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How Predictions of a Recession Impact Talent Strategy

John Doyle

EXECUTIVE VICE PRESIDENT



As budgets remain modest amid ongoing economic uncertainty, investing in the employee experience is still a high priority.

Most economists agree we're in a *weird* place right now, with market uncertainties persisting into yet another year. Despite growing cautious optimism, a result of slowing but relatively stable economic growth, it remains clear that a single disruption could jeopardize business stability once again.

Now appears to be the time to keep spending conservative and maintain a strong foundation for potentially trying times. But what about hiring and investing in talent amid economic uncertainty? Top talent is still in demand despite financial concerns, so how should leaders navigate the conflicting demands of a potential recession and recruitment?

How Imminent Is a Recession?

The news appears to shift on a regular basis. [Goldman Sachs](#) recently reduced its 12-month recession probability to 15%, a significant decrease from 25% just two months before. This downward trend stems from positive indicators like the resilient job market, which has only seen relatively [small upticks](#) in unemployment since the 50-year lows in 2023, and steadily cooling inflation across the nation.

Businesses are not completely out of the weeds yet. [Economists report](#) even a single misstep in monetary policy could spark the onset of a recession—or perhaps trigger an inflationary rebound if Federal Reserve rates drop too rapidly.

However, most outlooks remain optimistic. A *slowdown* may be imminent, but current projections largely contrast those associated with historic recessions. Consumer spending, for instance, has continually boosted U.S. GDP, surging from [2.8% to 3.5%](#) between Q2 and Q3 of 2024.

How PREDICTIONS OF A Recession Impact Recruitment

Even if a recession *doesn't* happen, there is still a challenging landscape that employers must grapple with: namely, high demand for talent, a short supply of skills, inflation-led compensation increases, and shifting employee expectations. In [our recent executive survey](#), we discovered that 72% of senior leaders were considering a job change, and in many sectors,

[C-suite turnover](#) is ballooning. Furthermore, in fields like technology, talent is expensive and scarce, despite the tech sector layoffs that took over headlines in late 2022 and early 2023. In fact, layoffs at companies besides these high-profile organizations [are still relatively rare](#).

And, interestingly, even if a recession *does* occur, these challenges will [likely remain](#), especially where the competition for top talent is critically high. Demographic shifts in the U.S. are largely to blame. In particular, Baby Boomers are aging out of the workforce, creating an influx of retirements—especially in executive positions that traditionally require years of seniority. At the same time, [data shows](#) that college enrollment rates are on the decline, purportedly because of ballooning tuition costs as well as the more pragmatic outlook of Gen Z compared to their predecessors. The result is decreased access to the skills companies need to lead into the future.

In a recession, recruitment strategies will simply prioritize critical roles, shifting competition toward already high-demand professionals and putting pressure on employers to offer competitive compensation packages in difficult times.

Ultimately, employers are facing tight competition for skilled professionals and leaders, and this will likely continue regardless of the foreseeable economic outlook.

How Leaders Are Responding to Recession Recruitment Concerns

The approach to talent acquisition and retention has been generous in recent years, to say the least. Unrestricted remote work opportunities, unlimited PTO, and various perks became the norm in the quest to attract and keep top talent in the face of the Great Resignation.

But as the tides change, leaders are faced with two options: take the traditional recessionary approach to right-size their workforce, freeze hiring initiatives, and dial back perks and benefits; *or* continue to invest in their people despite economic red flags.

There's no question that corporate budgets are remaining modest as companies brace for the potential repercussions of economic turbulence. However, with the talent market equally tight, not to mention the higher expectations of today's workers, many companies may find themselves in a double-bind.

It's a contradiction that requires companies to be strategically thoughtful. [Gartner](#) recommends smart budget trade-offs, savvy talent strategies, and optimal digital investments, among other tactics. Committing to a talent-first, human-centric work model will ensure

higher levels of retention, motivation, and productivity—all critical factors to sustain in the face of economic uncertainty.

[Forrester](#) is direct in saying that if a company is overly focused on a coming recession and cuts their investment in employee experience accordingly, they will pay the price. [Responding to the mixed signals](#) of the current economy requires companies to protect their business in the short-term while staying focused on long-term success. It's a tight balance.

Emerging strong from any recessionary storms that may come will depend upon prioritizing the employee experience from top-level leadership all the way down to the front lines. Hiring the right professionals with the right skills, focusing on career and leadership development, and designing a flexible working model are three key strategies for building a resilient workforce.

At the end of the day, storm clouds are gathering. Whether or not they will wreak havoc on businesses is still unclear. Leaders who prepare for the slowdown by readjusting their budgets and focusing on the employee experience will be the ones to come out stronger on the other side.

How is your organization responding to the continued risk of recession through recruitment and retention strategies?