



2010 HR Trends for Small and Medium-Size Businesses

Trends in Human Resources for the small and medium-size business in 2010 will continue to be driven by the economic and political environment, similar to nearly every other area of business. During 2008 and 2009, we witnessed an unprecedented number of reductions in Human Resource staff, starting with **recruiters** – not needed if you are not hiring, moving through to the **education and development function** – simply viewed as a non-essential expense and continuing on through the rest of the **managerial and administrative HR jobs**. Simultaneously, pay and benefits for all employees were being eroded through wage freezes and cuts, work hour reductions and holds on 401K matches.

In the midst of this turmoil, the government regulation machine didn't slow down. The COBRA subsidy, Genetic Information Non-Discrimination Act (GINA) and the service member enhancement to the Family and Medical Leave Act (FMLA) are only a couple examples of new legislation that affected the workload and compliance responsibilities of companies.

Given this confluence of factors, we believe that the focus for business leaders' management of their human capital will be centered in three areas during 2010:

Compliance:

Driven by strong governmental action, businesses will need to commit significant resources to maintaining compliance with current and new laws and regulations. This increased focus comes as a result of the popular viewpoint that businesses are unable to regulate themselves and the expectation that they receive increased oversight. Compounding this trend, are these same governmental agencies that see their tax revenue decline, and are searching for other ways to increase their income. One of the chief ways of accomplishing this is to step up their enforcement activities and collect fines and penalties from violators. In HR, that regulatory scrutiny will present itself in the form of the pursuit of wage and hour claims, discrimination complaints and settlements and being held accountable for fiduciary responsibilities related to retirement plans and other benefit programs. Anticipating this climate, many businesses will be conducting their own HR audits and making corrections before an outside agency does it for them.

Compensation Analysis and Planning:

Another key area for review will be compensation analysis and planning. Once well-constructed models of pay and benefit plans were thrown into disarray with the various reactions to the economy such as reduction in pay rates, elimination of bonuses and delayed increases, not to mention “adjustments” to benefit programs. Due to a great deal of movement in a relatively short time period, businesses are now uncertain about their market position and how their compensation plans compare to their competitors. And as the job market slowly unthaws, they also do not know how their actions have affected the loyalty and satisfaction of their employees.

Executives aware of these factors will focus on re-examining their entire compensation assumptions. This will range from determining how current pay rates and benefit programs for their company compares to others, reviewing the process for pay raises and bonuses, to analyzing which benefit plans are considered to be most valuable by their employees.

Efficiency:

With reduced staff and increased work demands, companies will be searching for ways to get more productivity from their staff and technology. In the HR technology arena, it will emphasize the utilization of payroll systems which are internet based and have robust employee information and reporting capabilities. More services will be outsourced to providers with a high expectation for employee responsiveness and integration with the organizational culture. For example, benefit brokers will be expected to handle the majority of the benefits administration processes including direct employee interface.

Businesses that take the time to assess their risks and plan ahead in each of these areas will certainly improve their chances for success in 2010 and beyond.

*If you would like to discuss your 2010 HR planning, please contact Greg Gast at **215-654-9140 - ext. 103** or ggast@proxushr.com. Greg is a Principal with PROXUS and recently served as a panelist at the Institute for Management Consultants – Philly Chapter, where he discussed consulting trends for the coming year.*

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