



Carter Morris

SURVEY REPORT

HR EXPECTATIONS FOR 2021

NOVEMBER 2020

INTRODUCTION:

Widespread media reports would have us believe that 2020 has been an absolute disaster for companies of all types and sizes around the world, regardless of stock markets showing more optimistic results. Regardless of what we see in the news, what we can be sure of, is that the Coronavirus has left an indelible impact on many organisations, be it in changing the perceived importance of many roles, a new focus on work from home cultures, fast tracking technologies, rethinking of work travel, restructuring and rationalisation, and arguably a real test of “walking the talk” on the value of employees vs shareholder dividends. Additionally, we’ve seen extraordinary attention for the Black Lives Matter movement, a swathe of volatile political scenarios in various countries, and an unprecedented global use of social media as a news and communication tool – no one is going to forget 2020 in a hurry!

As the year draws to a close, M&A is back on the agenda for many companies, along with a re-commitment to invest in R&D and internal IT systems (always positive indicators). However these are being factored against relatively static growth in developed markets, a reduction in the number of emerging markets offering profitable growth, some rebalancing of China’s economic activity, the decline of oil prices, and a mixed bag for monetary policy across advanced economy central banks.

From a HR perspective, many companies continue to face widely varying pressures; ranging from structural changes to provide economic and competitive advantages, an accelerated need to attract diverse talent, the impacts of social media on company branding, disruptive competitors, and the usual swathes of new legislation. Covid-19 has forced reimagining for the future of work, and employers of choice are also rethinking the fundamentals of employee benefits and executive compensation frameworks. So, with these and other challenges ahead, what do HR professionals think about the 2021 prospects both for the businesses they work in, and their own function?

EXECUTIVE SUMMARY OF FINDINGS

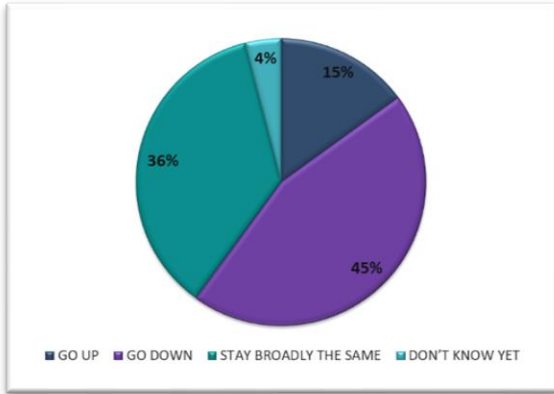
Having been such an extraordinary year of mixed fortunes for so many organisations, more HR leaders are expressing uncertainty for their companies being successful in 2021 than in past years, and predictions for reduced HR budget and reduced business headcount are likely to be on the agenda according to some survey respondents. However, there are key industry sectors where investment in the HR function is planned for 2021, be it hiring for their own teams, or upgrading of HR information systems.

METHODOLOGY

The survey was sent to a very select group within the Carter Morris international HR community - 1,354 individuals currently working as executive level thought leaders within all specialist areas of the HR profession across 94 countries. The survey was emailed to participants who responded on-line and in confidence. All responses were received over a three week period in October and November 2020.

SURVEY RESULTS IN DETAIL WITH NARRATIVE

1. The overall HR budget spend for 2021 is likely to....

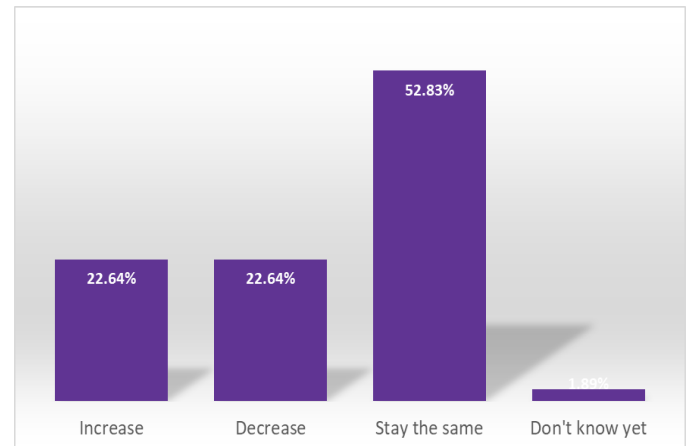


Compared to our results for the past 2 years, it is arguably no surprise to see that in 2021, there is a spike in expectations that budgets will reduce. Already we are seeing hard evidence of this, with an increase in candidates seeking new roles this year specifically because of cuts to their HR team sizes or insecurity for their own job futures. However, with over 50% of respondents expecting that budgets will remain the same or even increase; this is a hopeful indicator of companies maintaining their investment in the HR function generally.

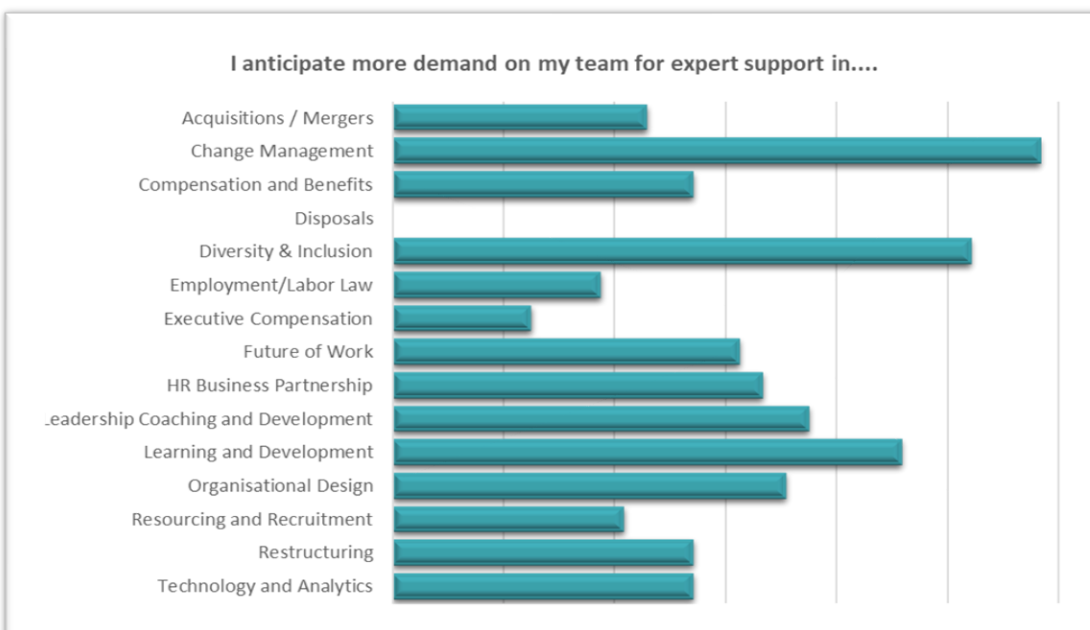
2. Recruitment activity for my own HR team is likely to....

An intent to maintain headcount levels in the coming year, is significantly greater than in recent surveys. This ties with our anecdotal evidence from discussions with our HR leaders who have been advising a need to allocate resource for a higher than usual workload and priority projects, mostly driven by Covid-19 complications.

A further analysis of anticipated specialist hiring needs is shown below. It is arguably reassuring to see plans to continue investing in L&D expertise, given that functional area has historically been amongst the first to be reduced in times of economic difficulty. Anecdotally, we're hearing our HR executives citing business appetite for investment in leadership development (given that managing so many workers remotely is a new set of



required skills and expertise), investment in staff development (who have required more technical and emotional support to enable them to be effective in working from home for this prolonged period) and investment in D&I (given the new level of attention this subject is receiving from media, shareholders, consumers and employees).



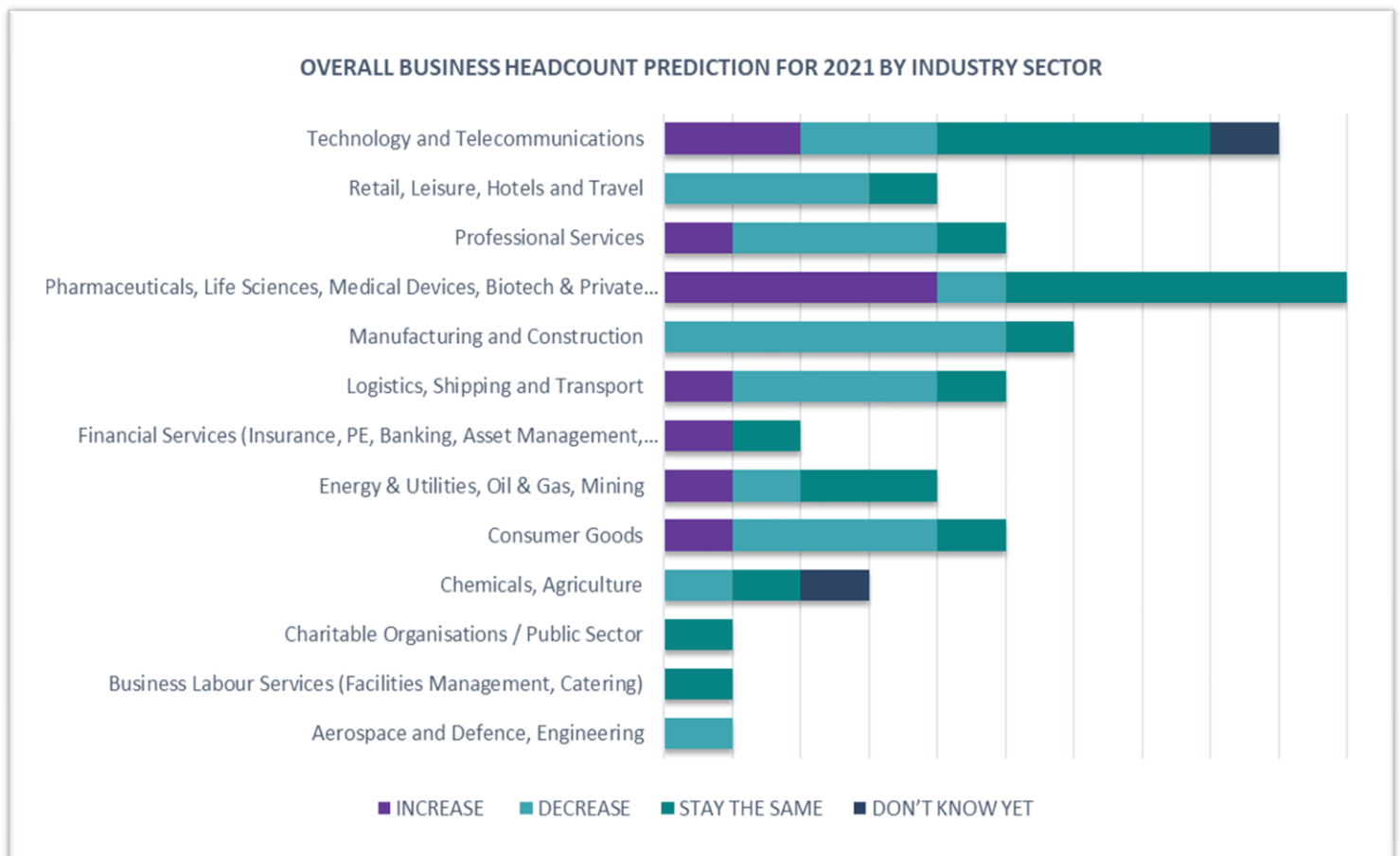
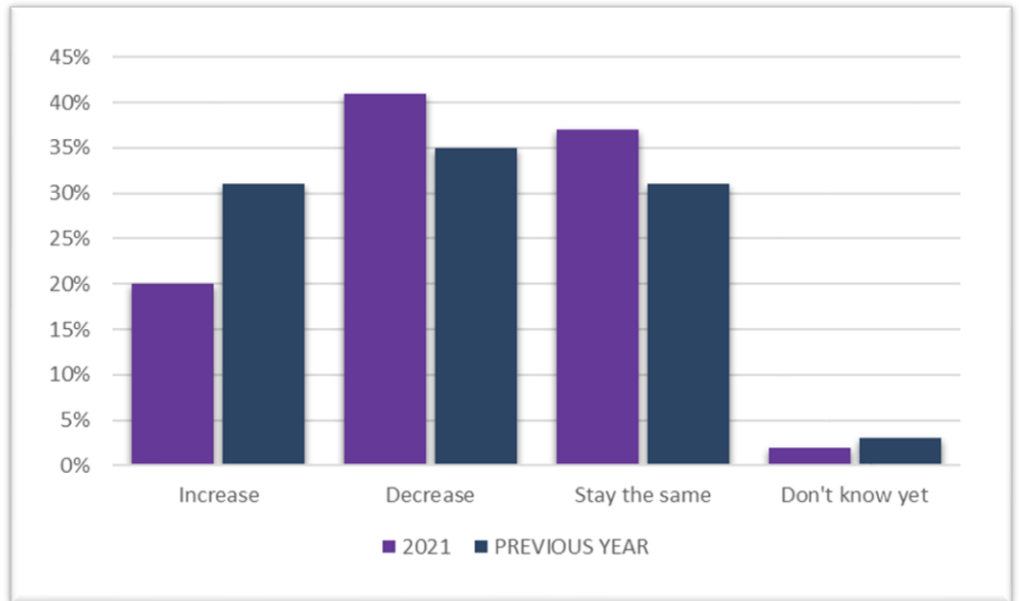
3. Overall business headcount is likely to....

Predictions for reductions in workforce or maintaining the status quo are somewhat higher than last year. It will be interesting to analyse whether this will be reflected in official unemployment figures and on general application numbers for advertised vacancies.

Further research will be needed to understand whether the planned workforce reductions are being driven by a need to

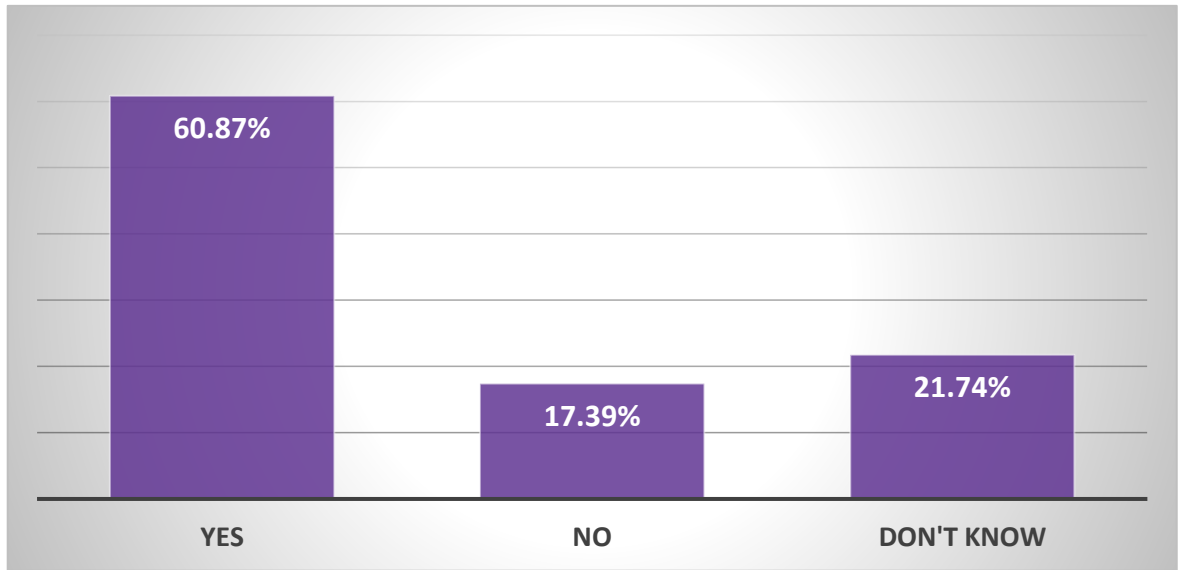
reduce staffing costs, or by the outsourcing of labour, or simply better processes and automation that now allow greater productivity with less headcount.

A further analysis of predictions by respondent sectors is shown below. This potentially provides valuable insights to any HR leader contemplating a career move this year.



4. I am confident that business activity in 2021 will be an improvement on 2020....

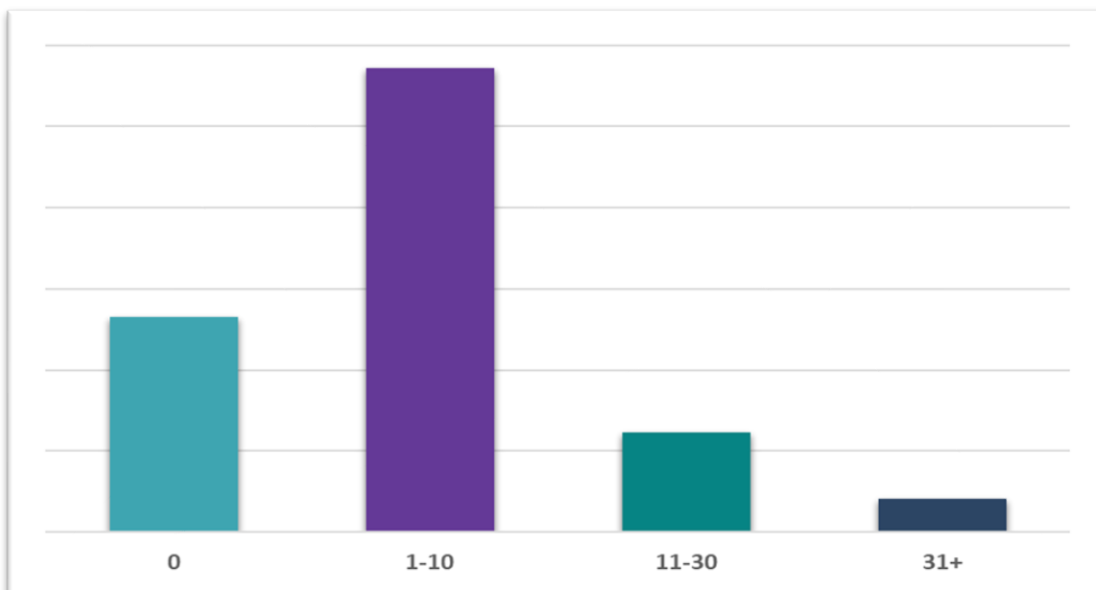
Again, despite the media doom and gloom, our respondents were mostly positive for their company's success next year, which is consistent with other survey questions covering plans for HR spend, and overall business staffing plans.



5. How many interim contractors or consultants are included in your overall HR team size?

At the time of compiling this report, it is interesting to note that many functional areas of HR continue to have more reliance on salaried employees rather than interim contractors / freelance consultants. However, if companies are planning reductions in workforce and HR teams in 2021, it won't surprise us if we see a surge in contractor appointments – historically companies have cut too deeply and too quickly into staffing numbers in order to reduce operational costs, and then have been forced to reappoint people at short notice to maintain core business activities!

We've also seen a surge this year of HR professionals who have reassessed their career and life priorities, and self-elected to leave high profile, well rewarded corporate roles, opting instead to pursue HR interim careers.



Given that some key functional areas of the HR profession have had an acute shortage of expert, quality talent for many years, this may well create further shortages for salaried roles, forcing HR leaders to consider utilising freelance contractors to secure the expertise and skills required for key projects.

6. What do you think will be the biggest priorities for your company in 2021?

Get back to normal after Covid

Digitalization for all business activities and process skills

Productivity

Employees health, sale strategy and growth

Change

Figuring out how to be competitive with our stagnant product and client base

Culture and org design

Employee recruitment and retention

Innovation and talent retention

Digitalization

Transformation

Managing uncertainty, implementing change, development of leaders

Employee engagement

Innovation

Cultural transformation

Rebound our growth while staying profitable

Improving Recruiting skills

Transformation of our cost structure

CONCLUSION

Leaders within the HR profession are mostly optimistic about the prospects for their employer companies in 2021. However, the sector being worked in appears to be critical in determining the type of work challenge and level of job security for the coming year.

We hope that HR leaders have ensured they have strategies in place to retain and engage high performing, business critical talent despite organisational changes – the manner in which restructuring or redundancies is handled within a company can so easily have unintended consequences on the moral, productivity and loyalty of remaining employees. Hiring for HR leaders is still definitely happening in all markets of the world (our own firm's workload is testament to this!) but 2021 will once again be a year where HR functions must operate on sound commercial principles, and find ways to be viewed as essential partners in enabling business success, rather than simply cost centres.