

---

## Global recession and emerging challenges for human resource Management in India

\*Dr. Mrs. Jaishree K. Kavathekar

---

### INTRODUCTION

#### a) Meaning of Global Recession

A recession is a decline in a country's Gross Domestic Product (GDP) growth for two or more consecutive quarters of a year. A recession is also preceded by several quarters of slowing down. An economy, which grows over a period of time, tends to slow down the growth as a part of the normal economic cycle. An economy typically expands for 6-10 years and tends to go into a recession for about six months to 2 years. A recession normally takes place when consumers lose confidence in the growth of the economy and spend less. This leads to a decreased demand for goods and services, which in turn leads to a decrease in production, lay-offs and a sharp rise in unemployment. Investors spend less; as they fear stock values will fall and thus stock markets fall on negative sentiment. Risk aversion, deleveraging and frozen money markets and reduced investor interest adversely affect the capital and financial flows, import - export and overall GDP of an economy. This is what exactly what happened in US and as a result of contagion effect spread all over the world due to high integration in the global economy.

#### b) Meaning of HRM

Humans are an organization's greatest assets; without them, everyday business functions such as managing cash flow, making business transactions, communicating through all forms of media, and dealing with customers could not be completed. Humans and the potential they possess drive an organization. Today's organizations are continuously changing. Organizational change impacts not only the business but also its employees. In order to maximize organizational effectiveness, human potential—individuals' capabilities, time, and talents—must be managed. Human resource management works to ensure that employees are able to meet the organization's goals. 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 labors, and solving problems that arise. There are seven management functions of a human resources (HR) department that will be specifically addressed: staffing, performance appraisals, compensation and benefits, training and development, employee and labor relations, safety and health, and human resource research.

#### c). Global Recession and HRM

The financial downturn is impacting developed as well as developing economies are likely to get worse as the European countries, the US and others go into a deeper depression due to the increase in job losses which often follows recession. The slump in the market and increased job losses will have some important implications for the changing task of human resource professionals. As the unemployment continues to increase, HR professionals are likely to be dealing with more stressed employees who are the sole wage earners in their families.

As recession is becoming the part of the normal cycle of business. Therefore it makes just as much sense to plan for recession or downturns as it does to plan for good, economic times.

### OBJECTIVES

This economic downfall has affected all the major sectors in India including IT, aviation, banking, industries, real estate, tourism, outsourcing, telecommunication, etc with its consequence mainly on the HR policies of these industries.

This article discusses

1. Impact of economic slowdown on employment in India.
2. The emerging challenges of human resource management in the global recession situation.
3. The strategy adopted by HR personnel to deal with these challenges.

---

\* Associate Professor & Head Department of Accountancy, Dr. S.D.Devsey Arts and Commerce and Science College, Wada, Dist:- Palghar. Pin. 421303.

## HYPOTHESES

- I. Global recession has raised various emerging challenges for Human Resources Managers
- II. HR needs to be proactive & innovative and try to come up with early interventions as for any organization to survive during recession.

## REVIEW OF LITERATURE

**a) C.B.Mamoria and S.V.Gankar (2008).** During the last ten years vast changes have taken place in the economic conditions of India. It has also done away with the bureaucratic restrictive practices, controls on industry and business. The review of literature on the subject matter provided in the books shows that Human Resource management is increasingly getting integrated with the strategic management at corporate level. Human resource management in the corporate sector has assumed great importance. Human resource management has become a driving force in the success of an enterprise.

**b) L.M.Prasad (2006).** The Author has added new and latest concepts. Some relevant issues are: strategic human resource management, implications of systems and contingency approach in managing human resources, different models of managing human resource and their implications, environment influences on human resource management, relevance of human resource department computerized human resource information system role analysis, selection tests, training and development culture, knowledge management, time management, self-management, career planning and development, people capability maturity model, performance appraisal, planning creating motivational environmental, human resource counselling etc.

**c) Luis R.Gomez-Mejia, David B. Balkin, Robert L. Cardy. (2004)** stated that organizations need to be more flexible than ever before to deal with a rapidly changing competitive landscape where global forces play a key role. Many transitional HR programmes designed for a stable, predictable context (for instance carefully defined jobs, which were often used as the basis for setting pay and selecting workers) may actually become a hindrance in contemporary volatile business environment.

**d) Michael Armstrong (2001)** has talked about the new concept of HRM in Industry and the strategic HRM concept, intellectual capital and its practical implications, and the contribution made by HR to organizational performance, knowledge management practices, and the organizational learning and the learning organization, new development in reward management, especially in pay structure is explained very clearly with changing industrial relation scene.

## RESEARCH METHODOLOGY

### A) Primary Data: -

1. Primary data includes Personal interview of Top leaders and employees of Organizations and Institutions in an around industries in selected area.
2. Sample questionnaire administered to the leaders in the selected Companies.
3. Personal observations and situational analysis by the author.
4. The survey was conducted through a combination of the following –  
Personal meetings, E-mail, Posting on Yahoo Groups, Posting on Google Groups.

### B) Secondary Data collected from various sources like

\* Economic & Political weekly, \* HRM Journals, \* ILO Reports, \* Ministry of Labour & Employment Labour Bureau

## ANALYSIS & INTERPRETATION

### a. *Impact of economic slowdown on employment in India.*

The Ministry of Labour has been continuously watching the effect on employment situation due to global financial crisis and economic slowdown in India since September 2008. The current survey to assess the impact of economic slowdown on employment in India is the Eleventh in the series of “Quarterly Quick Employment Surveys in Affected Sectors” covering the period April to June 2011 conducted by Labour Bureau.

In the eleventh quick employment survey, the sample establishments covered in the pervious survey have been revisited to assess the changes in employment. During the survey, the information has been collected from 2,289 units / establishments by covering 21 centres spread across eleven States.

The results about effect on employment in the eight selected sectors i.e. Textiles including Apparels, Leather, Metals, Automobiles, Gems & Jewellery, Transport, IT/BPO and Handloom/Powerloom are briefly summarized as below:-

\* It may be observed from the enclosed statement that the upward trend in employment has been continuously observed since July 2009. During the quarter April to June 2011, the employment has increased in respect of all sectors except Textiles including Apparels and Transport and the overall employment has increased by 2.15 lakh during the quarter.

\* At the sectoral level, the maximum increase of 1.64 lakh in employment during the period June, 2011 over March, 2011 is in IT/BPO sector, followed by increase of 0.53 lakh in Metals, 0.18 lakh in Automobiles, 0.13 lakh in Gems & Jewellery, 0.01 lakh in Leather and 0.01 lakh in Handloom/Powerloom sector.

\* The maximum increase in overall employment by 1.90 lakh is seen in the direct category of workers as compared to 0.25 lakh in the contract category of workers at overall level during the period June, 2011 over March, 2011.

\* In the export oriented units, the employment at the overall level has increased by 0.67 lakh whereas in the non-exporting units, it has increased by 1.48 lakh during the period June, 2011 over March, 2011.

\* While comparing the results of the last four quarterly surveys conducted during 2010-11 i.e. June 2011 over June 2010, the overall employment has increased by 10.31 lakh, with highest increase in IT/BPO (7.00 lakh) followed by 1.31 lakh in Textiles including Apparels, 0.96 lakh in Metals, 0.78 lakh in Automobiles, 0.16 lakh in Transport and 0.13 lakh in Leather during the period.

#### ***b. The emerging challenges of Human Resource Management in the times global recession***

The role of the Human Resource Manager is evolving with the change in competitive market environment and the realization that Human Resource Management must play a more strategic role in the success of an organization. Organizations that do not put their emphasis on attracting and retaining talents may find themselves in dire consequences, as their competitors may be outplaying them in the strategic employment of their human resources

#### **Problem of Recruitment.**

1. Managing downsizing program appropriately.
2. Talent management.
3. Stress Management.
4. The Return on Recognition in a Recession.

#### **Finding opportunities during recession**

- i. **Build employer brand:** Despite the fact that many companies have put a freeze on hiring, both hiring talented people and retaining them will continue to be a challenge for HR. Hence, keeping the employer brand intact and re-building the same could have a cascading impact later.
- ii. **Communicate and build trust and morale:** Communicating with employees not only remains one of the greatest needs of HR, but is also an opportunity to build the trust and morale of people during tough times. It is vital for HR to see that the morale of employees does not sag while the organization is sailing through rough waters.
- iii. **Consolidate workforce:** Workforce consolidation is a huge opportunity that any organization has nowadays. This is not only in terms of having a leaner workforce, but also in redeployment of the workforce to improve utilization and efficiency.
- iv. **Review and restructure policies:** The mad pace of hiring, training and appraising seems to have come to a screeching halt. And if not to a complete full stop, the rate is low and slow. This also gives HR the time to revisit its policies, compare them with the best-in-class practices and restructure them for maximum effectiveness in the present and the future.
- v. **Streamline salaries:** For the past few years most industries have seen above-normal salary hikes due to the pressure of retention. In fact, India Inc recorded the steepest salary hikes in Asia for seven years running till 2008, according to Hewitt Associates. But the recession has changed things dramatically. Salary freezes and pay cuts have suddenly become the order of the day. The 13th annual Salary Increase Survey conducted across 480 companies by Hewitt Associates shows that salary increase projections for

2009 in India have dipped to 8.2 per cent from an actual increase of 13.3 per cent in 2008, but continue to be the higher in the Asia and among the highest globally.

#### **HRM Innovations in Recession**

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

- a) Reduce the number of employees in the organization
- b) Strategic initiatives to increase the productivity and efficiency of the whole organization
- c) Redesign of the compensation scheme
- d) Cancellation of several benefit schemes

#### **CONCLUSION**

Human Resource Management must be able to address the right kind of demands related to Human Resource functions during the recession. Human Resource Management must play a highly proactive role in managing the issues of global recession by helping organization to enhance their abilities to learn and collaborates, manage diversity, ambiguity and complexity. Human Resource Management is responsible to manage the human resource of the corporate to maximize the productivity, efficiency at minimal cost and maximize profit. During this global recession, Human Resource Management is facing the many challenges and changes in organizational level, workplace and HR department level itself. The challenges can be faced by HR Managers effectively if proper strategies are implemented. The recession is the temporary economic climate of the business world. It will be changed through more productivity at minimal cost and maximize profit at moderate price of products in business.

#### **References**

1. Press Information Bureau, Govt. of India dated 23<sup>rd</sup> December.2012.
2. Sachdeva J.K., *Impact of World's Economic Recession on India's Growth Perspective – Theories and Facts*
3. Ahssan M.H, *Recession in India: Challenges & Opportunities Galore*, International Journals, 2012.
4. Benard Omboi Messah, *Role of Human Resource Management in Global Recession*, Pacific Business Review - A Quarterly Refereed Journal,
5. Athreya, M.B. *Training Challenges in a Global Recession*, Bangalore Management. June-2007.
6. Napate, Sachin. *Effects of Recession on Different sectors of Indian Economy*, Global Economic Research Vol. I, Issue : II, Oct 2011 to Mar. 2012
7. Dr.M.A.Raffey & Dr.N.S. Rathi (2012) "Medical Tourism in india Challenges and Opportunies" Emergence of India as a global economic Superpower: Fiction or future.
8. Dr.M.A.Raffey (2012) "A study of emergence of merchant banking in India" International journal of Management and Economics Vol.1, No.04, March 2012:232-234
9. Dr.M.A.Raffey (2012) "Recent trends and Financial Innovation in banking sector in india" worldview of development challenges & alternative paradigm: 82-86
10. Dr.M.A.Raffey & Manjari Hiranyanya (2012) "Interest Free banking window in india in global economic downturn' Interest Free banking as a means of inclusive finance in india:89-92
11. Dr.Chandanshiv & Dr.M.A.Raffey (2013) "social entrepreneurship in independent India", International journal of Management and Economics Vol.1, No.1, august 2014:54-58
12. Dr.M.A.Raffey (2013) "A study of E-commerce:challenges and opportuines and its application in Indian industries in era of globalization" International journal of Management and Economics Vol.1, No.11, November 2013:150-154
13. Dr.K.L.Salve & Dr.M.A.Raffey (2014) "A Study of role of banking sector with special reference to Aurangabad district", BVIMR Management Edge Vol.7, No.2, November 2015:1-7

#####