

THE HUMAN RESOURCES MANAGEMENT IN THE CONTEXT OF THE ECONOMIC CRISIS

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Abstract

Crisis periods are creating acute tensioned situations in the relationships between people, not only in the organizations that are in need to stint their activities, but also in institutions that are not so affected by the crisis. This happens because in the new context we can find a lot of apprehensions in the minds of citizens, especially regarding the labor force. In these conditions the Human Resources management is facing difficulties regarding limitation decisions for a part of the personnel.

On the other hand, the economic crisis has also some positive aspects for the Human Resources management because it allows the existence an adequacy filter, a constancy of employees, the reinforcement of discipline in institutions, a growth of productivity, an increase in people's responsibilities and even the attenuation of income pressure. All of these things can be capitalized for the interest of institutions.

At the same time the crisis can be a rupture between the old and the new, it can stimulate creativity, it can determine the reorganization and increase the efficiency of activities, it can lead to an orientation towards new technologies, methods and products highly demanded on the market.

This paper analyzes and estimates the attitudes manifested by Romanian Human Resources managers that are facing the current socio-economic crisis. It shows what people can do to decrease the effects of the crisis and also their perception regarding the manifestation forms of the economic crisis, the changes that are necessary for a good administration of the human resources which would lead to a minimum loss in this area, so that the closure of the crisis should not be accompanied by an absence of human resources.

Keywords: human resources, economic crisis, managerial activities, human relationships, small and average enterprises, economic development

JEL Classification: M12, M50

Introduction

At the end of this decade the economic crisis has burst out and propagated itself with a considerable speed over extended geographical areas, taking an acute form which made some analysts compare it with the 1929-1930 crisis (Krugman, 2009). For Romania, confronting the crisis proved to be a difficult challenge, both for the public sector, for the state, and for the private enterprises. Thus, after a period of relative prosperity between 2000 and 2007 characterized by the GDP increase in annual rates of 4-8%, the constant drop in inflation, acceptable budgetary deficit, low

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foreign debt, a period of serious collapse of macroeconomic indicators followed, accompanied by an equally serious decrease in the population's living standard.

A crisis situation demands crisis management, a process that might lead to a rapid and flexible organizational adaptation to the specific conditions of this period. The enterprises can handle any crises more easily if they adopt a proactive behavior instead of a reactive one.

Human resources management becomes essential in view of the decisions that must take into consideration both the enterprise's interests but also those of its employees. It also has to solve current problems without damaging the long-term interests of the company, to restructure the staff list and reduce salary expenses without losing valuable employees, to act firmly without destroying the trust and loyalty of the employees.

At the same time the crisis situations motivate employees to have more performance, to be more dedicated, to set for themselves ever higher standards in order to keep their job. "There is no need for a boss to threaten with a pay-check cut or with warnings. We have reached the point when we internalize control, it lies in our head. We wish for what we should be.", said Jakob Schrenk in book suggestively called *The Art of Self-Exploitation or the Brave New World of Labor*. (Schrenk 2010, p.9) (Our translation)

For a better understanding of the specific nature of the human resources management during crisis time and in order to see if there is a connection between the crisis' facts and the human resources management strategies, with a direct reference to Bihor County, we have considered useful a short analysis of the crisis' economic effects in this county.

Economic crisis manifestations in Bihor County

According to the European criteria, the classification in terms of size of companies is done regarding the companies' turnover and number of employees. In our study we have included only Human Resources managers of average and big companies, respectively with a number of over 50 employees (but not with a turnover of over 10 million Euros; some of these companies having a number of over 50 employees, but a turnover of under 10 million Euros). From the point of view of the turnover, 86% of the companies from Bihor County have a turnover lesser than 2 million Euros, 2% of them between 2 and 10 million Euros, 3% of them between 10 and 15 million Euros and 1% of over 50 million Euros. This situation is similar to the one on the national level and even on the European level where likewise, the percentage of big companies is under 5%.

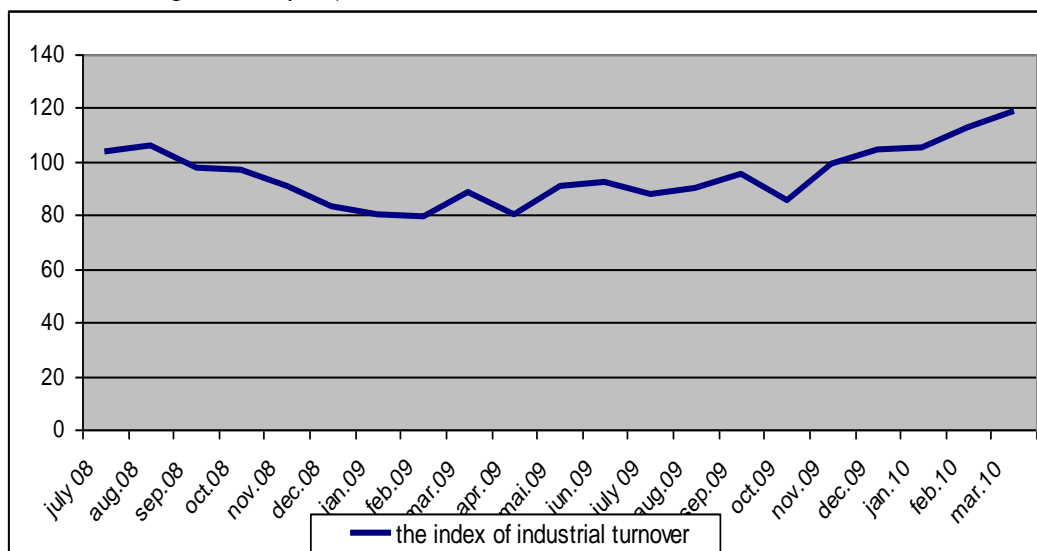
Regarding the number of employees, 89.1% of the companies are small or very small (under 50 employees), followed by the average ones with 50-249 employees (7.9%) and only 3% are big companies with over 250 employees.

According to the data provided by the Bihor County Statistics Office (DJS Bihor), in our county the crisis has manifested itself since October 2008, the most important signs being connected to a decrease in the production size on the

background of a lower domestic and international demand, to the increase in unemployment rate and that of the number of unemployed people, to the volume drop of international trade, to the decrease of the interest for the purchase of homes.

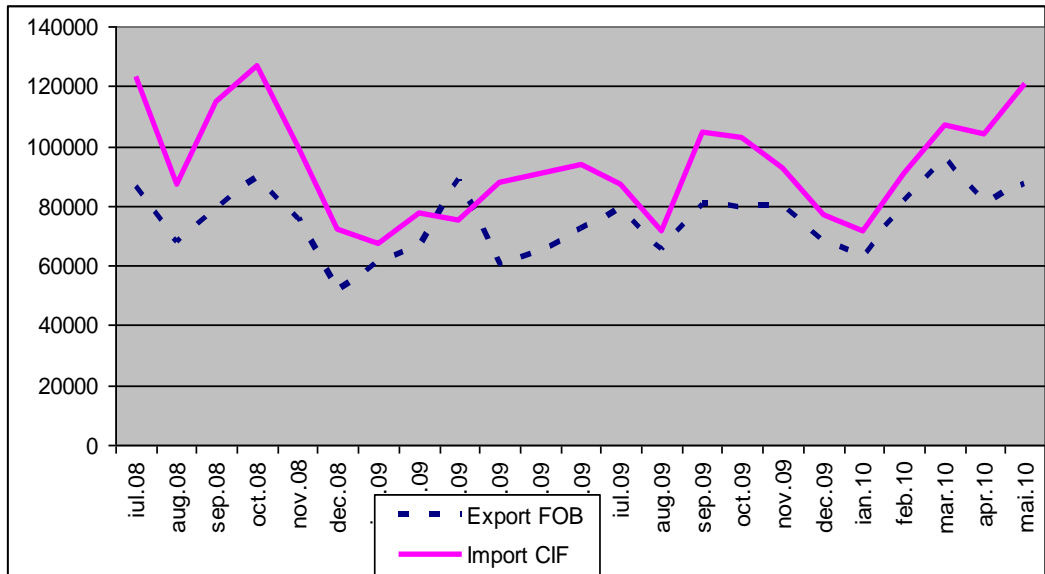
Analyzing the evolution of the industrial production index (the percentage increase of the volume of industrial production compared to the same month of the previous year) between July 2008 and March 2010 we notice that there is no linear decreasing evolution, but there are periods, be it intermittent, when this index is situated above the level from the beginning of the crisis. The explanation could rely on the very structure of industrial production, some branches having more orders towards the end of the year (the textile industry, the shoe manufacturing, the food industry), all of them being well represented in Bihor County.

Graph 1: The index of industrial production (in % compared to the same month of the previous year)



Source: The monthly statistic report of DJS Bihor

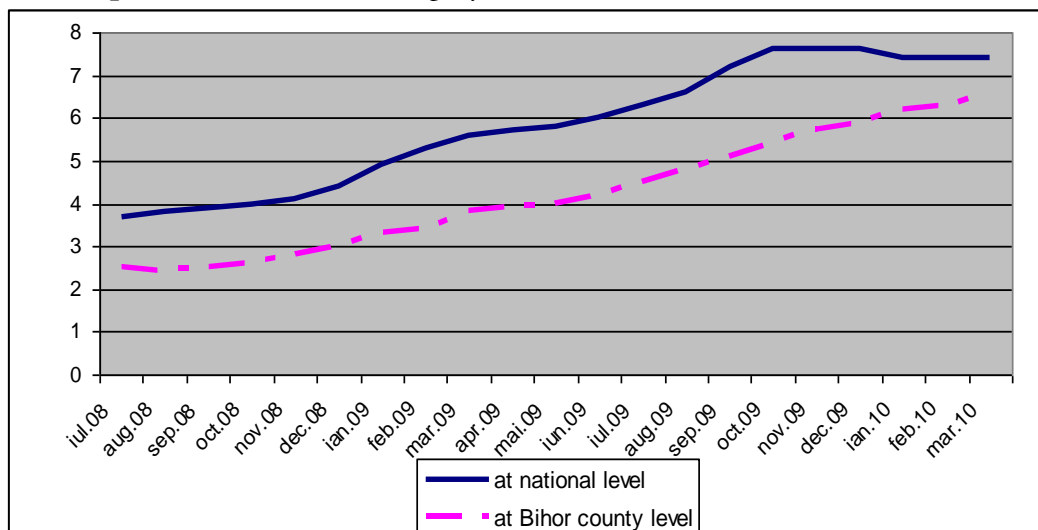
Regarding the value index of the industrial turnover on the domestic and international market, one can notice in exchange a constant decline starting with September 2008, as well as a straightening out towards the end of 2009; possibly due to the companies from Bihor that manufacture spare parts for the car industry, the activity of which improved considerably, mirroring the increase in the sales volume of Romanian cars on the domestic and international market.

Graph 2: Foreign trade (in thousands euro)

Source: The monthly statistic report of DJS Bihor

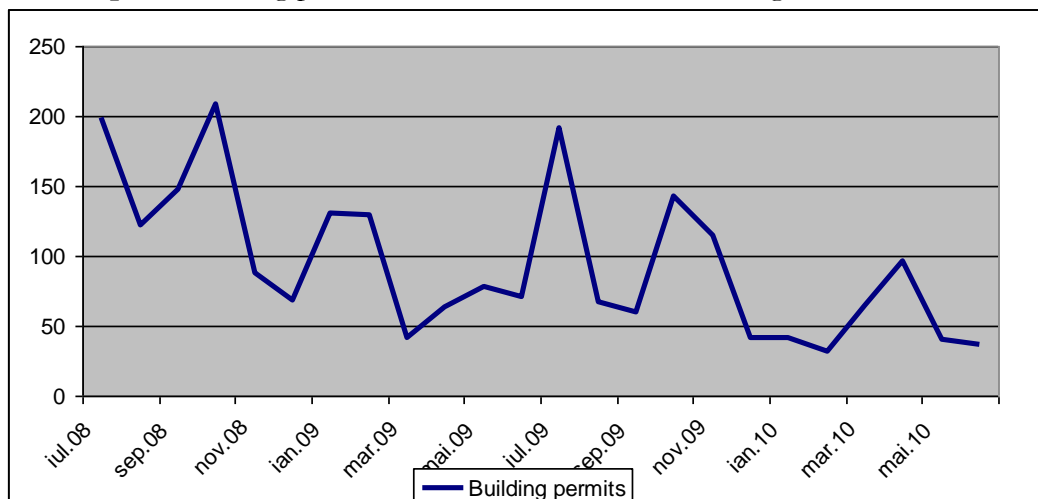
Within the foreign trade, one notices a decrease both in exports as a follow-up of the reduction in demand on the international market, as well as of an even more acute reduction of imports as a consequence of reduction in demand on the domestic market, starting with November 2008; despite the fact that this month marks the start of the holiday season. At the beginning of 2010, both the exports and the imports straightened, reaching a level close to the situation considered to be the beginning of the crisis in Bihor County. Analyzing the graph regarding the evolution of the foreign trade, we notice a desirable situation, unfortunately a short-lived one, February 2009, when the balance of the trade is positive. Since this is not a trend, we can assume that this situation was generated by random factors. For Bihor County and especially for Oradea, characterized by an intense trade activity, these evolutions have influenced the degree of man power employment, respectively the evolution of the unemployment rate.

The unemployment rate, one of the lowest in the country, has started growing since October 2008. As it can be observed also in the graph below, it mirrors the national unemployment rate, yet being at a difference of one percentage point.

Graph 3: The recorded unemployment rate

Source: The monthly statistic report of DJS Bihor, INS, 2010

On the background of a decreasing tendency, the interest for the building of residences has constantly dropped, while especially in Oradea whole residential blocks cannot find a buyer, which determines the sharp decrease in home prices. We can assume that the ones who demand building permits are especially natural persons from the upper classes who have savings that would allow them to build houses even in times of crises, or workers coming from abroad (or who continue to work abroad) and who invest their income in houses.

Graph 4: Building permits released for residential buildings:

Source: The monthly statistic report of DJS Bihor

These few analyzed indicators show the crisis situation in which the economy from Bihor County continues to be and implicitly the need for appropriate measures, including the ones taken by the Human Resources management.

The Human Resources managers facing the economic crisis: perceptions, attitudes, actions

In the context of economic crisis the Human Resources manager's situation is a delicate one, he/she being in between the two sides – between employers and employees, each of them expecting measures that would be if not favorable to them, than at least tolerable for them. This individual is facing new situations and duties like: conflict management, the improvement of the social climate, the improvement of communication, overcoming the employees' despondency and other situations rising from the particular situation of each company.

The restructuring of activity also demands personnel reduction which asks for great responsibility decisions on behalf of the Human Resources managers, since they have to equally meet the crisis situation and the enterprise's and the employees' long-term strategies. Even if the reactions of the Human Resources manager seem limited, in fact they are numerous, especially if this one would not neglect the employees' interests. The dismissals, the technical unemployment, the part-time, the wage cut, the flexible working hours, all represent options that can be used according to the market's and each company's particular situation, in order to overcome the effects generated by the crisis.

Based on daily experience, so without a rigorous research, the wage cut proves to be the most difficult measure that employees can handle, probably not only because this influences the life standard negatively, but also because they perceive this measure as a sign of their work's devaluation. As a consequence, it is possible to lose many valuable employees who would find an employer who would value their work. In this context, the reduction of personnel expenses often takes the form of reduction or even renouncing to elements from the wages packet, others than the basic pay (incentives, rises, etc.). If the wage cut is inevitable (especially when the state exerts a financial pressure), it must be correlated with the reduction of the working time, or by rendering the schedule flexible. However, it is advisable that this be the last measure to be taken.

Regardless of the nature of the crisis, some of the most damaging reactions are those of panic, those regarding hasty decisions and measures; often with uncontrollable effects. The management of a crisis is the privilege of those who have anticipated, simulated or even undergone a similar situation, which gives them a more realistic analysis of the situation, the formulation of alternative solutions, a correct decision, calm behavior, and assertive communication, which induce to the employees a positive state of mind.

In *Karaoke Capitalism. Management for Humankind*, (Our translation) Jonas Ridderstrale and Kjell Nordstrom suggest that acquiring good practices from a similar organization may at best lead to average results and that creativity is the one that pushes the head of an enterprise to the top in his/her area of activity: "Benchmarking

and good commercial practices will push you only to the middle of the classification. Do not imitate, innovate” urge the authors. (Ridderstrale, Nordstrom 2007, 15) (Our translation) We believe that even more in this crisis period the creative solutions are the best ones; solutions that will stimulate the employees, will develop their professional activities and assure economic performance.

The study we carried out, has attempted to identify the way in which the current economic crisis is perceived by the Human Resources managers from Bihor County, the attitudes and the measures they have adopted to face or to overcome the crisis situation.

The objectives of the research paper

1. To identify the top three, most important measures which the Human Resources managers have used during the current economic crisis.

2. The assessment within the context of the economic crisis of the importance given by the Human Resources managers to some management functions: professional training, motivation, assessment and communication.

3. Underlining the way Human Resources managers react to the crisis: reactively or proactively.

The methods used in the research

In order to reach these objectives, we have applied an interview to the managers of small and average companies which have a Human Resources department. The managers were asked to answer a series of questions connected to the enterprise’s policy regarding human resources and personnel policy, but also some questions regarding the strategies that their companies have adopted to overcome the difficult moments brought by the economic crisis. The selection criterion for the subjects was represented exclusively by their interest in the improvement of the Human Resources activity; an interest measured by their presence and the activity within the Human Resources Association from Bihor County. Most of the questions from the interview list were open questions, giving the respondents the possibility to openly develop their ideas and opinions regarding our subject.

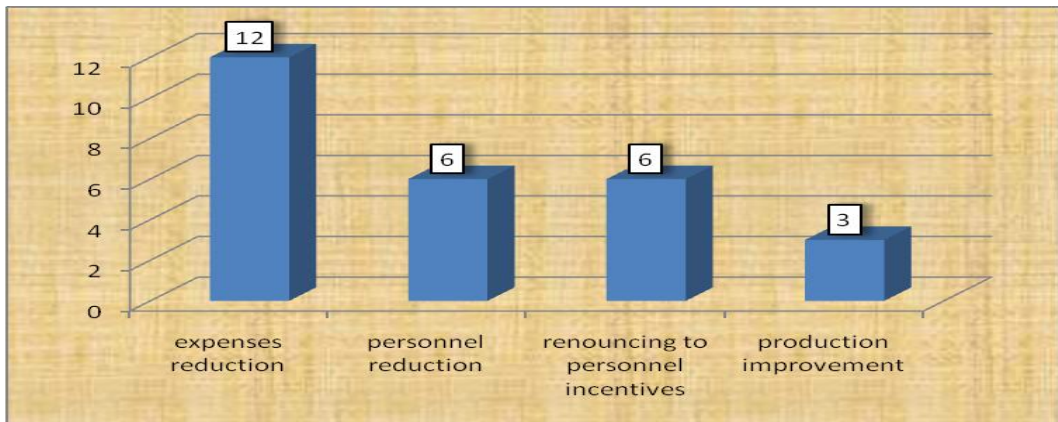
From the point of view of the methods used, the data obtained from this open interview can be used as guiding lines. Our design was to show some tendencies connected to the personnel policy and strategies, the measures taken to counteract the negative effects generated by the economic crisis and the managers’ perceptions towards the strategies that are needed to overcome these negative effects. The interviews were applied on the 12th of June 2010, by 27 operators, during the Human Resources Association meeting to all the 27 participants, actively present to all the association’s meetings. Our option for interviewing the 27 Human Resources managers was motivated by their constant interest for identifying the measures needed for a growth in efficiency regarding the human resources activity; either by adopting good practices, or by learning about and understanding the new theories in this domain. All these aspects were accessible to them within the association’s meetings. We have considered that the 27 managers were also the best informed ones about the issue of the economic crisis and the necessity to adopt specific measures within the area of human resources; so that their answers can be considered relevant for our study.

Due to the low number of those interviewed, we did not consider their socio-demographic data to be particularly relevant.

The results

1. To the question regarding “the three most important measures that needed be taken in the context of the financial-economic crisis in your enterprise”, the first place was taken according to 14 subjects by the expenses’ reduction with a clearly superior score of almost 50%, followed by the renunciation to some forms of personnel incentives and also personnel reduction, on the last place coming production improvement measures. The respondents also mentioned other measures like: pay renegotiations, technical unemployment; but all these had insignificant percentages.

Graph 5: The frequency of answers regarding the most important anti-crisis measure



The first two measures can be merged because renouncing to some personnel incentives can also lead to expenses reduction; the respondents have classified this as a distinctive measure probably because they wanted to make a distinction between material expenses and pay expenses. In such circumstances, we can say that the Human Resources managers’ option was for the material expenses reduction as a first measure in times of crisis.

Considering that all the respondents have a Human Resources specialized training and are members of the Human Resources Association from Oradea, we can easily understand their way of thinking and acting, including the fact that dismissals do not represent their first option based on the management theories according to which renouncing to valuable employees ultimately leads to a considerable loss in training and personnel integration costs. (Certo, 2002)

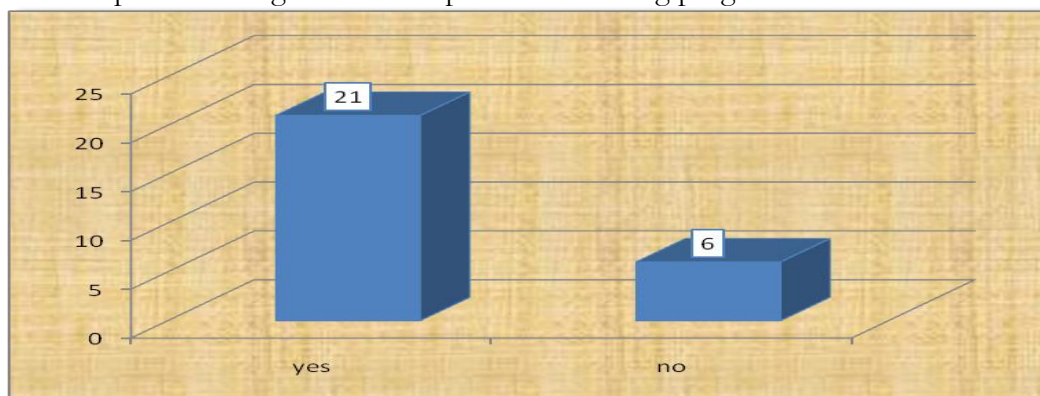
Taking into account the evolution of economic indicators in Bihor County during the economic crisis, one would have expected to see that the dismissal of a good part of personnel represented one of the most frequently adopted measures within the filed of Human Resources. The fact that this is not the first mentioned

measure may be due to the fact that many unemployed people from Bihor County come from small and average companies which were not represented by the subjects we interviewed. They probably do not have a Human Resources department and therefore a member in this association we had mentioned. On the other hand, the fact that the measures regarding production, its stimulation and adjustment to the economic crisis conditions come only third on the option list of the Human Resources managers, indicate a lower training level within the economic domain. The economic crisis theory underlines the need for measures stimulating consumption adopted both by the state and by private companies, accompanied by production restructuring measures in order to meet the new market demands. (Keynes, 2009; Krugman, 2009)

At the same time we can interpret this attitude of the Human Resources managers from the point of view of the fact that measures concerning production are considered to be the privilege of the general, technical or economic manager, which makes them be perceived as less reliable *business partners* by the top management. On the other hand, improving production means a better organization, a duties' redistribution, a professional reemployment, all being connected to the Human Resources department and demanding from the Human resources manager vision, forestalling, easiness in conducting business. (Thevenet at al., 2009)

2. The management functions are considered to be very important within the context of the economic crisis. Thus, in most cases, there are professional training courses of a longer or shorter duration taking place during the crisis; in two thirds of the cases they are totally or partially paid by the company. This is a proof that the expenses' reduction targets less the training activity, since it can become essential during the crisis.

Graph 6. The degree in which personnel training programs are used



From all the respondents, as shown in graph 6, 21 of them have organized different programs for personnel training. There are several causes of this concern about the personnel. On the one hand they can be motivated by the desire to improve and render more efficient the company's activities; on the other hand the

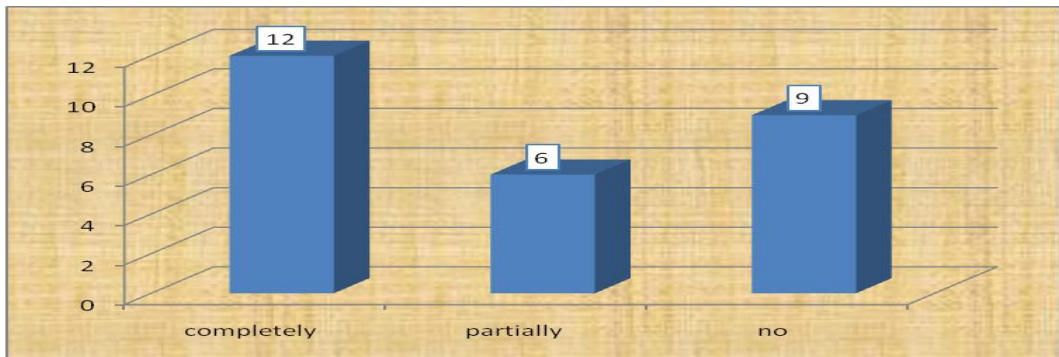
image of the institution also demands that such programs be adopted. Likewise, the training programs can be good occasions to homogenize workers' groups and to establish better relationships between employees. At the same time, they can enhance the personnel's trust in their own abilities and cultivate their positive identity regarding the institution. This positive perspective contributes along other factors to the employees' job stability, respectively "to finding more quickly a better job in case of dismissal" as one of the respondents put it. (P. A.)

Among all the training programs, a distinction was made between those of longer and shorter duration. We can notice in table 1 that there are more short duration programs, probably because of their lower cost and the easiness of their organizing, compared to the long duration programs. Likewise, we must mention that out of a total of 27 respondents, only 6 of them have resorted to both types of personnel training. There are also 6 respondents who do not use any kind of training programs.

Table 1. Personnel Training Programs

Short term training programs		Long term training programs	
2-3 days training	3	abilities' development training	3
abilities' development	9	products knowledge for customer sale	3
external training	3	permanent training	6
total	15	total	12

Graph 7 The degree to which the training courses are paid from the companies' own resources



The third graph shows the way in which the personnel training courses are paid for. Thus we notice that 18 respondents use their own resources to organize and carry on these activities while 9 have external resources.

More than half of those interviewed consider that employee motivation is not only possible but also necessary during a time of crisis, mentioning that "it has to take non-financial forms like reinforcing team spirit and acknowledging results". (M. S.)

The assessment process continues to be part of the Human Resources

department's activities, being employed in the process of assuring the coherence between the priorities of the Human Resources department and those of the company. Some of the respondents mention that they use "new assessment grids which underline better the employees' abilities, which they can also use in the case of dismissals." (M. V.)

Table 2. Personnel assessment indicators

	Frequency
assessment records and questionnaires	3
target completion	6
productivity indicators	9
customer satisfaction	3
none	6
total	27

Real, targeted, crisis specific communication, especially the internal one is according to the respondents really useful in minimizing the damage produced by the crisis' effects on the level of physiological comfort, of the employees' job safety. It can also be a starting point to overcome malfunctions and to resume production at the level it was before the crisis. One of the respondents states that "there is communication, the employees' opinions are taken into account, there is transparency, the employees are aware of the financial situation of the company" (C.L.)

3. Making a comparison between the results concerning anti-crisis measures and those regarding the importance given to managerial functions during the crisis, especially the one about personnel motivation, one can conclude that most interviewed managers have a proactive behavior. This means that the measures they take are not circumstantial, that the essential activities also take place despite the crisis, that there is an overall vision for the company in many contexts, including the economic crisis one.

Table 3. The correlation of anti-crisis measures with the personnel motivation measures

		the most important anti-crisis measure				total
personnel motivation special measures to exit the crisis		personnel reduction	expenses reduction	giving up personnel incentives	production improvement	
	job safety		3			3
	a good communication with the personnel	3		3	3	9
	reinforcing team spirit			3		3
total		3	3	6	3	15

One can notice that all those who reduce expenses as an anti-crisis measure are stressing job safety when it comes to motivating the personnel; a reasonable attitude maybe also because keeping the job renders expenses reduction, especially the material ones, more tolerable. In exchange, real communication during the crisis is considered to be important when it comes to personnel reduction, to renouncing to some forms of personnel motivation, as well as in the case of production improvement. If in the first two cases, a good communication can prevent possible discontents, relationship tensions between employers and employees; in the case of production improvement the quality of the communication can be an important means of rapid change to meet the new market demands.

It is surprising the fact that reinforcing team spirit is not considered to be a motivation form. Renouncing to some forms of personnel motivation is strongly correlated with reinforcing team spirit, probably as a form of compensation for the loss of some previous privileges. Using team spirit can become motivating; the employees sensing the fairness of anti-crisis measures that affect everybody, not only some of them.

Conclusions

The current economic context strongly influenced by the economic crisis induces among the employees uncertainty, tensions, lack of motivation, fear, especially concerning the probability of job loss and implicitly, that of income reduction. In these circumstances, Human Resources management proves to be vital, both for the management of the current situation by becoming adapted to the crisis induced conditions, but also in view of the post-crisis perspective characterized by the resuming of the economic growth where the Human Resources manager would play a strategic role in the enterprise, being increasingly perceived as a *business partner*. (Ulrich, 1999)

The research we have carried out underlines the fact that Human Resources managers from Bihor County are concerned by establishing short-term measures, by reducing expenses as well as by preparing conditions for resuming the production to the levels previous to the crisis. Thus, they value the management's functions: planning, training, motivating, communicating with, assessing the human resources, so that the economic crisis would not generate a break-up within the enterprise which might be hard to recover from after the crisis.

Likewise, it was stressed the fact that almost half of the interviewed managers resort to a management policy oriented towards protecting the personnel. These are also those that strongly invest in the employees' training and education (graph 6, 7). This institutional development policy oriented towards programs and strategies meant to develop skills and abilities is possibly considered to be a valid step towards institutional development. Thus one can make optimistic predictions connected to the institution's adjustment to the new conditions of the regional economic climate.

Compared to the situation of the personnel training programs, one can notice a similar interest towards the employees' abilities. Thus, in graph 6 we notice that 21 of

the respondents organize personnel training programs and courses. Table 2 suggests that 21 respondents use personnel assessment indicators. This correlation can be explained by the fact that usually, personnel training programs end with assessment tests regarding the acquired knowledge and abilities. But beyond that, the equivalence of the two values confirms the consistency of the subjects' answers.

We also have to mention that the data from table 3 regarding the anti-crisis measures presentation according to the personnel motivation measures show a strong consistency of professional representations about the leadership and management activity. Thus it can be noted that all managers who had decided to offer job safety consider that the most efficient anti-crisis measure is expenses reduction. Likewise, one can see that according to 3 of the interviewed Human Resources managers, "team spirit" might refer to a kind of understanding shown by employees and their acceptance when it comes to giving up various incentives they used to have before the crisis. 9 managers consider that the most efficient measure in their relationship with the personnel is a good communication. But they also rely on a larger spectrum of measures such as: personnel reduction, renouncing to bonuses and incentives, as well as a better assessment of the employees.

One notices a certain discrepancy between the facts which show an increase in unemployment rate and the options of the Human Resources managers which go preponderantly towards other anti-crisis measures than personnel reduction. We believe that the explanation might reside in the fact that the respondents represent a small percentage of the companies from Bihor (the 11% of the already mentioned average and big companies), while unemployment characterizes all the companies, maybe even in a higher degree small companies. On the other hand, it is possible that some of the respondents had formulated what they had assumed to be the expected answers instead of the real ones, taking into account the setting and the context in which the research instrument was applied (prior to a meeting of the association where exactly the impact of the economic crisis on the human resources management was debated).

Despite the obvious concern of Human Resources managers to better meet the crisis demands, from their answers one can also notice a certain discontent connected to the fact that they are perceived as the ones who put into practice a decision rather than taking it. Meanwhile, they feel a considerable pressure coming from people's expectations for them to take rapid measures of expenses reductions when it comes to the personnel, at the same time with the employees' hopes for finding measures that would not affect them in a too serious measure.

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