

# ROLES AND CHALLENGES FOR HUMAN RESOURCE PROFESSIONALS DURING GLOBAL RECESSION

**Singh Archana**

Lecturer, Department of Management Studies  
Malwa Institute of Technology, Devi Ahilya vishvavidalaya, Indore (M.P.)

**Singh Lokendra Vikram**

Lecturer, Department of Management Studies  
Malwa Institute of Technology, Devi Ahilya vishvavidalaya, Indore (M.P.)

**Dr. Khare Peeyush**

DGM (HR), Batch Master Software Private Limited, Indore (M.P.)

## ABSTRACT

Recession is the time when HR needs to come in to its own to help company during tough time. It's the time when the HR needs to develop and retain talent amidst retrenchment, salary-cuts, and fall in budgets. Most of the organizations across industries are under tremendous pressure to sustain. The beleaguered economy seems to have affected the entire globe including developed and developing countries. Today organization of all sizes and all types has accumulated stocks, liquidity and exports significantly down. Coupled with this is the cash crunch which has put a temporary halt to major acquisition and expansion plans of the organization. However Indian economy is still going strong but the psychological pressure is steadily building up. Task forces are being created to ensure that concrete action plans are designed and implemented on priority basis.

This Paper is an attempt to cover the challenges and role of HR professional during recession. It is the most appropriate time for HR professional to show their worth and also effectiveness of the HR policies to bring out a company from serious trouble. It's the time when the HR needs to develop and retain talent amidst retrenchment. Salary-cuts, and fall in budgets.

### This paper will explain:

- What HR can do in protecting the interest of employers and employees during recession?  
And
- The role of HR professionals during recession particularly when global economy melt down.

**Key words:** - Recession, HR professionals, Human Resource roles and challenges, HR policies.

### Introduction:-

Recession<sup>1</sup> is the time when HR needs to

come in to its own to help company during tough time. It's the time when the HR needs to develop and retain talent amidst retrenchment, salary-cuts, and fall in budgets. Most of the organizations across industries are under tremendous pressure to sustain.

The beleaguered<sup>2</sup> economy seems to have affected the entire globe including developed and developing countries. Today organization of all sizes and all types has accumulated stocks, liquidity and exports significantly down. Coupled with this is the cash crunch which has put a temporary halt to major acquisition and expansion plans of the organization. However Indian economy is still going strong but the psychological pressure is steadily building up. Task forces are being created to ensure that concrete action plans are designed and implemented on priority basis.

### Global Economic Meltdown: A Challenge to HR

In such a scenario the role of HR department assumes critical importance. The HR department being the custodian is responsible for employee well being and organization success. Balancing employee aspiration with ground economic and business realities particularly in crisis time pose severe challenges to HR department and its professionals.

Sum senior practitioner calls it litmus test to HR professionals to evaluate their competency and understanding for human behavior. Most of HR professionals are aware that today recruitment plans unless very important, are deferred to future and retention is not any more a measure problem. Most of employee in private sector are uncertain about there future which is not confined to small companies only. This is more relevant in today's scenario where there are wide spread pay cuts and job cuts. HR is increasingly under pressure from both the side i.e. from management as well as employees.

Management wants deduction in payroll cost while employee wants their jobs and benefits to be protected if not increased. Many HR professionals privately admit that it is indeed a crucial phase of their organization role functioning.

#### **What HR can do?**

HR needs to be proactive and come up with early interventions<sup>2</sup>. The survival for an organization during recession largely depends upon five factors;

1. Retaining good people (which is what the company primarily expects from HR);
2. Keeping them mentally and physically happy;
3. Keeping them motivated and hopeful for the rapid improvements in the market situations;
4. Keeping them aware about the challenges ahead;
5. Motivating them to be ready to be the part of cost cut.

The aforesaid factors are simple to state but not very easy to execute. To understand the difficulties in the execution we require looking into the researches undertaken in the past on human psychology and behavior:

#### **Anna Howell, (2007) in her research identified the following common human psychology amongst the employee in Asia region:**

1. The human psychology tends to be scary for the security for the job.
2. It is very difficult for an individual to accept his own weaknesses.
3. Security for the family is more important than the career opportunities
4. The employer exploits the employees in general.

**Daniel V Norren from Tilburg University Netherlands (2009)** in his research defines the problem of keeping employees motivation in an environment where the social security components are very low and inadequate. He further express that it a mammoth task for HR professional to keep the employees motivated and loyal for the organization when they are already stressed and feeling in secured about themselves.

Researches also indicates that people develops mental sickness when they see their growth is restricted due to external factors. This lead to anxiety and stress and finally they start showing fatigue at their routine activities.

#### **ROLE OF HR PROFESSIONALS DURING RECESSION:**

**A proactive and strategic role is expected from the HR professional during the slow down of the**

#### **economy as follows:**

##### ✓ **Be creative:-**

It is the time to implement new ideas to change the HRM processes and to develop or change the procedures. Organize the HR activities in such a way that these allow cost cuts (HR costs being a significant part of total cost) and still keep the people motivated. The objectives to be kept at forefront at the time of implementing the new ideas shall be:

- How to increase productivity and efficiency in the organization?
- How to reduce the benefits costs?
- Redesign compensation structure?
- How to retain and develop high potentials?
- How to minimize the employee costs so as to avoid retrenchment?

##### ✓ **Use technology:-**

During these uncertain times, companies will realize the importance of having competent skilled workforce which will ensure that focus stays on trainings but there may be a major reduction in training budgets. This is the time to implement e-training solution with rapid authoring tools which allows us to create content quickly and efficiently, while allowing all learning activities to be provided on single platform.

Similarly, the traveling cost can be cut by using phones, video conferencing etc. G-talk, Skype and other messenger services allow free pc to pc calls etc.

##### ✓ **Communication:-**

At the time of recession, when any decision taken by the company impacts each individual personally, rumors float around. If the communication channels are not kept open employees stop trusting the organization and the morale may go down. It's this low morale which leads to attribution and lower productivity.

It's the duty of HR professionals to ensure that communication channels are kept open, transparency is maintained. HR also needs to ensure that accurate communication happens on time in full, instead of employees hearing things with details from the grapevine first.

##### ✓ **Support:-**

Provide adequate support to leaders and managers in terms of people management processes. If the organization is planning to retrench employees counsel not only the employees who will be staying back put also the employees who have been asked to leave, be fair with them.

Find ways to keep up the motivation levels

of employees when you can't compensate for their skills by providing increments. Provide financial coaching to employees and restructure compensation in such a way that allow the employees to save taxes and increase the in-hand.

✓ **Alternative Steps:**

- Reduce various administrative and establishment cost. This can be done by better negotiations with service providers and eliminating wastages in all forms. Efficient and economical models of delivering administrative and establishment service to the employee's should assume paramount importance,
- Hold large bonuses or rewards payments. All bonuses or rewards carrying significant monetary propositions must be put on hold. However caution must be applied while doing so as it may frustrate the employee's especially top talents. Communicating frequently and making employees understand the present scenario is essential for every HR professional embarking upon such measures.
- Create participative forums for dealing with difficult times ahead. Many experts believe that the present economic impasse may persist for at least 6 more months and there fore HR professionals must help in forming and facilitating different employee forums for spearheading austerity measures sustaining organization in these difficult times.

It is not the sole responsibility of CEO's but more importantly a collective or joint responsibility of the management and employees. Therefore, all employees must be encouraged to contribute in small or large measures towards ensuring sustainability of their organization in this era of economic meltdown. Retaining top talents should be emphasized by HR professionals to the management it is often in correct to believe that sense measure recruitment are not happening there for top talent are unlikely to leave. On the contrary to talent will always have opportunities to perceive and more so now should HR professionals be unaware of this fact by the time things improve they would perhaps realize that most of their top talent have left for their competitions. Therefore, HR professionals must devise appropriate retention plans for top talents. HR professionals must now take the role internal marketing vigorously. In present situation employee must be apprised of the challenges and opportunities available in future and motivate to add values to their jobs, department and

organization. HR professional should have to create enhanced and focused communication strategies.. HR professional need to network more then ever now to network with the fellow professional find out how best to visualize the problem accordingly try to solve them. Putting mind together will surely help in devising some HR strategies which will help the organization to swim through difficult time.

**MANAGING HR IN SLOW AND DOWN**

The recession is about the creative HRM. 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 cheap or it has to cut the cost of the organization. The HRM innovation is easy in times of the business growth, but the recession is not good for big innovative HRM initiatives.

The HR management has to focus on unpopular innovations during recession as the role of HR during the recession is to save money for the organization. The senior management expect al the support functions of bring innovative ideas and solutions which will lead to stronger organization, when the next growth era comes. The point has to be focused by HR management during recession are as follows:

- To optimize the manpower strength.
  - To take strategies initiative to increase the productivity and efficiency of the entire organization.
  - To work on compensation benefits.
  - Redesign training and development programs.
- On the other hand the HRM has to find some innovative solution during the recession like:
- To identify the real key employees and to intact them in the organization.
  - To identify the real top potentials and to strength their development program.

The HR management has to have priorities in mind and the strategic impact on the HRM innovation in the recession time. The role of the HRM is not to minimize the cost for the time being, but to make the organization stronger and ready for the future growth.

✓ **Recommendations**

Recommendations while employer facing negative challenges during recession:-

- 1) Top management should know the contingency plan.
- 2) Do the brain storming session with your top management and contribution in their strategic planning.

- 3) A complete or potential job freeze, however, communicate to the work force that the company may continue to recruit key individuals even in difficult times.
- 4) Review the employee performance evaluation to determine the key people that company can not afford to lose.
- 5) Flow of communication should be from top to down that will help in making conducive atmosphere with in the organization.
- 6) Make prepare yourself for individual and group concerns therefore there should be a proper counseling session.
- 7) Maintain a clam atmosphere.
- 8) Review all HR policies, processes and procedures to ensure that they are purposeful and contribute directly to the success of the company.
- 9) Suppose the company has to layoff staffs, ensure that there are no other opportunities for them in other functions or divisions of the organization.
- 10) Advise manager to deal the process of managing change.

**Conclusion:**

Managing HR in a difficult economic environment is even more demanding than working in times of rapid growth. Therefore the task of HR is very important to maintain equilibrium through out the hierarchy. HR professionals would have a big

challenge to keep employees away from the competitors during tough economic times. As a HR manager you are advised to keep Differentiation between your good and average employee, redirect your employees to other departments (job rotation),listen to your employees, Keep them motivated and busy (communicate-communicate and communicate) and Show them the long term vision..The above said efforts will enable the employer to hold its team together during a recession, and will even make bond between employer and employees.

1. Recession is a period, shorter than a depression, during which there is a decline in economic trade and prosperity.
2. To make somebody feel harassed, hemmed in, or under severe pressure.

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