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Strategic Communication and Public Relations Center

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Recession Causes Relatively Modest Damage to PR/Communication Departments, USC Survey Suggests

LOS ANGELES (February 25, 2009) – The economic impact of the recession on the PR/communication functions of U.S. organizations has been relatively modest to date, according to a study conducted by the USC Annenberg Strategic Communication and Public Relations Center (SCPRC). The original FY 2009 communication budgets of the nearly 200 organizations that participated in the survey were, on average, 7.4% lower than what the organizations actually spent on that function in FY 2008. Thus far in 2009, surveyed organizations have further reduced their spending by an average of 3.9% relative to their planned budgets for this fiscal year. To address budget reductions they have, up to this point, largely avoided dramatic cuts in their internal communication staffs, preferring to reduce compensation paid to their external agencies and/or take action to freeze or reduce compensation paid to their own staffs.

“Overall the news appears to be somewhat heartening for the profession,” said Jerry Swerling, Director of the SCPRC. “While the recession has certainly hurt, and there will undoubtedly be more pain in the future, our survey respondents, who come from a wide swath of the economy, have experienced significant but not debilitating budget cuts and have been able to prevent, at least through today, widespread layoffs. This is a significant change from the historical pattern, which saw precipitous cuts, and sometimes near total elimination of PR/communication, in difficult economic times. The only plausible reason for this change is recognition that in our hyper-informational, increasingly transparent environment, organizations of all types need to communicate effectively or see their relationships with their key audiences wither away. This seems to be true even when -- or perhaps especially when -- times are tough. Engaging with your stakeholders in cost effective ways is no longer an optional practice; it’s essential.”

Swerling continued, “While a sample of this type cannot be assumed to reflect the entire population of organizations, anecdotal evidence and our own experience in the field suggest that the results portray a reasonably accurate snapshot of the current situation.”

Survey Results

Budgets

Surprisingly, 18% of the responding organizations indicated that their PR/Communication budgets actually increased from FY 2008 to FY 2009, by an average of 14.2%. However, this finding must be seen in context of current budgets: Since the original budgets for this fiscal year were established, responding organizations have experienced, on average, budget reductions of 3.9%.

Half (51%) of responding organizations indicated their FY 2009 PR/communication budgets were smaller than what they actually spent in fiscal 2008, by an average of 19%.

Although 31% indicated that their FY 2009 budgets were similar to those of the prior year, this too must be seen in the context of year-to-date budget cuts averaging 3.9%. Also, “flat” budgets pale in comparison with the fairly substantial annual increases most PR/communication departments enjoyed over the previous 4-6 year period, as revealed by prior USC SCPRC studies.

Staff Size

While 63% indicated that their staffs did not change in size in 2008, 22% downsized their PR/communication staffs by about one-fifth (22%) last year. Another 15% (all of which have PR/communication staffs of 1 – 17 full time people) reported staff growth.

As a group, the pool of organizations that participated in the study experienced no net change in PR/communication staffing in 2008, with staff reductions in some organizations being offset by no changes and/or new positions in others.

For the current (2009) fiscal year, 73% anticipate no changes in staffing levels while 7% anticipate growth, of about 15% on average. A fifth (20%) anticipate that staff reductions, averaging to 27%, will occur at some point during the year.

Staff Compensation

In 2008, unlike staff size, compensation was greatly affected by the recession. Nearly two-fifths (39%) of participating organizations froze the salaries paid to PR/communication staff, while 7% reduced employee compensation.

For 2009, 56% anticipate compensation freezes, while 21% believe they will have to reduce compensation by an average of 11.7%.

Use of Outside Agencies

Of the 58% of responding organizations who reported working with one or more outside agencies, 69% indicated that they have already reduced, or plan to reduce, the fees paid to those agencies. Those that have already reduced agency compensation have done so by an average of 28%, while those anticipating cuts expect them to amount to an average of 22%.

These figures, in combination with the data on the staffing situation, strongly suggest that these organizations are addressing budget cuts by reducing fees paid to their agencies and/or limiting or reducing what they pay their employees, with internal staff reductions seen as a last resort.

Sector Impact

Although respondents of all types indicated that they have been adversely affected by the downturn, those in the corporate sector have suffered more than governmental and nonprofit organizations. The latter experienced somewhat less adversity in 2008, but definitely anticipate budget and personnel cuts in 2009.

About the Survey

Between January 13 and 27, 2009, nearly 200 senior level PR/communication professionals from as many U.S. organizations responded to the online survey. 61% work for companies, 27% for non-profit organizations,

and 13% for government agencies. Among the corporations, 22% reported gross revenues of more than \$10 billion, 51% had gross revenues of \$1 billion - \$10 billion, and 27% had gross revenues of less than \$1 billion.

About one-third (32%) of responding organizations reported having 2 or fewer fulltime PR/communication employees, 39% had between 3 and 10, 21% had between 11 and 50, and 8% have more than 50 fulltime PR/communication employees. These organizations represent a nonprobability sample, meaning that the results should not be inferred to apply to the entire population. However, anecdotal evidence and the experience of the study authors suggest that the results portray a reasonable accurate snapshot of the current situation.

To obtain a copy of the results go to www.annenberg.usc.edu/sprc or write to sprc@usc.edu.

About the SCPRC

The USC Annenberg Strategic Communication and Public Relations center (SCPRC) conducts applied research aimed at advancing the study and practice of the public relations/communication profession. A unit of the Public Relations Studies Program at the USC Annenberg School for Communication, it is funded by research grants from leading companies and organizations engaged in the practice of Public Relations.

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