

# International Journal of Research in Social Sciences

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#### Abstract

This conceptual paper suggested the new role of HR especially during the global downturnin theorganization. Due to global downturn, the biggest challenge for companies and especially Human Resource in this economic recession is to survive and to remain competitive, companies reorganized and reengineered to reduce waste. Downturn poses unique challenges to the HR department. Investments in human capital are not likely to be a high priority for companies whose very survival is threatened by the global downturn. Organizations have been buffeted about like leaves in a storm by many trends; recently the downturn is one of the major results of it. Each Recession, as it unfolds, create the need for HR Practitioners to take a fresh look on thetraditional model. Traditional Model of human resource management focuses on administrative functions: application processing, benefits, compensation benchmarking, dispute resolution, employee grievances, performance review, and rules compliance. It is the time to step back, understand the actual needs of the employees and the employers, strike a balance, redesign and innovate the New Roles of HR policies as per the need of company objective and market Environment.

Key Words: Human Resource Management practices, downturn

#### **1.1 Economy and Focus**

In economics, a recession is a general slowdown in economic activity over a long period of time, or a business cycle contraction. During recessions, many macroeconomic indicators vary in a similar way. Production as measured by Gross Domestic Product (GDP), employment, investment spending, capacity utilization, household incomes and business profits all fall during recessions. Uncertainty is the key word for 2009.

#### **1.2 Impact of Downturn on Human Resource**

The downturn has affected many HR Processes and they need to be adapted to the new situation and they have to be ready for the new reality. The impact of downturn is not the same in different Industry. The HR Processes are different according to the Industry. The downturn is an opportunity for HR professionals to step and contribute strategically. The recruitment process is

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the first HR Process to be affected by the downturn. The recruitment freeze is usually the first top management decision, when the sales numbers goes down. As the top management wants to keep the cash-flow under the control, the recruitment freeze is the first logical decision. The recruitment after the recruitment freeze is more selective and the company has to clearly decide about its priorities as the organization does not carry additional people on its payroll. The top management decides about the new strategy and the management is allowed to hire just the missing skills and competencies. The training and development is the second HR Process to be affected by the downturn. The management decides about the cuts in the investments and Human Resources have to find a way, how to keep the knowledge in the organization. The company can survive without training and development for a limited period of time. The cost savings can be huge and the organization feels no impact of the lower training budget. But the period has to be really limited as the organization does not lose the talents and the internal know how. The compensation and benefits is the HR Process, which is heavily affected by the recession. The bonuses are not paid and the base salaries are under a huge pressure. The compensation and benefits specialists are under the pressure as they have to identify the areas in the organization to realize the redundancies. The downturn is a good opportunity for Human Resources to introduce the changes to the organization. But the reaction of HR has to be quick as the internal opposition has no chance to form their forces.

## 2.0 Approaches to Restructuring in Downturn: A Solution adapted by corporates

Cost cutting is also one of the HR opportunity comes in the scenario when company is not earning much. At this time company has to introduce Innovative idea for reduce operating cost without affecting operations. Cost cutting is linked closely to restructuring in today's business lexicon. A recent survey on corporate restructuring documented this relationship: 100 Percent of companies that were at the time restructuring or had recently restructured, did so to cut cost.

In Economic meltdown, Cost cutting is one of the best ways to save company from over expenses. It is the phase when every company wants to correct themselves from huge expenses. Companies reduce cost through different ways i.e. from salary, allowances, traveling cost etc. In a survey, which was conducted to find out the most popular cost-cutting measures; some of them which were identified as under: 1. Downgrading/canceling holiday party 2. Eliminating/reducing

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seasonal workers 3. Organization-wide restructuring 4. Restructuring HR function 5. Implementing a salary freeze 6. Having a mandatory holiday shutdown 7. Reducing/eliminating other employee Engagement programs.

Some of the employers implemented salary freezes whereas others reduced their yearly planned merit increase. Lay off is one another ways to reduce cost. Layoff is the temporary suspension or permanent termination of employment of an employee or (more commonly) a group of employees for business reasons, such as the decision that certain positions are no longer necessary or a business slow-down or interruption in work .

## **3. Lessons from the 'Best Practices' Companies**

Workforce reductions/Employee downsizing are often necessary to keep companies solvent during difficult times but mishandling the process can make an already bad situation even worse. Here are few points according to best practices of companies to keep in mind when you're gearing up for layoffs. It was found that the formulation and communication of a proper planning and downsizing strategy, the support of senior leaders, incentive and compensation planning and effective monitoring systems were the key factors for successful downsizing. In many organizations where downsizing was successfully implemented and vielded positive results, it was found that senior leaders had been actively involved in the downsizing process. Though the downsizing methods used varied from organization to organization, the active involvement of senior employees helped achieve downsizing goals and objectives with little lossin quality or quantity of service. The presence and accessibility of senior leaders had a positive impact on employees – those who were downsized as well as the survivors. According to a bestpractice company source, "Managers at all levels need to be held accountable for – and need tobe committed to – managing their surplus employees in a humane, objective, and appropriatemanner. While HR is perceived to have provided outstanding service, it is the managers'behavior that will have the most impact." The senior leaders in the organizations tracked the progress and achievement of every division separately and emphasized the application of a different strategy for every department as reaction of employees to downsizing varied considerably from department to department, thus all the above measures helped minimize the negative effects of downsizing. The least the companies

A Quarterly Double-Blind Peer Reviewed Refereed Open Access International e-Journal - Included in the International Serial Directories International Journal of Research in Social Sciences http://www.ijmra.us could do was to downsize in a manner that did not injure the dignity of the discharged employees or lower the morale of the survivors.

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# **3.1 Appropriate Planning**

The biggest mistake a leader can do is to layoff the employees quickly for cost saving. In the downturn every company does the same. But the leader faces the problem when the market rises and organization wants a good employee. At this point of time the potential employees already laid off in the recession. This can be a mess later on if you discover that you have cut a criticalemployee and now need to hire that person back at possibly higher wages and different organization culture. So you'll need to look closely at employee skill sets, his achievement and capabilities how unique are they in terms of the current and future needs at your company? And consider performance: If you can avoid laying off top-performing people who have a solid track record with your company, do so. Cost might also become a factor. So when a company planning

to go for lay off employees better to lay off some highly paid employees or nonpotential employees with proper plan according to future market.

#### **3.2: Face-to-face communication recognized as more important**

The most severe fallout from the current economic recession is its toll on the workforce. When faced with the need to contain labor costs, an employer could resort to several different strategies, none mutually exclusive: layoffs, wage freezes, benefit reductions, or hiring freezes. All these approaches demand sacrifice from the staff in the form of reduced income or heavier workload. Therefore, whatever strategy management chooses, communication, education, and accountability are critical to maintaining morale and financial stability. Usually the top Management do not involveany ground level employees in the decision during the economic crises. Company executives are often skeptical when it comes to releasing information internally about the company's financial performance or possible layoffs, fearing that the information will get into the public domain. Yet the employees who have invested in the future of the company deserve to know the truth. They should be aware of real risks so that when layoffs do occur, they don't come as a complete surprise. According to a survey report face-to-face communication (such as briefings by managers and small group meetings) was a more

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appropriate technique for dealing with a subject as traumatic (to employees) as downsizing.

### 3.3 Consider Timing

Some HR experts advise against Friday layoffs for that very reason. Others believe it's better to do layoffs later in the week to avoid the "postal" worker situation of a disgruntled employee coming back the next day for some type of revenge. But here's one piece of sound advice from Shawn Oglesbee, managing partner with ON Search partners in Cleveland: "Do this late in the day or when surviving staff is notaround, so those getting laid off don't do the walk of shame." But at the last day if the layoffs are more in numbers the issue rises. So to avoid issues consider time to layoff.

## **3.4 Help Laid off Employees**

According to Jackie Saad, president of Inter-Change Consulting Inc., an HR and organizational development consulting firm in Toronto. "Make sure that anyone fired for layoff reasons knows that you will offer them a reference letter and have spent at least 15-30 minutes and treat whole session like a counseling session. Some companies give up to three months of gross pay as compensation while some help the employees in finding the new opportunity. This will not only increase the morale of the employees who are working in the organization but also of those who are laid off as well.

#### 3.5 Be organized, professional, and sensitive when you tell them about restructuring

During this time the HR professional should be very organized with their plan and counseling session. It's best to schedule meetings time with employees, then make sure to have the entire exit documentation ready at the time of the meeting. And you can provide the material like water, etc at this time. The most important thing is to be brief: "Practice the art of the two-minute termination. Deliver the news in a forthright manner, hand the person the paperwork with all the details in it, make a statement of regret, and get on your feet." That may sound harsh, but it's not. And after the whole session convince the employee to leave the office as soon as possible without others knowing it.

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#### 4.0 New dimensions of HR management in a global downturn

The downturn is the time where HR should be innovative and creative and new dimension and help the business to sustain in the market. There are few New Dimensions of HR Management.

#### 4.1 Reward and recognition in downturn:-

Rewards and recognition is one of the best tools to motivate employees, but recession badly hit the major areas of the Human resource. In Recession cost containment and cost reduction are the major areas of organization's to focus, and so HR should search out the Innovative Ideas to attain such goals. Some companies downsize their rewards, migrating from big rewards to lower-priced rewards and in turn rewarding more employees. In the time of recession when the employee morale is too low there is an opportunity to change the culture of the organization. Rewards and recognition is only the tool which can change the Employee behavior and organization culture, but for that the companies should reward more number of employees in the recession. There is a need to invest a little in-order to gain a lot. Recognizing that well 'designed' values helps to actualize the 'unique goodness' of an organization through the creation of an enabling culture, ensures that people who intend to contribute meaningfully are not hindered in any way from doing so.

### 4.2 Employees Relations:-

Employee Relations involves maintain harmonious relationship between employer-employee Relationship to contribute to organizational productivity, motivation, and morale. Good employee relations can result into overall cost reduction of the organization by involving employees and communicating directly to them through the objective of company in the recession scenario. It is

Imperative that how the HR manages the relation with its employees so that employee feel a sense of pride and gain a sense of ownership for the organization. In order to get through these rough times and keeping the right people actively engaged, performing well, and keeping them on board requires sensitive and careful planning.

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#### 4.3 Training and development:-

Focusing on the continuous employee development is an important step for businesses to take if they hope to stay competitive in the ever-changing global business environment. This is all the more important during times of recession when businesses are looking to gain ground wherever they can. One successful way companies can stay competitive is to implement training and development programmes to help maintain a high level of knowledge and understanding among their employees. It is the Time to enhance the employee's Professional skills and prepare employees to Multitask. During these times the HR should engage employees in lots of training in the respective and cross functional tasks. Utilizing slack time to engage employees in professional development and technical training programmes, serves both to sharpen skills and to preserve morale during tough times. Promoting cross-divisional and cross-functional collaboration, improves utilization of human resources and encourages teamwork between employees who previously had little or no contact.

# 4.4 Recruitments:-

Recruitment during recession seems a strange idea or even a stupid move. Normally, a downturn should be a state where everything in the business should be in freeze and have to wait until the storm is over. Recruitments and selections are the most costly affairs in the HR Department. This time is to reduce the cost of per hire candidates. HR should think innovatively and create the ways to recruit the candidates with minimum cost. In this scenario Companies are looking the candidates who take ownership of the responsibilities and work as an entrepreneur for the company rather than always taking directions and guidance from the superior.Recruitment during a recession is a strategic move. Recession is seen by several companies as an opportunity to be almost at level with those who already had an edge over them during normal times. The budget cuts and layoffs implemented by competitors may work to the advantage of companies which made the unusual move of recruiting for the best there is during bad times. It's almost like playing a game against a team who has no more reserved players and fatigue could tear them out.

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#### 4.5 HR as a profitability contributor

The concept of the Human Resources department as a profitability contributor is fast gaining currency in U.S. businesses and bears closer examination. Professor David Ulrich of the University

of Michigan, a leading expert on HR competency models, sees the changing business world as a 20-20-60 proposition. Of executives surveyed, 20% currently use the HR department as active and innovative business solution partners. 20% believe that the HR department should remain as administrative overhead and only perform transactional work. But, 60% of the executives are starting to expect the HR department to partner with others departments to improve the company's core competencies and competitive advantages. And, more HR people are stepping up to the plate and delivering the goods. The current recession will push Human Resources to become even more business oriented than before. The age of the general and widespread prosperity is over and the competition among organizations and even nations will become tougher than ever. The recession is a situation which requires changing yourself with each perspective, or we can say that it is the phase to correct in therespective departments. Now the recession tells the HR department to involve in the business as well.

4.5.1 The HR Professional will have to change as they can provide the Business solution to the Organization. Each initiative of the business will have to be properly evaluated from HR and other departments and the HR Professionals will have to issue their own statement on the return of investment.

4.5.2 The HR Professionals will have to find the Business opportunities to make the business more profitable every day.

4.5.3 The HR Employees will have to convert themselves from current Profile to business function and to become real experts in the daily business practice. Without the knowledge of the products, the sales and operations processes, the HR Employees will not be useful. So for upgrading the Business knowledge HR should be involved in daily Business activities.



## 4.6 Strategic HR planning for surviving in downturn

Effective HR planning and development practices bring quality and loyal workers who are committed and passionate about the success of their organization. Again, the early signs are good, with employers investigating and following the example set byfirms with their working hoursand pay cuts as an alternative to redundancies. Thus after recession only that staff is left which is critical to the effective running of the organization. When faced with the recession again, HR being a strategic partner, must be in a position to plan a Strategic workforce which can effectively predict the future resources in terms of quantum and skill set required. The HR Management has to focus on unpopular innovations during the recession as the role of HR during the recession is to save money to the organization. The senior management expects all the support functions to bring innovative ideas and solutions which will lead to stronger organization, when the next growth era comes.

#### 4.7 Financial Analyst

When the recession hits the organization, Human Resources is expected to furnish all the necessary data to the Organization, solving the initial problems with the recession. Recession is the situation which comes unplanned. So HR is expected to be forthcoming with the course of action and solutions to bring costs of the organization down to the sustainable levels. Here the HR manager is expected to play the role of Financial Analyst which can furnish all the data pertaining the employees, hiring costs, cost of benefits and employee engagement cost etc. Thus, HR can contribute significantly for the restructuring process from employee point of view to maintain the morale and satisfaction of employees.

Also the HR should revise the compensation of the employees in such a way that both (employee and employer) should feel satisfy. In case of economic downturn the benefits can be curtailed and the employees should feel no significant impact on their personal income. Here, HR can propose a guideline / blueprint for cost cutting.

#### 4.8 Participate in making Policies and Procedure

During downturn the main role of the HR is to cut costs and to increase the performance of the staff. The downturn introduces new challenges and the HR has to adjust its policies and procedures to become successful. The new challenge is about an extreme cost control and

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competition for the resources. The HR Managers will have to redesign new efficient HR procedures, policies and programmes to quickly decide and manage the resources of the organization.

#### 4.9 Strategic Human Resource management

The HR department is expected to function as a strategic partner in change management and is expected to find innovative solutions for the following points:

- 4.9.1. Identifying the real key employees and to keep them in the organization.
- 4.9.2. Identifying the real top potentials and to strengthen their development program

The second two topics have to be done with the minimum additional costs and it is a really hard task to accomplish. The HRM Function has to have priorities in mind and the strategic impact of the HRM Innovations in the recession time. The role of the HRM Function is not to cut the costs for the time being, but to make the organization stronger and future ready.

## **5.0 Corporate Governance**

In this trying times i.e. after recession HR should ensure good governance. Organizations are coming under increasing scrutiny from not only shareholders, but the public, politicians and the press. Fairness, transparency and value for shareholder areneed of the hour. Pay and performance need to reflect that agenda. HR needs to be a bold, critical friend to the board, providing guidance and minimizing reputational risk.

#### 5.1Future Prediction

The landscape at the other side of this recession will look very different and the workforce will need to look all the more different. How many staff an organization needs, what skills they must have, what they do and where they do it may all have to change. Despite high levels of unemployment, those skills may not be readily available. So HR needs to develop a futurefocused workforce strategy and a plan that shows how to build, buy or borrow resources.

# 5.2 HR Leadership

In many organizations, consistent and committed leadership helped the employees to overcome organizational change caused by downsizing. HR managers in these companies are expected to participateactively in the overall downsizing exercise. They developed an employee

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plan for downsizing, which covered issues such as attrition management and workforce distribution in the organization. In recession there is a greater need of HR leadership in corporate enterprises to give a fillip to activities on the scientific and technological research front to develop new products, to launch determined campaigns to 'delight' customers and look for new markets, and to bring the stake-holders and the employees together and to imbibe them with enthusiasm and vigour to put in their best in a collective endeavor to reach the agreed organizational goals.

The New role of HR is that of HR Leader. An HR function with a role orientation focuses on fitting the HR function to business strategy, and fitting business strategy to advantages provided by the organizations people. HR Practitioners with a leadership focusoperate in Long term (strategic) and short term (operational)modes with equal comfort.

## 6.0 Recommendations

Recommendations for the HR personnel during trying times

6.1. Updating the Top management about the contingency plan.

6.2. Increase brainstorming sessions with top management and contribute in strategic planning.

6.3.A complete or partial job freeze, but be open while communicating the workforce that the company may recruit key individuals even in difficult times

6.4.Review the employee performance evaluations to determine the key people that company cannot afford to lose.

6.5.Flow of Communication from top to down that will help in making conducive atmosphere within the organization

6.6.Make prepare yourself for individual and group concerns therefore there should be a proper counseling session.

6.7. To maintain a calm atmosphere.

6.8.Review all HR policies, processes and procedures to ensure that they are purposeful and contribute directly to the success of the company with minimum cost.

6.9. Suppose the company has to lay-off staffs the HR must ensure that, the company havingother opportunities for them in other functions or divisions of the organization.

6.10. Advise managers to deal the process of managing change sympathetically.

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#### 7. Conclusion

Managing Human Resources (HR) in a difficult economic environment is even more demanding than working in times of rapid growth. As we have seen from the above paper, restructuring is the only solution HR have in today's era. But there would be different innovative ideas which can be implemented. Therefore the Human resource with Innovative ideas and new dimension of HR will give a solution to fight with these economic crises and make HR one of the key factors of Organizational growth.

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