

A STUDY OF THE IMPACT OF GLOBAL MELTDOWN ON THE HUMAN RESOURCES POLICIES OF VARIOUS INDIAN COMPANIES AND THE STEPS TAKEN BY THE COMPANIES TO COUNTER RECESSION

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Introduction

A recession is a decline in a country's Gross Domestic Product (GDP) or a negative real economic growth for two or more successive quarters in a year. A severe or long recession is referred to as an economic depression. Some of the indicators of recession are: a country experiences a below 3.0% of quarterly GDP; the government is not able to provide jobs and fails to improve economy resulting in inflation which will end up in recession; businesses shut down their operations temporarily or permanently; industrial production goes down even when employment goes up; manufacturing and trade sales usually go down (StopStupidStuff.com, 2012); large companies start giving depressing profit figures; borrowers start defaulting; credit card purchases shoot up; price of essential commodities increase; companies stop filling vacancies; prices of property and stocks come down drastically; and savings are used for day-to-day expenses (morebusiness.com, 2011).

A few steps that business organizations can take to stay ahead during a recession and maintain the success of their business are: improve customer service, improve the knowledge and skills of the employees (to impress the customers), control the expenses, start accepting payments by credit cards, lower the profit margins, make the company website be the first to be found out when customers search through internet by using the power of the web, motivate the staff, review the accounts receivable, boost emergency fund before disaster strikes, reduce fixed expenses, and diversify income sources (morebusiness.com, 2008).

Objectives

1. To study the impact of recession on the size of the work force of the various companies
2. To understand the recruitment policies of companies during recession
3. To measure the changes in compensation of employees because of recession

Research Methodology

The research is basically of descriptive nature. Both primary and secondary data have been used in the process; the secondary data was used for understanding the problem and the primary data was used for drawing the conclusions. The research approach for the present discussion has been survey as it is best suited for a descriptive research. Survey was undertaken to find out about the general trends during recession, the satisfaction levels of company personnel and the preferences of various companies in the recessionary periods. Questionnaire has been the research instrument for the study, which included both open-ended and closed-ended questions. The closed-ended questions mostly comprised of dichotomous and multiple choice questions. A list of CII member companies was obtained and out of that a sample of 50 was selected. The non-probability method of judgement sampling was used in the research. The sampling unit was the human resources personnel at managerial or deputy-managerial levels from the cities of Chandigarh, Panchkula, Ludhiana and Mumbai. Questionnaires can be got filled through contact methods. The contact methods for gathering the information include personal interviews and e-mails (Kotler, 1997).

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The questionnaires were got filled (by direct interview method and through e-mail) from the human resources personnel of different companies. The research period or time frame during which questionnaires were got filled was between February and May 2011. The analysis of the information was done by using suitable statistical techniques which consisted mostly of percentages. The data was presented mostly in the form of tables, and pie-charts and bar graphs.

Results and Discussion

The findings of the study have been as under:

1. Retrenchment at various levels during the time period 2010-2011

RETRENCHMENT	LEVELS OF MANAGEMENT			
	Labor Force	Lower Management	Middle Management	Top Management
0-10%	67%	73%	80%	86%
11-20%	12%	13%	7%	7%
21-30%	7%	7%	13%	7%
31-40%	7%	0%	0%	0%
41% ABOVE	7%	7%	0%	0%

Table 1. Retrenchment at different levels in 2010-2011

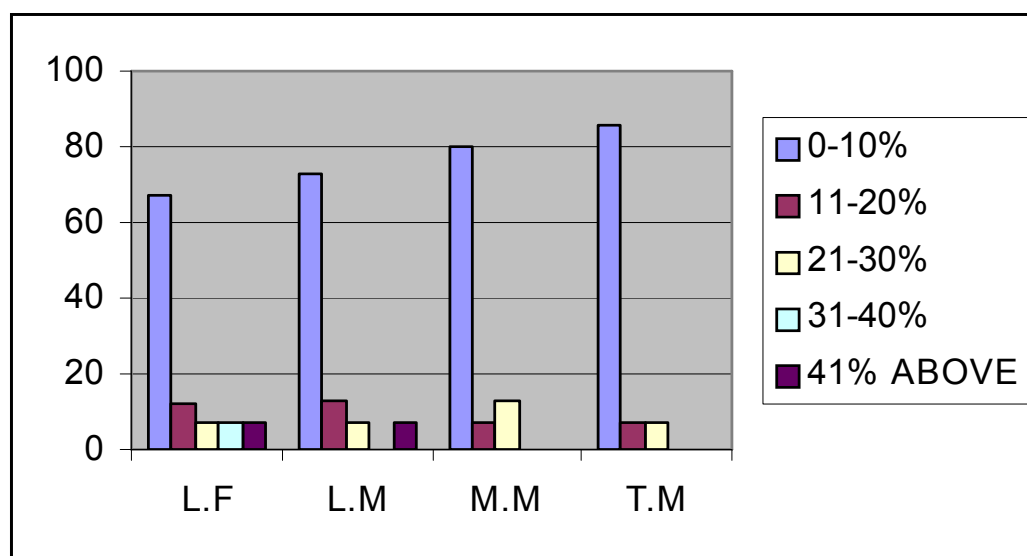


Fig. 1. Retrenchment at different levels in 2010-2011

The above data reveals that retrenchment has been resorted to by a large number of organizations at some scale. 67% respondents (in which 100% respondents said there was no retrenchment) said that 0-10% retrenchment took place in **Labor Force (L.F)**. 73% respondents, out of which 85% said there was no retrenchment, said 0-10% retrenchment took place in **Lower Management (L.M)**. 80% respondents said 0-10% retrenchment took place in **Middle Management (M.M)**, in which 70% of respondents said there was no retrenchment. 86% respondents (out of which 70% respondents said there was no retrenchment) said there was 0-10% retrenchment took place in **Top Management (T.M)**. So above data reveals that retrenchment was very less at all the levels.

2. Plans for retrenchment at various levels in 2011-2012

PLANS FOR RETRENCHMENT	PERCENTAGE OF RESPONDENTS
YES	27%
NO	74%

Table 2.1 Plans for retrenchment in 2011-2012

Out of 27% of respondents who showed interest in further retrenchment, 75% say that 0-10% retrenchment will take place in labour force (Table 2.1). 50% respondents feel there will be 0-10% retrenchment in lower, middle and top management. This time more retrenchment will take place more in middle management and top management.

ANTICIPATED RETRENCHMENT	LEVELS OF MANAGEMENT			
	L.F	L.M	M.M	T.M
0-10%	75%	50%	50%	50%
11-20%	25%	0%	50%	50%
21-30%	0%	50%	0%	0%
31-40%	0%	0%	0%	0%
41% ABOVE	0%	0%	0%	0%

Table 2.2. Plans for retrenchment at various levels in 2011-2012

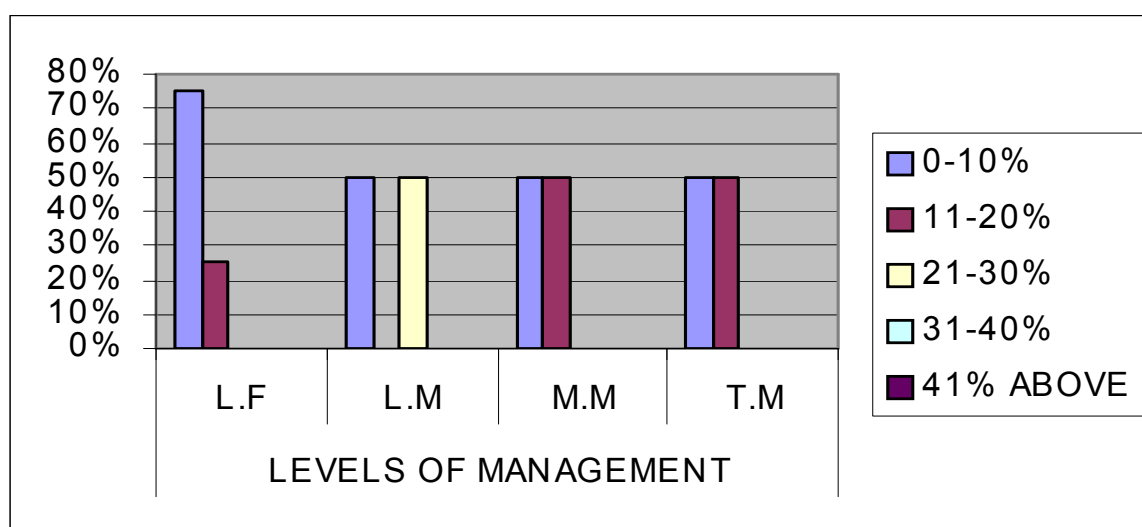


Fig. 2. Plans for retrenchment at various levels in 2011-2012

3. Layoffs undertaken by the companies at various levels during recession in 2010-11

WHETHER LAY OFFS WERE UNDERTAKEN	PERCENTAGE
YES	13%
NO	87%

Table 3.1. Layoffs undertaken in 2010-2011

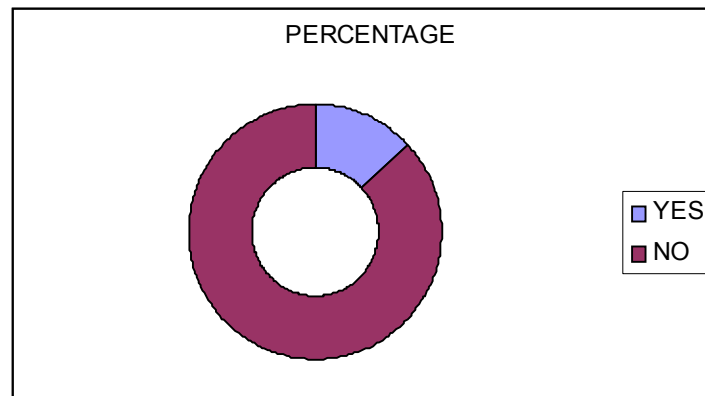


Fig. 3. Layoffs undertaken in 2010-2011

Maximum number of respondents i.e. 87% said there was no lay off. This shows companies are not going for layoffs. Lay offs are generally conducted when there is lot of inventory, but according to above data we can conclude that production is still taking place and no build up of extra inventory. The 13% respondents who replied in affirmative to layoffs also showed that the layoffs were less at all the levels (Table 3.2)

PERCENTAGE OF LAYOFFS	LEVELS OF MANAGEMENT			
	L.F	L.M	M.M	T.M
0-10%	50	50	50	50
11-20%	50	0	50	50
21-30%	0	50	0	0
31-40%	0	0	0	0
41% ABOVE	0	0	0	0

Table 3.2. Layoffs undertaken at various levels in 2010-2011

At all levels 50% layoffs were between 0-10% while 50% layoffs ranged from 11 to 20% except in lower management levels where the remaining 50% was between 21 and 30%.

4. Anticipation of the need for conducting layoff at different levels in the year 2011-12

WHETHER LAYOFFS ARE EXPECTED	PERCENTAGE OF RESPONDENTS
YES	7
NO	93

Table 4.1. Anticipation of layoffs in 2011-2012

Last year also there was not much lay off conducted, and even this year people are not considering to conduct lay off. Whatever layoffs are being planned by different companies will just be less than 10% at all levels (Table 4.2)

PERCENTAGE OF LAYOFFS	LEVELS OF MANAGEMENT			
	L.F	L.M	M.M	T.M
0-10%	100%	100%	100%	100%
11-20%	0%	0%	0%	0%
21-30%	0%	0%	0%	0%
31-40%	0%	0%	0%	0%
41% ABOVE	0%	0%	0%	0%

Table 4.2. Anticipation of layoffs at different levels in 2011-2012

5. Impact of economic downturn on hiring of college graduates in 2011-2012

IMPACT ON HIRING	PERCENTAGE
YES	33
NO	27
N.A.	40

Table 5.1. Hiring of college graduates in 2011-2012

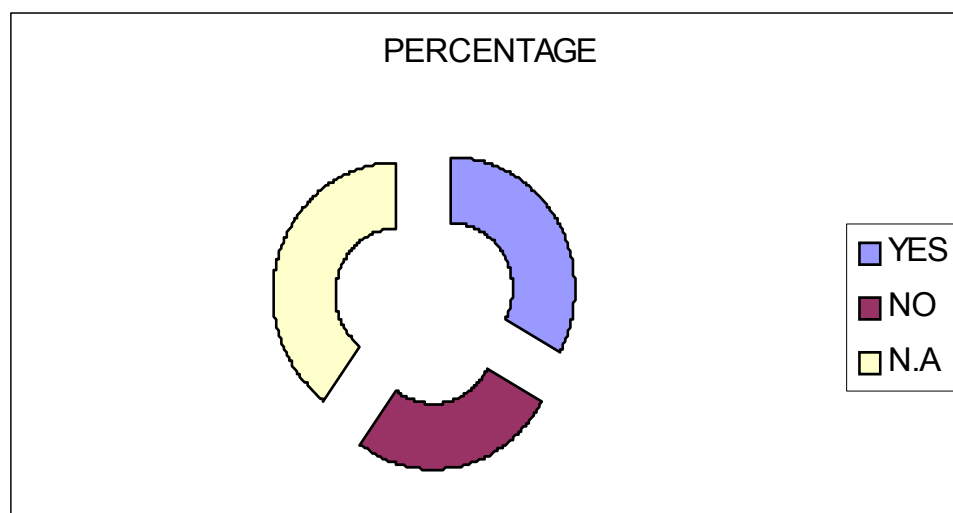


Fig. 4. Hiring of college graduates in 2011-2012

Above data reveals that 40 percent of the respondents do not go for hiring of college graduates. 33% felt that recruitment levels will drop while there will be no impact on the ideas of the remaining ones.

HOW MUCH HIRING WILL COME DOWN	PERCENTAGE OF RESPONDENTS
0-15%	40
16-30%	40
31-50%	0
MORE THAN 51%	20

Table 5.2. Impact on hiring of college graduates in 2011-2012

Out of the 33% who felt that hiring will get affected, 80% respondents said recruitment will drop between 0-30% whereas 20 % felt the impact will be more than 50%. So, there will be some problems for fresh graduates in the coming year.

6. Plans to decrease fresh recruitment / selection at various levels from other sources

PLANS FOR RECRUITMENT	RESPONDENTS (IN PERCENTAGE)
YES	47
NO	53

Table 6.1. Impact on hiring from other sources in 2011-2012

According to above data almost 50% of respondents are in favour of reducing fresh headcount. It shows there will be a drop in recruitment in market.

FALL IN RECRUITMENTS	RESPONDENTS (IN %)			
	L.F	L.M	M.M	T.M
0-10%	57	14	29	57
11-20%	29	43	14	14
21-30%	0	0	14	0
31-40%	0	0	14	0
41% ABOVE	14	43	29	29

Table 6.2. Expected impact on hiring at various levels in 2011-2012

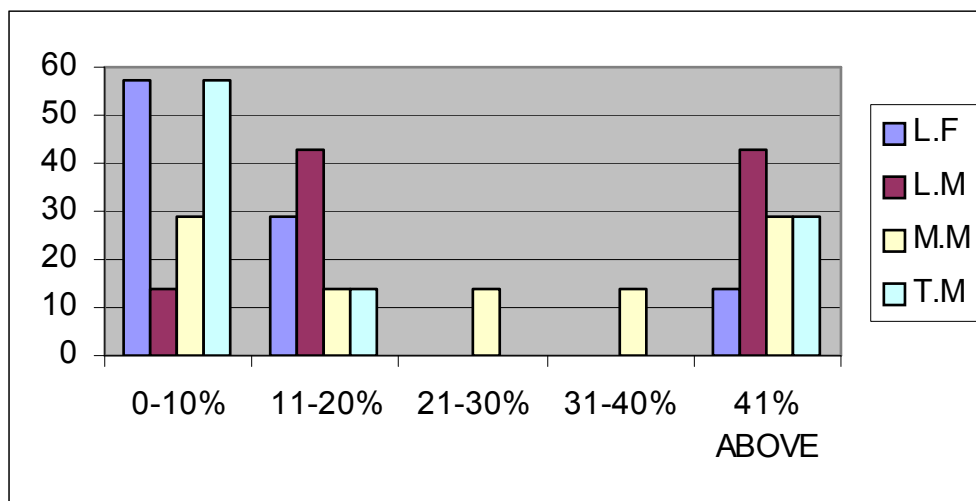


Fig. 5. Expected impact on hiring at various levels in 2011-2012

A majority is of the opinion that the fall will be 0-20% at all levels. A fall of over 40% is also expected for some of the companies. So, a downfall in fresh recruitments is expected during the year 2011-2012.

7. Usage of the opportunity of recession for hiring better personnel from other companies

LOOKOUT FOR BETTER PERSONNEL	RESPONDENTS (IN PERCENTAGE)
YES	53
NO	47

Table 7. Companies availing opportunity to find better personnel during recession

More than half of the personnel surveyed will be on the lookout for better employees during the current recession.

8. Reduction in the pay to counter recession

WILL PAY BE SLASHED	PERCENTAGE OF RESPONDENTS
YES	27
NO	73

Table 8.1. Slashing of pay to counter recession

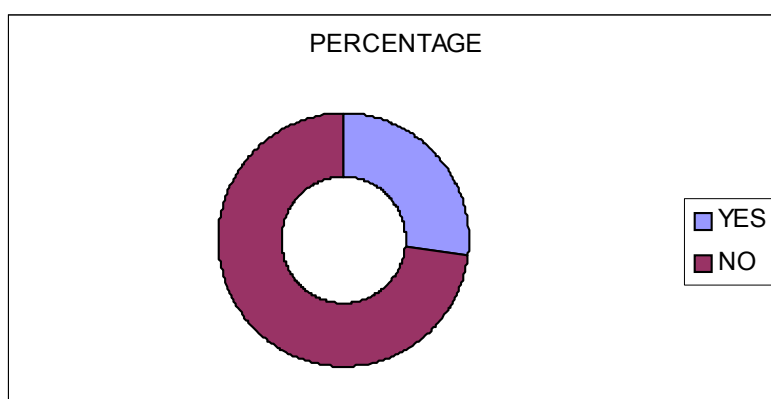


Fig. 6. Slashing of pay to counter recession

According to above data companies are taking other measures to fight against recession. They are keeping their employees motivated and happy by not deducting their pays.

EXTENT OF PAY SLASH	NUMBER OF RESPONDENTS (%)			
	L.F	L.M	M.M	T.M
0-10%	75	50	0	0
11-20%	25	50	100	50
21-30%	0	0	0	50
31-40%	0	0	0	0
41% ABOVE	0	0	0	0

Table 8.2. Slash of pay at different levels to counter recession

At the most 20% of pay reduction has been done at all levels except top management where pay reduction was up to 30 percent.

9. Effect of recession on the pay increments at various levels

HAS RECESSION AFFECTED PAY INCREMENTS	RESPONDENTS (IN PERCENT)
YES	40
NO	40
N.A.	20

Table 9.1. Effect of recession on pay increments

The above data states that pay increments have been affected due to recession. Employees in forty percent of the companies are not able to get proper pay increments because of recession.

QUANTUM OF PAY INCREMENTS	PERCENT OF RESPONDENTS			
	L.F	L.M	M.M	T.M
0-10%	100	100	100	100
11-20%	0	0	0	0
21-30%	0	0	0	0
31-40%	0	0	0	0
41% ABOVE	0	0	0	0

Table 9.2. Effect of recession on pay increments at various levels

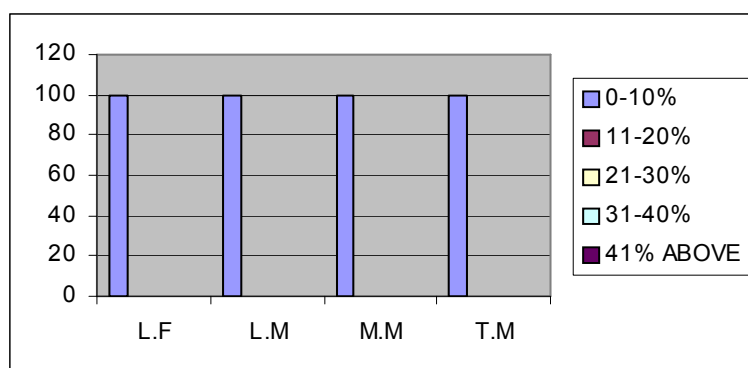


Fig. 7. Effect of recession on pay increments at different levels

For all the respondents who agreed that pay increments have been affected disclosed that pay increments were below 10% only.

10. Impact of recession on end of the year bonuses

EFFECT ON BONUSES	RESPONDENTS (%)
YES	20
NO	53
N.A	27

Table 10. Effect of recession on year-end bonus

The data in Table 10. shows that maximum number of respondents felt no effect of recession on bonuses.

11. Changes in the deliverance in the fringe benefits during economic recession

FRINGE BENEFITS	CHANGES IN FRINGE BENEFITS			
	NON APPLICABLE	NO CHANGE	DECREASE IN USAGE	INCREASE IN USAGE
TRANSPORTATION	20%	67%	13%	0%
HOTEL STAY	47%	33%	20%	0%
STATIONERY	13%	60%	27%	0%
RECREATIONAL	27%	67%	6%	0%
FREE FOOD	47%	47%	6%	0%
INTERNET USAGE	20%	74%	6%	0%

Table 11. Effect of recession on fringe benefits

The above data reveals that a negative change of over 20 percent is reported in use of hotels and stationery only while for the other categories the change is not that much significant.

12. Effect of recessionary trends on separation benefits

EFFECT ON SEPARATION BENEFITS	PERCENTAGE OF RESPONDENTS
YES	0
NO	60
N.A	40

Table 12. Effect of recession on separation benefits

Separation benefits are either not applicable or they have not been affected. So, the companies are not backing away with these benefits even if they are retrenching people.

Conclusions

Retrenchment, if at all took place in 2010-2011, was mostly below 20 percent and in most of the companies no retrenchment took place. Three-fourth of the respondents also had no plans of retrenchment in 2011-2012. In 87% of the cases no layoffs were undertaken and more than ninety percent of the companies do not foresee the need for layoffs in the coming year. Hiring of college graduated has been affected in nearly one-third of the cases and in these cases there a drop of nearly 30% is anticipated in fresh hiring directly from colleges. Recruitments and selections from other sources are also going to be affected in almost half of the cases and the projected drop in hiring would be nearly one-fifth. On the other hand, more than half of the personnel surveyed will also be on the lookout for better employees during the current recession. Compensation reduction in more than 70% of the cases is not expected and in the rest the reductions may be up to 20 percent. Employees in 40% of the companies have not got the pay revisions as expected and the pay increases has been below ten percent for them. But, bonus been given to the employees has not been impacted much as nearly 80% declared no changes in bonus policies. In fringe benefits, a negative change of over 20 percent is reported in use of hotels and stationery only while for the other categories the change is not that much significant. Separation benefits are either not applicable or they have not been affected. So, the companies are not backing away with these benefits even if they are retrenching people.

Recommendations

1. Companies should keep on recruiting people for job⁽⁴⁾. They should not freeze hiring. Recession sometimes provide the opportunity to have better personnel from other companies.
2. Past researches have shown that the companies who weather the storm best perform better because they keep up their training. Companies should try to hold on to their best employees⁽⁵⁾.
3. Positive motivational techniques should be used during recessionary periods. Talking clearly and honestly with your employees also helps to reduce the rumors flying around the workplace.
4. Your clients need to be pampered more during a recession. Praise your loyal clients by telling them that you appreciate their business during these tough times.
5. Recession is a good period to modify the jobs and to put the right men in the right position.

Limitations

1. Non-probability methods were used to select the sample, so, it may not be possible to generalize the findings.
2. The research was done in only four cities i.e. Chandigarh, Panchkula, Ludhiana and Mumbai and the results may not match those if obtained from other places.
3. The sample size for the present study was only 50 which may be considered small. A larger sample may have given different results.

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