

## HUMAN RESOURCE MANAGEMENT

*In a recession, enterprises can accelerate organizational change. It is an opportunity to focus on internal issues such as building human capital, modernising workplaces and introducing work practices that can improve productivity. Measures taken in a downturn will serve as the basis for success in an upturn.*

### 1. DIALOGUE : A KEY RESPONSE TOOL

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*At a time when confidence is at low ebb, enhanced dialogue is needed to overcome mistrust and find agreed ways forward. Many measures that have been taken by employers to retain jobs such as wage reductions, reduced working hours, and work sharing have entailed a close and open dialogue with employees.*

#### **POLICY RECOMMENDATIONS & CONSIDERATIONS**

- ▶ Help ease tensions by planning and implementing enterprise decisions in a manner that is fair, consistent and based on rigorous analysis – especially when they relate to downsizing.
- ▶ Encourage enterprises to be open about the challenges facing their enterprises. In many cases providing real-time data on the enterprise's economic situation can be helpful.
- ▶ Use the crisis to bed down a culture of constructive dialogue with employees, especially one which encourages innovation and new ideas in the workplace.

This policy brief is part of a series which the IOE has developed to assist Employers' Organisations (EOs) in their policy discussions with governments and other stakeholders on crisis recovery measures and strategies and additionally to help EOs in the provision of guidance to their own members. The policy briefs are based on the employer input into the Global Jobs Pact (GJP) which was developed during the 2009 International Labour Conference as a global and collective crisis response by ILO constituents. The Pact is fully supported by employers. The IOE has prepared a specific Guide to the GJP for its members. This Guide, along with the Pact itself and other information relevant to crisis recovery plans is available on the "Global Jobs Crisis" response section of the IOE website.

## 2. IMMEDIATE INTERNAL RESPONSES

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### *POLICY RECOMMENDATIONS & CONSIDERATIONS*

- ▶ Design short-time working subsidies to prevent layoffs. Typically, these schemes provide government-financed income support to help compensate workers for the loss of earnings associated with reduced hours.
- ▶ Introduce temporary wage cuts across the board, graduated to lessen the disproportionate impact on lower earners.
- ▶ Reduce working hours.
- ▶ Redeploy staff to other tasks, sometimes to other work sites.
- ▶ Encourage accrued leave to be taken or bring forward leave periods, when work is unavailable.
- ▶ Restructure work rosters/shift arrangements.
- ▶ Temporarily suspend certain benefits or work allowances.
- ▶ Defer wage increases already agreed.
- ▶ Fill work gaps with training.
- ▶ Review the use of temporary work and of outsourced activities.
- ▶ Reduce overtime premiums or penalty rates.
- ▶ Convert full-time employment to more flexible demand-based part-time employment for an agreed period.
- ▶ Switch from a production to a maintenance/low season work schedule with a lower rate of pay and no production bonuses or incentives.
- ▶ Freeze recruitment/hiring or exercising non-replacement.
- ▶ Use group schemes to share apprentices and spread training costs.
- ▶ Encourage staff to undertake community-based work when normal work is unavailable.
- ▶ Put in place voluntary work sharing schemes.

### 3. RESTRUCTURING

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- ▶ Explore all options before implementing lay-offs and maintain a longer-term perspective. Laying-off employees will impact negatively on morale; mean that enterprise specific knowledge may be lost; and when economic growth picks up enterprises will be faced with skills gaps that need to be replaced.
- ▶ Provide as much relevant information as possible to the workforce and their representatives. This will help gain the trust and support of the workforce in steering the enterprise through the crisis.
- ▶ Seek applicants for voluntary redundancy first where this is a feasible option and one that will not result in detrimental skills leakages (i.e. avoid the most employable and highly skilled seeking these packages).
- ▶ Assist those laid-off with job search (both internal/external).
- ▶ Provide, where possible, support for entrepreneurship and self-employment.
- ▶ Where appropriate give priority to rehiring laid-off staff.
- ▶ Seek the views of workers in managing internal adjustment processes. They can have a good insight into how proposed internal changes might affect actual company operations.
- ▶ Share the pain and lead by example. Management should not be seen as being insulated from salary cuts and lay-offs.

## 4. MODERNIZE WORKPLACES

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*In a recession, companies can accelerate organizational change. It is an opportunity to modernise workplaces and bed down work practices that can improve ongoing productivity.*

### **POLICY RECOMMENDATIONS & CONSIDERATIONS**

- ▶ Put in place progressive work organization that increases employability and flexible and adaptable entities (e.g. flexible work assignments, flat hierarchies, team work, job rotation, etc).
- ▶ Examine the implementation of further flexible working time arrangements such as part-time and annualised working time accounts that level employment during periods of high and low demand.
- ▶ Explore the potential for company-specific cost savings beyond labour costs. Involving employees is a useful way of exploiting this potential and in identifying wasteful practices.

## 5. BUILDING HUMAN CAPITAL IN A DOWNTURN

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*Pursuing good human resource management now will pay high dividends when good times return. The downturn is an opportunity to build human resources.*

### **POLICY RECOMMENDATIONS & CONSIDERATIONS**

- ▶ The benefit-cost balance for training is likely to improve in a recession, because the opportunity cost of the time required to train is lower in a period when few jobs are available while the benefits to training are less affected.
- ▶ Consider, with production and orders low, an increased emphasis on deeper and longer forms of training.
- ▶ Identify and attract future human resources. Now is the time with loose labour markets to identify and attract highly skilled candidates.

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