

Government Shutdown: How CHROs Should Respond

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Steve Odland: Welcome to C-Suite Perspectives, a signature series by The Conference Board. I'm Steve Odland from The Conference Board and the host of this podcast series. Today, we're going to talk about the US government shutdown. And what are the implications on the workforce, not just the government workforce but the private sector. And what should CHROs be thinking about now?

Joining me today is Diana Scott, center leader for The Conference Board Human Capital Center. Diana, welcome.

Diana Scott: Thank you. Thank you for having me.

Steve Odland: Yeah, so Diana, you've been a CHRO for many, many moons and several places. You've done this through thick and thin and gray swan events, and we've had government shutdowns before. Every one of these is unique, but there, you think about it, oh, that's the government, and it only affects them, but it doesn't, does it?

Diana Scott: Oh no, no. The private sector often thinks that they're not impacted. But they are. You think about what is paused right now, and about only 30% of the federal operation is paused. There's a lot of stuff that's still running. But stuff still matters to HR, and a lot of the private sector is going to be impacted, if you think about it. Think about supply chain disruptions. If federal contractors are stalled, there is going to be some cascading effect on other vendors, they're going to be vendor slowdowns.

Think about financial services. If you have delayed SEC filings, that could impact liquidity. You could have slower M&A approvals. The Bureau of Labor Statistics is not going to be giving out data, Bureau of Economic Analysis, those kinds of data. Yeah, there are going to be some data blind spots. There's a lot of stuff that's going to impact the private sector. It's not just going to hit the government.

Steve Odland: Yeah. And it's everything else, there's six degrees of separation, and there are a lot of people in the government. And it's not just the federal government. When that gets frozen, it spills over in the state and local, and everybody's related to somebody. They may have close family members, friends, and so forth. And it has a ripple effect from a human element.

Diana Scott: It absolutely does. Employees are affected, and their families are potentially impacted, as well. And I think CHROs need to think about it in segments. And so if you are a CHRO in a private company, a public company, but private, not a government entity, think about it, certainly, first from who might be directly impacted of your employees. Think about, perhaps a spouse or a partner might work for a federal agency. They might work for a contractor, a government contractor, and so therefore they might be losing income. Some federal contractors exist inside private firms, so think cybersecurity or logistics firms, and they might be seeing reduced hours.

So even though you're a public-facing company, and you think, "OK, my employees aren't going to be impacted," but members of their family might. So I think those things, you've got to think about that. And then you have to think about who indirectly might be impacted of your employees. Some of your working parents might be impacted because they have maybe federally dependent childcare or education support. Things like Head Start, Pell Grants, student aid, those could all be impacted by this. If employees are waiting for tax refunds or business loans, that could be impacted.

And then employees that live in regions that have large government footprints, think DC, Northern Virginia, Maryland, New Mexico, Alabama. There are a lot of communities that have large government footprints. Those communities could face slowdowns, as well. And so I think, as a CHRO, you really have to think about all those indirect impacts.

Steve Odland: Well-being is a big deal in companies today that CHROs have to deal with every day. This ladles on another whole degree of uncertainty and stress, and mental health as part of that well-being is well documented as something that CHROs are wrestling with, and this just adds to that.

Diana Scott: Absolutely. I think the psychological effects, the cultural impacts, even people who aren't directly impacted could really feel a lot of the impact of this government stoppage. Because you think about the emotional impact that this potentially has on employees, as they say, "If the government can't get it together, then what does that say about the rest of the country or the broader system?"

And there can be a lot of anxiety spillover, which can then lead to, "OK, maybe my focus is reduced. Maybe my engagement starts to fall off." Maybe, if you begin to have some of those political conversations in the workplace, that can get very heated. And the role of leadership becomes all the more important because you really need to think about depoliticizing in the workplace. You need to really model calmness and really emphasize that we need to have some shared resilience.

CHROs certainly can push for this in the workplace, but leadership overall really needs to step up, and CHROs need to encourage their leaders to focus on real empathy-driven management. They need to focus on having listening sessions. They really need to keep their temperature on the pulse of their employees and really need to lean into those wellness reminders. Because wellness can really get disrupted in situations like this, and it becomes really important, cause that kind of disruption can really disrupt the work and the workplace.

Shutdowns really are a test of not just operations. I think they can really test trust, and how leaders communicate during these times can really set the tone for long-term engagement.

Steve Odland: We've had these shutdowns before, and so CHROs might be tempted to say, well, the last ones lasted a week or two, and worst case a month, it was no big deal. Everybody got back pay, and they got a month's worth of vacation, so it's fine. This one's a little different.

They're talking about using the shutdown to eliminate positions, and that creates a lot more stress. It's financial stress, mental health stress, and so forth. So your point about listening is really important because you almost have to, as a CHRO, proactively go and teach people how to find out where the points of stress are in order to be aware of it and potentially deal with it differently than in the past.

Diana Scott: Absolutely. I think there is a job to be done where you really need to think about almost, it's almost a training exercise. And I hate to use the word "training" because that almost minimizes it. I think you really need to go back to the basics, and make sure that your managers are really prepared to think about this not as, "OK, this shutdown is a government thing. It doesn't impact me." No, this shutdown is an opportunity to really remind your managers, and perhaps renew some of the training, as a way to talk about uncertainty, and to re-up this concept of, as a leader, you really need to be prepared to help guide your employees through uncertainty.

And it's important in that way to help managers talk about uncertainty without speculating. You can almost provide a language guide for your managers. You can give them guidance, you can give your managers guidance, and teach them what kind of words actually help in these situations. You can say things like, "We're monitoring impacts closely." Those kinds of words build confidence and trust. You don't say things like, "Oh, we're not worried," because that sounds very dismissive.

So you have to teach your managers, how do we build trust? And signal to our employees that, look, we are taking this seriously. We understand that this could be creating tension to for you and perhaps having impact on your family that we perhaps don't even understand. So we're taking it seriously. We're not being dismissive, but we're also doing what we can to understand what the impacts might be, and we're monitoring things closely, and we're going to be prepared. We're preparing ourselves to deal with whatever

comes our way, and we're not panicking. And I think that kind of confidence helps employees then be calm about and feel trust towards their management.

Steve Odland: And that their managers care about them, which is really important. This concept of uncertainty, and you said it earlier, this is uncertain. It creates uncertainty. You're uncertain about what elements are impacting your employees, but it's against an even bigger backdrop of uncertainty.

And some people will say, the future's uncertain, so what's the difference? And, that may be true, but there's been a lot of change this year in the macro world, there's stress around the world. There's tension in the Middle East, in China, and issues with supply chain and trade and tariffs, and wars in various places. It's cumulative, and it creates this backdrop of uncertainty, and you never know when it's going to be the straw that breaks the camel's back for an individual, for a family.

And so even if you think, "Ah, this is not that big of a deal," it could be bigger than you think. And that's why this whole notion of, first of all, talking with your team and the executive team, and then cascading that down and having your—you call them listening sessions, but just some sort of brown bag lunch, some sort of forum, some sort of meeting to get people to talk. It just seems like it's more urgent than ever before.

Diana Scott: It absolutely is. And I think, again, it's really important in the workplace to depoliticize what's going on. And I think you can help your managers understand that this is about showing empathy, and you can teach them about empathy without getting into the politics. You can even help them speak to that language and say, you can teach them the language of, "Look, we don't need to agree on what's happening in Washington. We don't need to agree on the politics to support each other here."

You can begin to talk about the things that you share in common, find the common ground, which is the work we do, the values we share, the stakeholders that we know we need to support, the mission that we share with our work. And then I think it's really important to remind your leaders and your managers, to the point that you were making that it's important that they look for those warning signs of burnout, financial stress, or fear.

And yes, look to have those one-on-ones, as well. Not just the lunch-and-learns, not just the check-ins as a group, but also I think it's important to have even those one-on-one check-ins because. Sometimes it's in those one-on-one check-ins that you can discover that there is that burnout or that financial stress or something's happening in that person's life that needs that you need to pay attention to.

And then I think in those situations, you can begin to remind the employees the kind of support and programs that you have in your organization. And that's where it's important that managers know that those programs exist. And I think as a CHRO, you need to remind the managers about what is available to the employees so the managers don't feel like they're responsible for taking care of that. Every organization has employee resource programs, EAPs, telehealth, mental health days, whatever's required, flexibility that might

be required.

So it's important to remind managers of that. And then, even leaning into some of the employee resource groups that might provide support to people during these trying times. I think all of those things create that sense of community that in these difficult times. Yes, it's difficult right now, potentially, because of the government shutdown, but to your point, Steve, there's a lot of stuff that's happened this year, and there's a lot of change, and we just have to remind each other that we can create resilience for one another within our organization and remind each other that we are a community. We have shared common values, and we can come together as a community in a way that supports each other.

Steve Odland: We're talking about the government shutdown as the latest form of stress in an organization and what CHROs should do about it. We're going to take a short break and be right back.

Welcome back to C-Suite Perspectives. I'm your host, Steve Odland from The Conference Board, and I'm joined today by Diana Scott, center leader of The Conference Board's Human Capital Center.

So Diana, we were talking before the break about how CHROs and human resource professionals need to work with their teams, their leaders, in order to help them understand all the tools that are available. Part of that is trying to understand all the different points of stress, right? Because there's the mental piece of it. There's the piece where families may need to be involved, and so therefore time away, flexibility. And then there's financial potential ramifications. But it really runs the whole gamut.

And so you started talking about ERP programs and employee resource groups, and employee help programs. Can you just run through, the typical garden of programs that they should be thinking about and the training that needs to happen?

Diana Scott: Absolutely. The typical programs are employee assistance plans, which most organizations do have these through their benefits plans. So these are the kinds of programs that employees can call into when they need to know, how do I access mental health care? How do I tap into that if I'm really stressed about things? So stress management, things like that. Certainly, if you need to tap into telehealth. Many organizations have access to things like mental health days. Sometimes in situations like this, you need to tap into some sort of flexibility with scheduling.

So understanding what exists within your own employee resources about around flexibility is really important, that the managers understand that. Sometimes it's really just making sure that they understand what's in the employee handbook around those kinds of elements, things like flexibility.

I think the other thing is some organizations, you might consider turning to, reupping, or thinking about creating some financial literacy sessions or webinars about how to manage through uncertainty. And those are often available either through your employee

assistance program or sometimes through your 401(k) provider. Cause in times of stress like this, sometimes employees are really feeling some financial stress. Financial health becomes a real area of focus. So that's something that CHROs might want to really lean into and make sure that's something that is made available to employees during times like this.

Steve Odland: Just to build on that, oftentimes the people in the C-Suite just don't think about how close to the edge people live financially. There's what, 57, 60% of US households that live paycheck to paycheck, oftentimes week to week, Friday to Friday. And their diet in between is affected by that. So this is serious stuff.

Diana Scott: Exactly. Even considering things like, are there opportunities to consider bridge loans? Some organizations do provide that. Some organizations even look to provide extra help to employees who are experiencing real financial hardship. And so there's some kind of hardship loans or things like that that could be made available. So those kinds of programs are things that you should, as a CHRO, you should look into and see, is this something that we would consider? Is this something that we have access to?

In times like this, just good to go back and check and see if this is something that's available, because these times, especially, some of the lower-level, perhaps hourly employees could be experiencing some real financial hardship, to your point.

Steve Odland: Now you also have to be careful not to set precedents that then come back to bite you later. So it's always good to think about this against the backdrop and whatever else is being done. And so another piece of training for leaders is you know how to manage a request. You don't just say, "Yes, do it," or infinite flexibility, or people just go home and take vacation that is not earned. You end up potentially creating disparate situations as well. So it's got to be fair, and it's got to be handled deftly, I think.

Diana Scott: Absolutely. And I think that is a really good point that you brought up. Cause in situations like this, I think managers need to understand, so if we have idle talent, for example, do you want to furlough them? That's one thing that you can certainly do. Or can we do some cross training and perhaps redeploy the idle talent in different areas where you actually do need the talent?

So it becomes an exercise in making sure that you're understanding what the various options are in these situations where you perhaps have talent that you could redeploy, as opposed to furloughing them, if those are the options that are put on the table. And I think that's really akin to sort of strategic workforce planning, which is something that HR organizations and certainly CHROs are constantly thinking about. And if you take an enterprise view of how you're deploying your talent, this is something that a CHRO can really, really do to make sure that they're using their talent in the best ways possible. And that does speak to a flexibility that is appropriate and not just gratuitous, to your point.

Steve Odland: One of the things you talked about at the start of the program was the potential lack of data coming out of these government agencies. And you sit back and

you say, well, they'll pick it up in a couple weeks. What's the big deal? But there's this concept of data blindness that is important to many in the business community, and every sector's a little bit different. Talk about what data blindness, and again, you don't know how long it's going to last, but if it's sizable enough, it can cause real business issues. And how do CHROs talk and think about that?

Diana Scott: The biggest one for CHROs is probably the Bureau of Labor Statistics. If we're thinking about forecasting hiring trends, and also looking at what does unemployment look like, which then helps us understand, is the labor market tight or loosening, or what does this look like? And it helps us in our planning. If those reports are missing, you could say, well, it's going to make us a little foggy in our forecasting. But there are other resources. I think you need to begin to look at what else exists out there that could help us with our forecasting. And there are other resources. I don't think you need to just say, well, I'm now blind, I can't do it. Certainly, they might not be as accurate.

So for example, ADP, which has payroll information for a huge swath of companies here in the United States and internationally, has a lot of data, and you can definitely tap into that. So that's one source of information. There are many other forms of data, and certainly you can look to your own internal HR data, as well, to be smarter. And I think one of the things that CHROs need to remind executives of, especially in their own organizations, is teach them that it's more important to look at trend direction than be absolutely precise.

So data blindness, really, if as long as you can make sure that you have enough data to understand what the trend direction is, I think that precision, don't worry as much about the absolute precision. So we may not have BLS inflation data and labor statistics, but we can certainly track our wage inflation internally. We can certainly track hiring data internally. We can look at data from other different sources and get enough trend direction to be smart about it.

So I don't think that data blindness means that you have decision blindness. I think it just means that you have to get a different guiding compass.

Steve Odland: And, of course, they can always tap into the resources from The Conference Board and specifically your center, the Human Capital Center at The Conference Board.

Diana Scott: Absolutely.

Steve Odland: Tcb.org and connect with us, and you'd be happy to help you through it.

One unintended possible outcome from this is, of course, the elimination of jobs in the government. And that could be pretty sizable as they're trying to cut the deficit and use this as an opportunity, essentially, to downsize the government, which could end up with a lot of people who are very good and talented, through no fault of their own, ending up without a job. And in the private sector, we should not be blind to all of those possibilities that could come our way.

Diana Scott: Absolutely. I think there's a lot of possibilities for us to snap up some excellent talent in the private sector, quite frankly.

Steve Odland: Yeah. And so, there's oftentimes a view that, in the private sector, these are government people, they don't mix and all of that, but. It's not necessarily the case. And now with remote work and hybrid work, it facilitates it. So, it's not that you have to move people necessarily across the country to find productive workforces.

Diana Scott: Yes. And I think the technology now, as it improves, makes the hybrid work, certainly, work a lot better. And if you can make sure that the time that people are gathered together as a team is truly intentional and team-oriented and really focuses on great collaboration and innovative sharing, then you can make that work.

Steve Odland: Yeah. Now one of the things you said earlier, and we can finish on this point, is keeping the politics out of it. It's really hard to keep the politics out of this and virtually everything else that's going on. You can't turn on the television or the radio without hearing one side yelling at the other. And everybody's in Washington's trying to either place blame or take credit for whatever's going on. And this is no different. The shutdown, you got fingers pointing everywhere, yada, yada, yada. And depending on your news source and what your preferences are, you might have a diametrically opposed view from the person sitting next to you in the workforce.

And so therefore it is completely important that you depoliticize all the communication about this, but try to get politics out of the workplace entirely, cause it's just dividing us.

Diana Scott: Absolutely. And I think as a former CHRO and somebody who focuses my life on all things human, I like to say you've got to set the tone really early and say, this is not about politics, it's about people. And therefore, you need to really try to focus on the things that we share, and we share the values of stability and community and care for our employees. And that's what you need to focus on. And I think as CHROs we can continue to moderate conversations and talk about respect. And we've written a lot about reaffirming civility and inclusion in all things.

And I always like to say, can we just talk about encouraging curiosity over fierce debate. Let's talk about curiosity. Let's be curious about each other over fighting each other. And that will certainly help keep politics out of the conversations. Because we don't need political gridlock. We're talking about organizational resilience here. And it's about how we as leaders can lead through uncertainty. And that says more about our culture than any kind of headlines that we're going to read in the papers.

Steve Odland: Amen to that. Diana Scott, leader of our Human Capital Center at The Conference Board, thanks for being with us today.

Diana Scott: It was my pleasure.

Steve Odland: Thanks to all of you for listening to C-Suite Perspectives. I'm Steve Odland, and this series has been brought to you by The Conference Board.

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