

Aktuálne problémy v podnikovom manažmente ľudských zdrojov

Current Problems in Corporate Human Resources Management

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Abstract

The cyclical movement of the economy is a natural process but, fortunately, a global economic crisis is a rare phenomenon. The credit crunch starting in September 2008 has had its percussions in the whole economy. Crisis management in human resources suggests lay-offs, redundancies or shorter working hours and weeks. In many cases there are no well-thought corporate strategies for crisis management as managers as well as employees had to face a problem they had never experienced before. One of the corporate operative steps is to examine and realise how deeply the organisation itself is affected in the crisis. Our objective is to present what theoretical and practical solutions were or are invented besides the ones already mentioned above.

Key words

crisis management, human resources management, competencies, layoff, redundancy, atypical employment

Abstrakt

Cyklický pohyb ekonomiky je prirodzený proces, ale našťastie, globálna ekonomická kríza je výnimočný jav. Úverová kríza začínajúca v septembri 2008 má svoje dopady v celej ekonomike. Krízový manažment v oblasti ľudských zdrojov naznačuje prepúšťanie, nadbytok alebo kratší pracovný čas a pracovné dni. V mnohých prípadoch kde nie sú dobré podnikové stratégie krízového manažmentu, museli tak manažéri ako aj zamestnanci čeliť problémom, ktoré predtým nezažili. Jedným z podnikových operatívnych krokov je skúmať a realizovať, do akej hĺbky je organizácia ovplyvnené krízou. Naším cieľom je prezentovať, ktoré teoretické a praktické riešenia boli alebo sú vyskúmané, okrem tých, ktoré sú uvedené vyššie.

Kľúčové slová

krízový manažment, manažment ľudských zdrojov, kompetencie, prepúšťanie, nadbytok, atypické zamestnania

Introduction

According to many people global economic crisis, which started in 2008, has already come to a halt although it has its impacts felt even today especially nowadays when a next crisis is due. The greatest crisis of the new millennium has had a unique effect on all the players of macro economy (Csiszárík-Kocsir-Medve-Varga, 2010). The economic and financial crisis had a deep impact on all countries of the world, among them Hungary, which was hit harder than expected. Three years after the explosion of the crisis, we feel its effects very directly nowadays (Csiszárík-Kocsir-Fodor-Medve, 2012). The economic players who had been following the fluctuations of the market for a longer period could experience its signs beforehand but it was impossible to predict when they would take place.

That is why the crisis hit most companies when they were not prepared for it. In many cases they did not have carefully planned corporate strategies for the crisis and both the management and the labour force had to face a problem suddenly that had not been experienced before. Although crisis management is taught at schools, it is not the same to face it in real life and to make the proper decisions.

The companies had two types: one that was prepared for the crisis with its uninterrupted types of investment and another that missed it. The previous ones are the so-called investing entrepreneurs who were able to keep their competitiveness such as Szikrai Winery Kft., which had acquired Szobi syrup. The less prepared ones will lag behind while most of them will become followers. (Boda, 2009)

Since the worldwide crisis the most influential states have been increasing their intervention while its opposite holds true for Hungary. 'Such Keynesian views have come forward according to which the role of the state will be appreciated in the present situation and there will be a need for state subsidies and support in certain sectors.' (Lantai, 2009 p.12.) The objective of the Hungarian state is not the creation of new workplaces, rather, the preservation of the existing ones by means of decreasing the working hours, state compensation for lower wages and avoiding corporate layoffs.



Unemployment rate between January 2008 and May 2012 (1000 persons)

Source: KSH- Central Statistic Office

<http://www.ksh.hu/docs/hun/xftp/gyor/mun/mun21208.pdf>

Aim of the article

Our article aims at examining the ways how companies face the crisis.

What is the first step that a manager should take in case of a crisis? Although it can be painful but important to see clearly in what situation our organisation is. The first step of the corporate operative ones is to analyse and realise the extent to which the organisation is affected by the crisis ‘... we have to realise the situation of our company and ourselves as well as to acknowledge that it is the organisation itself- and not the world, country, society or others- is in this situation exclusively’ (Dara et al, 2009) Of course, it always surveys a condition so the economic changes must be monitored and the measures must be adapted to the changing situation.

Material and methods

We have carried out extensive secondary research to find an answer how Human Resources react to the crisis. We have analysed plenty of secondary sources and tried to synthesise the answers suggested.

To get to know the exact situation and being aware of it is the first step to solution. If the company knows and surveys its current and future market position, it can also plan ahead. At the time of a crisis the management strongly depends on the HR manager, often exclusively, but it cannot transfer responsibility to him. After the situation has been analysed and the company is aware of its real and expected market position, the next period can be started. It has to decide what steps to take. This is strategic thinking, which needs the utmost attention and experience of the senior management. It is the financial resources that can be mobilised first and in the easiest way. It has to be analysed what opportunities re-groupings, the inclusion of liabilities, banking credits etc. bring about for the company. Of course, the expected profits and losses must be analysed in relation to all corporate resources. An important cornerstone of strategic planning is that in crisis not suddenly made decisions, rather, real, carefully planned short-and long-term measures must be created and realised consistently.

Regarding human resources it is the step that is paid the greatest attention and has a strong impact not only on the employees but also on their family members.

If the management brings the decision of changing its resources after having carefully analysed them, this will naturally have an impact on human resources, as well. A frequent problem is that the management makes the quick decision of layoffs to save the financial resources but its material consequences are transferred to the state.

Results

When to send the workforce away?

Making the employees redundant is a drastic step from the part of the company. Decreasing resources can seem to be a favourable step at first sight as it is a medium-term step for the company which is preceded by more important steps with quicker reaction. That is why HR has the time to plan redundancies carefully. ‘21% of the companies taking part in the research made their labour force redundant till February since the outbreak of last year’s crisis and a further 30% are considering layoffs” within 6 months’ time.’ (Dara et al, 2009 p. 96.)

Redundancies must be consequent and the primary objective is to pay attention to productivity. The market position of the company is an important factor. The companies that can start developing after the crisis have to strive to keep their workforce and redundancies

can only be carried out in emergency. Instead of them, other alternatives of employment must be found, which are outlined later. The companies that are stagnating or are in the position of a dead dog, it is an uncomfortable but necessary opportunity for leaving the market without pain, i.e. they can escape the long and painful agony.

But what is a 'good' layoff like? Of course, there are neither good layoffs nor terminations. It is a necessary step from the part of both the employers and the employees. The company can take the measures of enhancing efficiency and decreasing costs it had missed earlier. It can revise its performance management, promotion and compensation strategy so that it can create a more effective incentive system for the remaining employees.

Everybody is aware of the corporate crisis: the subordinates and the superiors alike so avoiding the problem is a great mistake from the part of the manager generating a great tension in the employees unnecessarily. Communication and facing the problems help making further steps. After the management has decided to interfere with human resources, the next thing to do is to decide who to send away. If it is an efficient, effective enterprise, there is no extra labour force to be made redundant.

The strategy of the crisis management: to protect your capital raised maximally and to look for supplementary investment in the meantime (Boda, 2009 p. 9.) as the most precious parts of the accumulated corporate assets are decisively people, in case of crisis an important task of the HR apparatus is...' to make at least the people who only serve the real depositaries of the non-material assets redundant.'(Boda, 2009 p. 10.)

Of course, it is only an idealised state. There are employees who are less productive and cannot acquire corporate culture or they cannot fulfil the high hopes of the managerial assessment. Here also communication is the most important managerial tool. Downsizing is a mourning reaction, which is a painful process not only for those leaving but it also raises some doubt in those who stay.

Downsizing without pain

According to Tompa (Tompa, 2009, p.20.) the company has to strive to create a winning-winning position. In such a situation the company has to consider internal reorganisation. In the meantime, outplacement, outsourcing and positions to be terminated are identified so the number and position of jobs to be ceased are clarified.

We have to mention the harmful consequences of downsizing here: organisational Alzheimer disease (the disappearance of experts with huge experience e.g. due to retirement), organisational anorexia (too intensive layoff), revolving door syndrome (when you are downsized but it turns out that you are needed anyway and taken on again), narrow-mindedness (when the management exclusively regards downsizing the only solution) (Tompa 2009, 21.p.) The 'stay-on' programme is directed to keep the key figures whose dismissal is a great mistake as their expertise and professional knowledge is an asset for the company and, moreover, they will find a new job in the labour market in the easiest way. The management has to strengthen their position and acknowledge their importance in corporate life thus enhancing their commitment to the organisation.

The survivor programme is to take care of the remaining workforce. Creating confidence, participation in restructuring, taking an active part in the new teamwork generates a new community, for which the ability to put up with the changes also has to be developed.

Both the survivors and the leaving colleagues have to be aware of the fairness of the redundancy. The best method of it is outplacement i.e. the process of downsizing is not over simply with “passing on the papers to the employees”, on the contrary, they are taken care of by the organisation with the inclusion of an outsider service provider. They help to come over the stress of losing the job and make it easier to find and fulfil a new position.

The technical part of downsizing itself is a strictly regulated legal process starting from the trade union negotiations through the registrations with the unemployment offices and paying severance to the final leave. These should not sound too mechanical and each leaving employee must be treated in a humane way as it is also part of the company profile towards the outside world.

Companies decide on hiring new labour force on the basis of experience, qualification, personal features-although one of the most important prerequisites of selection should be competence. It can also count when talking about layoffs and redundancies as a criterion of selection.

Competency examinations are also suitable for meeting the training needs of the organisation. The competitiveness of human capital means the development of the individual hierarchy of needs. The basis or primary criterion of competitiveness can be lifelong learning, further education and trainings. Knowledge-based society requires the more and more emphasised role of human capital in the economic processes. (Szira et al, 2009).

Looking for other ways

Redundancy is the least desirable method and if there are other possibilities, both the management and the government want to avoid it. The positions terminated during the crisis incur some extra costs to the state budget as the unemployment benefit, the costs of re-and further trainings are a burden to the tight budget and can also be the barrier to the prosperity following the recession. That is why the state itself is more willing to support the employment alternatives that make it possible for the workforce not to appear on the market of the unemployed in great masses. From the part of the state it means the forms of direct and indirect support. The direct one is when companies receive a certain amount of money or the state cuts back on wage expenditures. The indirect one is when the state introduces such measures that favour further employment such as supporting the idea of a four-day working week or the decrease of the compulsory working hours.

What are the alternative employment possibilities of the company? Of course, the companies are not charity organisations. They can exclusively take any measures till their resources are balanced. There are more humanistic and autocrat management styles where the judgement of the human factor is changeable but we must accept that a person is such a resource in corporate life than another.

Restructuring the working hours

The company's diversion from the typical labour organisation is a kind of reaction to the environmental changes. The state budget in Hungary supports the companies by preferring restructuring of working hours to redundancies as a reaction to the crisis. There are companies where the working hours themselves differ from the others such as in the case of dm-drogeriemarkt where the 4-5-6-7-hour shifts are preferred.

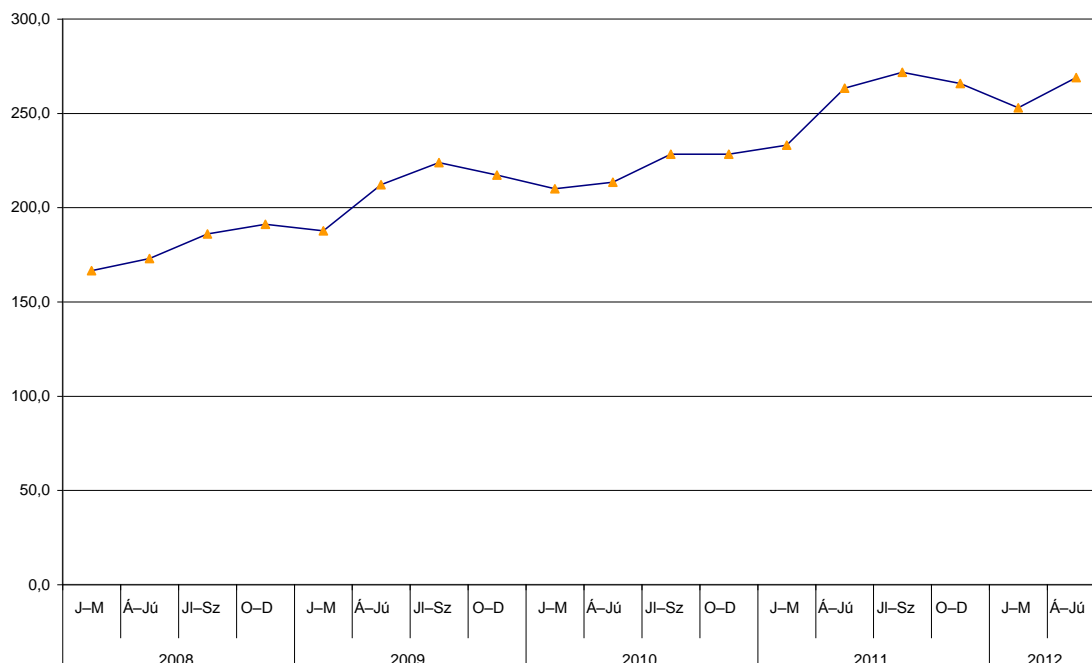
Another way of decreasing the working hours is the shift to the 4+1 day-working week from the 5-day one. Such a company is Rába and a similar one is Leroy- Somer IMI Kft. Manufacturing electric motors, which stops work on two Fridays each month. Of course, there are many variations of this kind of restructuring.

Restructuring working hours by means of training

In this case the working hours are shortened but during the stoppage the employees are not given compulsory days off, rather, they utilize the time to carry out compulsory re-trainings or ones that were pushed in the background. Such a company is Malév where the objective of the management is to keep the workforce with special knowledge and expertise as redundancies and teaching the new ones require longer time and more money and this way time can be used for organised trainings. Of course, it also means some extra money at first for the company but it also appears in the longer-term training programme so the company can meet its responsibilities beforehand by “escaping forward”.

Part-time employment

If it comes to downsizing, it is worth considering what is more economical from the point of view of the company: to make the employees redundant or employ them part-time. It is worth it for the organisation financially as not a full-time job must be shed and it does not have to say goodbye to the skilled labour force, either. It is also worth it for the employees as it gives them a kind of financial and ethical safety besides supporting the transition (They experience the importance of their job and have a lower but permanent salary). Its disadvantage is that the employees move harder and find employment later and also it is an instable possibility for the part of the company, so if the employees get a full-time job, they will leave.



Part time employment in Hungary between January 2008 and June 2012 (1000 people)

Source: KSH – Central Statistical Office

http://www.ksh.hu/docs/hun/xstadat/xstadat_evkozi/e_qlf008.html

Measures to save on expenses

Freezing the wages and stopping performance-related payment can be a solution. Although they do not send the employees away, the planned wage-type expenditures are restricted or withdrawn. Again, the workforce with great expertise must be taken special care of as they can easily leave in the hope of a higher salary.

Management-type measures

They are the processes not carried out due to the lack of time or their execution lasts longer. They apparently do not decrease the working hours but the time to execute the task is shorter. Such measures can be the introduction of the performance-related payment system, the revision of quality assurance, the implementation of efficiency organisation, making up for the HR tasks, building special managerial and HR networks or implementing the pending investments.

Outsourcing

Outsourcing is one of the most debated tools of crisis management in HR. This stop-gap solution only works if the company does not want to employ the staff but needs it. In such cases it will make a company outside, an affiliate or a division to take the staff over and thus employ them. Another form of outsourcing is when labour is rented and due to implementation, they borrow their own manpower.

Manpower hire/ manpower hiring companies

It differs from the previous one that in this case it makes the employees redundant and then hires them from a manpower agency outside. It serves as a solution if later the company does not at all want to employ the staff or the volume of production varies day by day and the risks are taken by the manpower agency and not the company. It is an established strategy of the companies in the construction business.

Teleworking

Teleworking with full of hidden possibilities has not gained much ground in our country. According to some calculations there are 160 000 people employed here. It is one of the forms of outsourcing. The principles of the European Union support this kind of work but its weak points are the lack of infrastructure, the unpreparedness of HR and the restructuring of corporate work. The volume of the initial investment, the transformation of work organisation, the creation of the special managerial and HR systems require more time and money than it could be afforded in a crisis.

Taking a year off

In case of the intellectual workers there is the possibility of granting a year off without payment. In this case the employee may ask for suspending his labour relation for a fixed period of time.

Early retirement/ making the pensioners redundant

These are guaranteed by law and it was possible to take an early retirement in 2009 but after that it will be stopped. Employing pensioners is a convenient solution due to their huge professional experience and their relatively cheap labour but their removal can also be a form of cost-efficiency.

Conclusions

The task of the personnel department is to stay rational, to assist the communication between the management and the workforce and to make a financial use of the value added in time of a crisis. It has to find the forms of investment that incur less expenditure in the short run regarding the future of the company and more profit in the long run. The role of controlling, plans and facts are expected to be increasing and adjusting them needs constant work. If redundancies are necessary, we have to clarify it is not the task of the HR although the opinion and help of the personnel department might be needed, it is basically the management that decides on layoffs. Likewise the recruitment, the technical part of redundancies is also the responsibility of HR. Communication within the company must be highlighted together with the effective relations with the trade unions, councils, outplacement organisations and manpower agencies. We must not forget those who stay, either. They have to take over some jobs left and even the nature of their employment changes in some cases. The process of planning and feedback also has to be restructured.

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