

RECESSION and HRM Innovations

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ABSTRACT

Recession affects many factors; it affects the export, Slowdown of the industrial production, which result into slowdown of growth.

Human resource management is responsible for how people are treated in organizations. It is responsible for bringing people into the organization, helping them perform their work, compensating them for their labours, and solving problems that arise. Recession presents a very difficult time for any existing organization in today's corporate world and no company is exempted from this truth. The biggest challenge for companies and especially Human Resource in this economy downturn is to survive and to remain competitive, companies reorganized and reengineered to reduce waste. Recession poses unique challenges to the HR department. HRM strategies & innovations providing a wide selection of employees, employers, customers, suppliers etc. in all ranges This paper outlines the transformation of HRM strategies and innovations in Asia. Beginning with its

inception, the paper is progresses towards its various HRM functions like recruitment and selection of employee, training and development, compensation and benefits, growth of Human communication. This paper also highlights HRM strategies to counter intensified competition and external conditions like global economic recession, the resultant credit crunch and its impact on employee performance.

Keywords: - *Human Resource Management, recession*

1.0 INTRODUCTION:-

As recession is a macroeconomic term. The said term is significant decline in general economic activity. It results into economic decline, as reflected by GDP such as a rise in unemployment. However, the said bureau reflects that National Bureau of Economic Research (NBER), which officially declares recessions. The decline in economic activity such as in real GDP, real income, employment, industrial production, and wholesale-retail sales.

What is a Recession?

It is a term that describes a period of economic decline in a country. It is a temporary phase where we will see a decline in trade, industrial activity, employment, etc. Generally, when the GDP (gross domestic product) of a country sees a decline for at least two consecutive financial quarters we can identify this phase as a recession in the economy. So during the period of recession, the economic performance of the entire country stagnates. Businesses across the country will suffer the effects of the recession. The government too will be helpless to an extent. Take for example the global recession of 2007-2008. It started due to the housing market fiasco in the USA, but the global economy suffered and its adverse effects were seen in India as well.

Causes of a Recession

Some factors have been identified that may cause an economic slowdown in a country that ultimately results in a recession.

1] High Bank Rates: When the rate of interest is very high, there is not much liquidity in the market. So the levels of investment will fall, causing an economic slowdown. We saw this in 1980 in the USA, when the rates were raised to battle

stagflation. But instead, this resulted in a recession.

2] Stock Market: In a bear market, investors will pull money out of the stock market. This will drain capital out of the businesses and cause an economic slowdown. Crashes in the stock market are very harmful to the economy.

3] Housing Crisis: When the prices of houses fall the owners start losing equity. They cannot pay their mortgages or take second mortgages on their homes. This may lead to foreclosure. This was the cause of the Great Recession of 2007.

4] Economic Scandals and Frauds: Sometimes banks, large corporations, and even government institutions employ questionable practices and illegal activities to boost profitability. When such schemes and scandals are exposed, the entire economy suffers. Take for example the current financial scandal of Sahara.

5] Effects of War: We generally see an economic slowdown after a war. It is the general after-effect of the stress a war causes on an economy.

6] Deflation: Deflation is the opposite of inflation. Here we will see a general decrease in the prices of commodities and services. This encourages the consumer to wait until the prices to reduce further. This can cause a recession in the economy.

7] Falling Wages: When the wages and salaries of workers do not increase with the

same level as the inflation in the economy, the purchasing power of the public will reduce. He will not be able to afford the same goods and services that he use to. This can cause an economic slowdown.

8] Human resource management system: Human resource management is dealing with the implementation of the strategies and policies relating to the management of individuals, the department become one of the most responsible to bring the organisation on the right track during recession time.

How to overcome recession?

The major player in a recession or an economic collapse is the government. It can still avert an impending economic and financial disaster. If Argentina did it in 1999-2002 economic crisis, so can the American and the Indian government. The different steps involved in overcoming the recession are:

HOW TO OVERCOME RECESSION

1. Encourage exports
2. Provide accessible credit for business
3. Improve tax collection
4. Social welfare
5. Improve Tourism

When recession looms, it becomes more important to pay attention to what's

happening in your target market and how they react during the time. Low cost and effective marketing technologies are now available, making it possible to reach your target market through the new channel and medium. Use them to your advantage, and see your business grows while your competitors are stuck in the same old paradigm

Strategic Role of HRM during Recession Period

Human resource management is dealing with the implementation of the strategies and policies relating to the management of individuals, the department become one of the most responsible to bring the organisation on the right track during recession time.

There are some important steps that a business should follow in order to maintain their competitive position on the market.

- Improvement of prices in order to grow margins,
- The increase of the financial and operational efficiency, but also the concentration on the market share.

The purpose of the human resource management within that an organisation is able to perform well through its staff, but also to increase the efficiency and the capability of the business. therefore, it helps the business to reach it goals by using the resources available to their best

use. HRM is one of the factors that play an important role as a change agent during the period of recession; HRM has to guide top management in recession period.

Recession provides an opportunity to HRM and organizations to cancel out old policies and introduce some modern techniques with high standard to make their organizations better than before to keep working when economies are slow down.

The first processes which was affected by a recession is the recruitment and selection policies. Recruitment and selection process involves making expectation about what will happen, so that decisions are made about who is the most suitable person for a certain job that can increase the performance of an organisation.

The HRM Innovation is easy in times of the business growth, but the recession is not good for big innovative HRM Initiatives. On the other hand, the top management understands the effort to innovate the HRM Processes better. The top management is in the search for the potential cost savings and they count every single penny brought by the line management. The HRM Costs are usually a very significant cost to the organization and the HRM Function has to be proactive. HRM Innovations in Recession “The recession is about the creative Human

Resources Management. The HRM Function is asked to bring new ideas, to change the HRM Processes and to develop or change the procedures and this effort has to be cheap or it has to cut the costs of the organization. The HRM Function has to focus on unpopular innovations during the recession as the role of Human Resources during the recession is to save money to the organization. The top management expects all the support functions to bring innovative solutions.

HRM Innovation during the recession has to focus on the following topics:

- To optimize the manpower strength
- Reduce the number of employees in the organization to take strategic initiatives to increase the productivity and efficiency of the entire organization
- To work on compensation benefits
- Cancellation of several benefit schemes
- Redesign training and development programs
- To identify the real key employees and to intact them in the organization
- To identify the real top potentials and to strengthen their development program

Freeze in the recruitment process:

The recruitment freeze is the first challenge of HR department to be affected by the recession. As the top management

has to keep the cash flow under the control, the recruitment freeze is the first logical decision. After the recruitment freeze the organization has to clearly decide about its priorities as the organization does not carry additional people on its payroll. The top management has to decide about the new strategy and the management is allowed to hire just the missing skills and competencies.

Reduction in the strength of the organization: Layoff is the temporary suspension or permanent termination of employment of an employee for business reasons, such as the slow-down or interruption in work. It is another challenge that has to be faced by the top management. It takes all of a management team's resources, including both business acumen and humanity. The extreme difficult decision is who must be laid off, how much notice they will be given, and how far the company will go to help the laid-off employee find another job are given less than adequate attention.

Re-design in compensation and benefit schemes: The compensation and benefit schemes are also heavily affected by the recession. Compensation is payment to an employee in return for their contribution to the organization, that is, for doing their job. Benefits are forms of value, other than

payment, that are provided to the employee in return for their contribution to the organization, that is, for doing their job. The recession makes a huge pressure on the overall costs of the organization and the compensation strategy can easily change the position of the organization on the pay market. HR managers may find it difficult to design compensation programs that adequately provide employees with an equitable level of compensation and an incentive to perform effectively.

2.0 LITERATURE REVIEW:-

The literature on efforts to adjust wage rates downwards inside unionized organizations when recession strikes is dominated by the theme of concession bargaining. The term involves union 'give backs' to management in the form of freezes or even cuts in pay and benefits. Concession bargaining is likely to be more successful if based on openness and transparency, equality of sacrifice and trade union gain - where companies agree to some trade union demands in return for accepting significant concessions. These gains can include some form of financial participation such as profit sharing or some type of employment security programmer. These underlying principles of concession bargaining can also apply to non-union organizations

Burnham, K (2009) It is possible to identify three strands of argument in the literature as to the effects of the current recession on human resource management. The first suggests that the recession will have a cataclysmic effect on the HR function or even on the viability of long prevalent employment models, with one study suggesting that numbers working in HR would be cut disproportionately compared with other support functions, while 'transactional' HR processes would be increasingly relocated to low-cost countries. Another claimed that the global crisis in the context of the ongoing globalization of businesses would 'decimate HR'. The second (which represents the dominant perspective among suggests that the recession will both increase the stature and influence of the HR function and deepen the appeal and prevalence of HR practices consistent with the 'high-commitment model', whose features are widely understood

Briscoe, D , Schuler, R & Tanque, I (2012) Turning to the manner in which firms combined such hard response programmers with soft HR measures concerned with maintaining the motivation and commitment of staff, the research found that firms commonly sought to couple hard response programmers of either kind with some or all of a series of soft response programmers: a greater

emphasis on communications, implementing specific measures to promote employee engagement and involving employees in the development of measures for responding to the recession. Again two broad groupings of firms could be distinguished. One group, representing more than 7 out of 10 firms commonly combined hard response programmers with a range of soft

HR measures, while another group allied more emphasis on communications with hard response programmers – many firms in this group eschewing the use of a wider range of soft response measures. General hard HR response programmers had a lower probability of being combined with an extensive range of soft HR response programmers.

D Steilberg, R & Cerrone, S (2006) there was general agreement that dealing with the 'business agenda' in the recessionary environment presented a much more difficult challenge for HR than when recruitment and retention of staff had been the main challenge for this function. The predominant view of participants was that HR provided leadership in this environment and that the agenda now addressed had brought HR into mainstream business decision-making. For most of the participants, the influence of HR was central in terms of shaping the measures firms had adopted to respond to the

recession. However, some believed that their influence within senior management extended more to the implementation of business decisions already decided upon. Part of the new role of HR involved providing advice and mentoring to managers on dealing with the HR implications of business decisions, often involving HR dealing with requests for advice from line management.

HRM Communication in Recession:

The HRM Function is always responsible for the mass communication to employees in the recession. The HRM Function should be responsible for the consistency, transparency and fairness of the crisis communication to employees. The recession is usually not about the good news, but the HRM Function has to be the employee advocate and the messages should provide the employees with the clear outlook of the future. The crisis and recession communication have to be targeted, as not all the employees should receive the same amount of the information.

Recommendations of the study:-

- Flow of Communication should be from top to down that will help in making conducive atmosphere within the organization

- Make prepare yourself for individual and group concerns therefore there should be a proper consoling session.
- To maintain a calm atmosphere
- Review all HR policies, processes and procedures to ensure that they are purposeful and contribute directly to the success of the company.
- Suppose the company has to lay-off staffs ensure that there are no other opportunities for them in other functions or divisions of the organization.
- Top management should know the contingency plan.
- Do the brainstorming session with your top management and contribute in their strategic planning.
- A complete or partial job freeze, however, communicate to the workforce that the company may continue to recruit key individuals even in difficult times
- Review the employee performance evaluations to determine the key people that company cannot afford to lose.

The ultimate output from these discussions should be a strategic plan for increasing the return on the HRM portfolio.

Motivational training and development programs:

HRM professionals should give strong consideration to increasing resources allocated to training and

development during a downturn. The managers should design training and development programs that are in line with employees' needs and the skills required to perform job tasks. Effective training and development programs will also consider how each generation of employees uniquely prioritizes its needs. An employer should utilize training and development programs that improve the workplace flexibility of its managers as well.

CONCLUSIONS:

Human Resource Management is responsible to manage the human resource of the corporate to maximize the productivity, efficiency at minimal cost and maximize profit. Recession has threatened the corporate to hire in bulk and have wide bench strength. It has also tightened the measures for human resource management. The present report on HRM innovation & strategies" is a modest attempt to present a comprehensive treatment of concepts & measures of HRM innovation & strategies. HRM is the challenging task in recession time. Recession is not the time of Boom; in recession time organizations have the opportunity to re-innovate the organization in the form of such as

(1) Recruiting & selecting the highly qualified persons /staffs.

(2) Efficient training provide to the employees.

(3) To establish calm atmosphere. The mean of calm atmosphere is to develop such types of environment that every employee performs their duties & responsibilities with honesty.

(4) Causes of a Recession

Some factors have been identified that may cause an economic slowdown in a country that ultimately results in a recession. High Bank Rates, Stock Market, Housing Crisis, Economic Scandals and Frauds, Effects of War, Deflation, Falling Wages, Human resource management system:

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