



Global Recession of 2009 Revised, Lessons Learnt and its Impact on HRM

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ABSTRACT

The Recovery – Recession phase has created an unstable economic environment. In developed countries the growth had been affected but in developing countries economic parameters show positive trends. In fast developing countries like India, the globalization phenomena had influenced the organization; Human Resource Environment, its climate and culture are no exemptions. The regulatory mechanism was initiated by the Indian Government to control the damage. The HR Capital in India is an asset and the developed world’s dependence on India for skilled workforce is affected by recession.

This paper examines and revisits the recession in 2009 and the traces the influence and consequences of recession on Indian Industry as a lesson for the 2024 likely global recession. The focus is on the impact on HRM. The article is to provoke the thoughts of HR manager to devise strategies to accept the challenge and the likely problems of HR function in the likely hood of a global recession in 2024 due to adverse reports from US economy.

Key Words: Recession Likelihood; Impact on HRM; Strategies

The globalization phenomena has provided impetus to economic development worldwide, the impact of globalization on developing economies is tremendous. The integration of world economy through bilateralism, trilateralism and multilateralism has increased the risks, aversions and impetus factors on business environment. The Kurt Lewin principle says when a ballon is pressed at a point the consequences are either the ballon bursts or brings change in the shape of the ballon. The universalisation of business has created the situation in exactness to that principle. The business economic principles suggest based on demand and supply any economy shows cyclic tendencies. The economic cycle follows 1. Initiation 2.Growth 3.Sustain and 4.Recession. The present economic cycle shows symptoms of fourth phase i.e. recession. Why the booming economy did was trapped in recession. The causes might be many. The Keynesian Theory proposed over speculation leads to bubble burst; this was found true in 1929 and 2008. The sub-prime crisis of U.S.A on over speculation and default of Collateral Debt Obligations (CDO) instruments had a cascading effect on the world economy. The WTO figures for world trade export puts Germany, China, USA and India in 1,2,3 and 26 positions whereas for import trade USA, Germany, China and India occupies 1,2,3 and 17th position respectively and the World Bank estimates (Table 1) for the world economic growth rate in 2008-2009 shows declining rate , recession in developed countries is expected to slowdown developing countries growth. The IIP figures (Table 2) for manufacturing sector in India for February 2009 show negative growth (-1.2) for the first time in 15 years. The inflation trends in India is deflationary and for the first time in 22 years inflation is in negative terrain at -1.55 on 17th July 2009 and consequently the employment position and demand for goods is expected to decline. but for the IIP figures at the end of June 2009 shows recovery in core areas of manufacturing

TABLE 1

WORLD GDP (GROWTH FORECASTS)

	2009(E)	2008(E)	2006
GDP (WORLD)	0.9	2.8	4
GDP (DEVELOPING COUNTRIES)	4.5	5.1	6.1
VOLUME OF WORLD TRADE (GROWTH RATE)	2.1	6.2	9.8

Source World Bank

TABLE 2

INDEX FOR INDUSTRIAL PRODUCTION (2008-2009)

MONTH/YEAR	PROVISIONAL	ACTUAL
OCTOBER, 2008	-0.4	+0.11
JANUARY, 2009	-0.5	+0.39
FEBRUARY, 2009	-1.2	-----
2008-2009 (11 MONTHS)	2.8	N/A
JUNE 2009	2.4	-----

Source: Government of India

The global localization had made it possible for free flow of services and goods across the borders with some or no restriction. The influence is felt at the street corners with global products finding way into the street corners. The opportunities for working with global companies at the street corners had raised the standard of living and pushed the traditional markets to the corner. The saving habits changed with the availability of financial products, the liberal banking policies increased infrastructure and capacity creation. The increased consumer spending saw economy booming, the job opportunities increased and the global companies searched for manpower at the local level. The mindset of the employee has changed and the spending pattern. The information technology revolution had compelled the organizations to spend on computerization which led to the booming of software companies and jobs. The convergence of technologies has accelerated the growth and communication.

The mid-2008 burst in U.S.A. on over speculation of housing loan based derivative product CDO's had resulted in recession. The global localization had created a cascading effect on the financials and economies of the nations all over the world especially the collapse of MNC's (Lehman Brothers), the shrinking intrinsic value of net worth has necessitated change in strategies, downsizing and ultimately restructuring. The stimulus packages to provide impetus to growth by the Governments all over the world is noticeable. but for the IIP figures at the end of 2009 may show recovery in core areas of manufacturing. The global economy is yet to enter the recovery of phase.

The slew of measures initiated by the Indian government to revitalize the economy are 1) interest subsidy of 1% on housing loans b) restructuring of NPA.

HUMAN REOURCES MANAGEMENT AND RECESSION

The role of HR manager in the above context to manage in recession is to be analyzed. The impact on the operand dimensions of HR in Indian context is expected to be medium.

The operand dimensions of HR may be categorized as

INPUT OUTPUT DIMENSION

COMPENATION DIMENSION

WORKSYSTEM DIMENSION

DEVELOPMENT DIMENSION

RELATIONAL DIMENSION AND

BEHAVIOURAL DIMENSION

The Government supported mergers, acquisitions and takeovers is the trend in the capitalist societies. The organizations HR tools are curtailed by the Government imposed restrictions.

The immediate impact of recession on HR was hiring slowdown, the trend of industry chasing jobseekers is expected to be reversed. The booming economy necessitated quick hiring process and the time lag is considerably reduced by conducting job fairs. The campus recruitments and job fairs are likely to slowdown, the practice of hiring staff for future requirements may decline (for example software companies recruited actually engaged to benchers in the ratio of 70:30 the excess 30% staff recruited for future needs is to decline). The NET MANPOWER ADDITION by the major software industries shows a decline of 30% in 2008-09 in comparison with 2005-06. The service sector especially the financial and security market is expected to bear the burnt with nil recruitment and severance plans. The manufacturing sector realing under shutdowns, excess stockpiles, layoff etc. may not require fresh staffers. The manpower planning is expected to rotate around redeployment or severance of excess staff. The pre and post recession period employment figures of government of India report shows the decline in jobs from January 2008 to may 2009 as 1.8%

The salary levels are expected to decline with layoff, retrenchment being evitable, the employees are willing to accept wage/salary cuts to avoid lay off and refreshment. The aviation industry had already showed an example. The educated are preparing for underemployment and lesser pays. The salary

growth rate in the major software industries is more than the industry growth rate in 2008-09, but this may be reversed in future due to dwindling revenues. The finances of the individual and the organization are likely to be affected. The fringe benefits and the other allowances are likely to be restricted or curtailed. The ESOP'S are non- attractive , the banks are facing defaults on loan repayment on ESOP, with no exit route or unattractive sale price the employees are facing losses (the employees had purchased ESOP'S with loans from banks , the falling share prices had initiated the sale trigger to maintain mortgage security). The incentive plans may be used as a tool to promote employees motivation, it was found to be beneficial to employees and the organization. In Japan job sharing is practiced to avoid lay-off and retrenchments, sabbaticals without pay are on rise. But once the economy enter recovery phase the old payment system may be viewed with scepticism.

The demand for multiskill workforce will increase and executives with multidomain experience will be in great demand. The Re-Engineering with reliance on technology is expected to result in decrease of manpower. The job specialization being mandatory and job sharing and job enrichment is the mantra for the corporate world to reduce cost.

The organization spending on development and training may decline due to tighter budgets. The Organization's preference for experience and skilled with low salary than to fresher is the trend. The current practice of campus recruitment one year in advance and referring the selected to (JKC) Jawaharlal Knowledge Centre for training may be discontinued for time being.

The labour law in India had restricted the employers' power in the matters of employment. In one case the agitational mode of employees and the public outcry had resulted in AIRWAYS taking back laid-off and retrenched employees with unions agreeing for wage cut. The IR scenario is expect to be volatile with HR and organizational plans directed towards balancing acts and with recession affecting the demand-supply position severance follows, which make the IR situation volatile. The hire-fire policy may be increasingly applied to balance the workforce and maintain optimum size for recovery phase, the Indian economy is expected to be in recovery cycle shortly In the restructured market the organization had responsibility towards its employees, shareholders, customers and society.

The behavioral aspect of employee towards his organization is expected to change and organizational climate is expected to be influenced by permanent nature of job (i.e. Job Security). The morale of the employee will decrease and the motivational direction is to behave responsibly towards organizational needs but this may not necessarily result in satisfaction since hygienic factors are curtailed by recession. The attrition rates tend to decline due to non-availability of jobs. The Employee Stress Mitigation Model (ESMM) in recession is to be modelled to cope with job loss, cost reduction and right-sizing.

HR STRTAGES FOR MANAGING RECESSION

HR STRTAGES IN RECESSION	BEHAVIOUR	Stress, mitigation & Coping, Emphasis for Organizational goals achieving.
	INPUT – OUTPUT	Sustained by redeploying work force on Job sharing.
	DEVELOPEMENT	Retrain the work force to use the multi skills at work place
	COMPENSATION	Compensation linked to organization performance
	RELATIONAL	Orientation towards Organizational Strength. and recovery period
	WORK SYSTEM	Cost optimization and rationalization.
	OUT PLACEMENT CELL	To resettle excess manpower

CONCLUSION:

The recession reverses the growth trend. The rate of return on Human Resource Capital is likely to decrease, further the HR strategies will be evolved to increase rate of return with lesser investment, the HR manager is at crossroads searching for solutions and techniques. The redeployment of staff require better employee engagement models. The out placement cell is a must for effective exit policy. The attrition rate and growth decline may be countered with freeze on recruitment. The HRD cell shall concentrate on developing methods for performance improvement re-training and out placement. The compensation policy may be linked to interactive payment system based on earnings of the company rather than on standards achievement. The likely HR strategies model is given above.

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