatest extent possible to pinpoint the time when it's prudent to start hiring."

Bowes and the UK HR team learned some valuable lessons during the last freeze. "Hiring the best-fit candidate will always work in a down time or an up time. And approval processes are important. We need to double-check and triple-check that it's the right position to post. At UK, we have fewer numbers of positions posted, but they are the right positions."

A hiring freeze can allow an HR team to step back and take a big-picture look at how to improve efficiencies in the hiring process and to assess workforce needs, Benasso reflects. "Organizations do a much better job of long-term workforce planning after emerging from a hiring freeze." ■