IMPACT OF ECONOMIC CRISIS TO BEHAVIOR OF COMPANIES TOWARDS EMPLOYEES DEPENDING ON COMPANY SIZE AND ORIENTATION

Romana Hajkrová¹, Ladislav Pálka²

¹ Brno University of Technology, Czech Republic, hajkrova@fbm.vutbr.cz
² Brno University of Technology, Czech Republic, ladislav.palka@csystem.cz

Abstract

The article solves the impact of the economic crisis on the field handled by the trade unions and filling the thoughts of everybody who works in the company as an employee. In such a case, we link the question of our existence directly with the performance of the company, with the result of our work and mainly with the policy which is established towards us. The objective of the paper is to analyze the impact of the economic crisis on the behavior of the companies in the employee policy in dependency on their size and branch of business. The combination of the methods of the systematic monitoring of the impact of the economic crisis on the behavior of the companies in dependency on their size and business orientation, information and literature involved in this subject, free description of certain changes and their influence on the employee policy and knowledge and experience on this activity were applied. The conclusion of the article is to identify the impact of the economic crisis on the behavior of the companies towards their employees on the basis of their size and business orientation. To describe these changes with the clear link to their causes and the logics of the company behavior.

Keywords: Economics crisis, employee policy, company, employee, benefit, strategy

JEL Classification: M21, M51, E24.

Introduction

The article is engaged in the impact of the economic crisis on the field presented everyday in the media in different contexts. The field, where the trade unions are active, and which fills the thoughts of everybody, who is an employee of any company. In such a case, we link the question of our existence directly with the performance of the company, we associate it with the results of our work as well as the results of the company, and mainly with the policy implemented towards us. Already in the job-search process we are interested in the payment terms and other employee bonuses, or the so-called benefits, available in the selected company. This is a view of an employee - but what boards the companies have and what are the possibilities of the establishment of the employee policy, how these boards depend on the size and other economic impacts. How is the existence of the economic crisis reflected in this policy, is this factor influenced by the size of the company - we search for the answers in this paper. To be able to answer the questions we must analyze the impact of the economic crisis on the behavior of the companies in the employee policy in dependency on their size and sphere of business. Does the situation in the labor market change as a consequence of the economic downturn in dependency on the offer of the companies according to their size? The results of this survey can help to understand better the causes, links and consequences in the employee policy; at the same time, to partially recognize the problems causing such acting.

Objective and methodology

The objective of the paper is to analyze the impact of the economic crisis on the behavior of the companies in the employee policy in dependency on their size and sphere of business. To specify whether - as a consequence of the economic decline - the situation in the labor market changes in dependency on the offer of the companies according to their size. We should find the answers to the questions: how does the employee policy change in the large international company and what changes can be identified in the Czech company with the size up to 250 employees? Does the orientation of the company influence these changes? How does the situation in the labor market change on the grounds of the activity of these companies?

For the finding of the information for this particular paper the principles of the combination of the methods of the systematic monitoring of the influences of the size of the companies to the employee policy was used. Moreover, SMART analysis, information and literature on the company employee policy, free description of the impacts of the economic crisis on the employee policy in the companies of various sizes and knowledge and experience on this activity.
1. Economic crisis and employee policy from the point of two companies

1.1 Characteristic of companies

The basis of this paper was the selection of the appropriate subjects for the comparison of the impact of the economic crisis. For the comparison a large international company active in the area of the automobile industry is selected to emphasize as strong contrast as possible. The company, generating the aggregate revenues within the EU framework over 172 000 million CZK, employing over 26 000 employees and participating in the export within the framework of the whole Czech Republic with 7%. In the field of the human resources the strategic objective of the company is the recruitment, stabilization and development of motivated employees within the framework of the whole company, taking into account the current company strategy, social aspects and the situation in the labor market. In the planning of the human resources, the credo is mainly the realistic planning of the development of the staff with the emphasis on the development of new plants and projects - while taking into consideration further improvement of the productivity both in direct and indirect areas. In the application of the existing and recruitment of new employees the emphasis is put to the securing of the staff in the correct structure, qualification and quality with the maximal use of the internal sources. With regards to the career development and the stabilization of the human resources, the main activities will focus on the adaptation of the employees in the company, their stabilization in the regions with the plants, strengthening of the loyalty to the company itself and their personal development in harmony with the long-term strategy. The objective of the social policy is a complex care for the employees and the establishment of the working environment supporting motivation, productivity and high creativity of the employees. For the simplicity as well as illustrative picture I will entitle this company as the company “A” within the framework of the comparison.

The second company, which we will identify as the company “B”, is the business subject, involved in the complex services in the field of the information and communication systems provided to the customers in the whole territory of the Czech Republic. It means the sale of the computer technology, production, service and sale of the services in the computer technology and informational technologies. The company focuses on various orders of the companies from all areas, in the communications, public administration as well as private sector. The winning of the projects in these areas is conditioned by the high level of the professionalism and the proficiency of the specialists of the business group of the informational and communication systems and in the long-run built respect at the customers and all suppliers. The main and successful motto of the company is the effort to deliver not only the top technical products, but mainly solutions demanded by the customer. From the point of the inter-annual growth of the revenues the company showed last year cca 115% increase of the volume of the concluded contracts. Its audited turnover for the year 2010 reached approximately 738 mil. CZK with the gross profitability 20%. Next year approximately 30% increase of the turnover is expected, with the increasing of the average gross profitability for 2-3 percentage points. The company is financially stable from the long-term point of view, offering its partners and customers reliability and regularity in the settlement of any obligations. At present time, the company serves approximately 740 clients and employs nearly 250 employees. The company has been established in the year 1994 and is in the hands of the sole owner, working at the same time as the company general director.

1.2 Employee policy under the impact of the economics crisis

Owing to the economic crisis the view on the effectivenss of the reward system from the side of the employer as well as the influence to the level of the motivation of the employees is changing. The employers are trying to re-evaluate the schemes of the merit rewarding so as to connect better the results of the company and the level of the rewarding. The objective of the employers is to maintain the competitiveness of provided benefits; however, with lower labor costs. Today, the attractive system of the rewarding is also linked with the practical applicability of the benefits. (Macháček, 2010) Many employers have already become aware of this fact; therefore, the companies provide the employee benefits by means of the system of the so-called facultative benefits. The trend indicates the changes of the orientation in the specification of the level of the rewards, both in the selection of the market for the comparison and the identification of the level of the rewarding as such. From the point of the market selection the influence of the region is weakening whereas the influence of the market sector as the main market for the comparison is strengthening. The market sector became the dominant criterion for the managerial and expert posts including the sales managers. In spite of the fact that for administrative and manufacturing posts the comparison with the region prevails, the role of the market sector was strengthened, too. (Bláha, 2005)
On the other hand, the crisis itself has a very significant, but in contrast to other segments, specific influence on the IT industry. According to the research and studies of the companies IDC and Gartner and according to the survey of the company Microsoft several main IT trends are anticipated all over the world among the important customers; the crisis will either bring them or accelerate them. The following themes belong among them, namely:

- accelerated transfer from the sale of the product to the factual IT solutions, including consistent proving and measurement of the investment return rate.
- focus on the savings will result in more intense utilization of the existing software as well as the pressure on the integration and compatibility.
- companies will prefer shorter projects with clear and factual outputs for the support of the principal company processes, at the expense of the postponing of longer projects with less clear assignment; IT managers will pick “low hanging fruits”, their importance for the business teams can significantly grow.
- priority will have the solutions in the field of the improvement of the business processes, decreasing of the company costs, improvement of the productivity of the labor force in the area of the co-operation and integration, attracting and maintaining of new customers.
- technologies, which will be at the same time ecological, will assert themselves on the grounds of the savings.

2. Changes in the behaviour of the companies in the employee policy

2.1 Economics crisis and the impact on the offer of the companies according to the size and orientation on the labor market

Should we discuss the employee policy in this paper, we must mention the facts preceding the subject as such. I.e., the economic crisis and its impact on the offers of the companies towards the labor market. This influence to the behavior of the companies is indisputable. Seven out of ten companies -owing to the current economic situation- change the attributes of their products: tenth of them concentrate on the price of the product, most of them support functional parameters of the product. (Kohout, 2010)

2.2 Changes in the employment policy and impact on the labor market

The companies of the type “A” influence the labor market in cycles; if there is anything to produce, the job vacancy offer is considerable (linked with the volume of the production); in the moment of the economic crisis the behavior is just the opposite, the company reduces the capacities and makes the layoffs. The demand starts to grow and the unemployment rises, namely the involuntary unemployment. Another factor, complicating the situation, is the qualification of these employees. Mostly, these are low skilled workers, establishing a majority in the labor market. The influence of the company of the type “A” to the labor market is negative; in the moment of the crisis the company overloads the labor market with less qualified labor force.

The company of the type “B” on the grounds of the economic crisis takes advantage of the situation and offers the jobs. Certain problem is a higher demand to the qualification for the job as a certain qualification is necessary in the IT industry. Nevertheless, such a behavior is important for the labor market, thanks to further education of recruited employees the overall improvement of the qualification within the framework of the whole labor market occurs, as the migration in the field of the IT people in the lower working posts is rather significant. The influence of the company of the type “B” to the labor market is positive. The jobs are offered and the unemployment rate is decreasing.

| Table 1. Influence of economic crisis on the employee policy in the companies A and B (source: personal) |
|---------------------------------------------------------------|---------------------------------------------------------------|
| IMPACT ON EMPLOYMENT                  | REQUIREMENTS TO QUALIFICATION |
| Company “A”                           | Increasing of unemployment                           | Low qualification |
| Company “B”                           | Decreasing of unemployment                           | Medium qualification |

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2.3 Comparison analysis of the impact of the economic crisis on the employee policy in the companies A and B

It is a fact that the economic crisis deeply affected the functioning of the consumer; in relation to this behavior formula the change of the conditions in the market of the individual commodities occurred. A drop occurred in the whole chain of the movement of the goods from producer to consumer. The paradox of this situation is the fact that most of the consumers are at the same time the employees in the companies, in some way participating in the production of commodities. The impact of the economic crisis on its behavior towards the employees in the company of the type “A” is affected in a large degree by the force of the employees as represented by the trade union organization, which is from the long-term point of view on highly professional level in the area of the protection of the rights of employees. Each restriction of the existing regulations by the employer is accompanied by the struggle between the trade unions and management, very frequently accompanied by the media attention. Within the framework of the economic crisis just this industry was hit very perceptibly, as demonstrated by the numbers in the chapter describing the theoretical starting points. The impact to the employment policy meant the layoffs of 3 000 employees, because of the cutting-down of the production capacities. From the point of the organizational structure, these were people working in the lower posts, usually manufacturing workers and assembly line attendance staff. Moreover, approximately four hundred employees were transferred among the individual plants. Further, the costs for the salaries within the framework of the flexible component of the salary were restricted, in the level of the reduction of the sum; at the same time, the parameters for the acquiring of this component of the salary were tightened. The basic employment benefits, such as the allowances to the insurance, meal vouchers etc. were preserved in the full scope.

The company “B” does not have any trade union organization; the employee policy depends on the employment contracts and working regulation of the company. This company is influenced by the environment and economic crisis, too. The company focuses on the informational technologies; nevertheless, the company covers the customers in the broad spectrum of the business. I.e., should the interest in the IT field decrease in the segment of manufacturing and automobile industry, the company would strengthen its activities in the field of the public administration, health service and academic sphere. Another advantage is then the shorter life service in the area of the IT in comparison to the automobile industry. Identically, the “a must” is in the IT higher than in the cars; the computer has become the necessary part of our life, whereas the car still is - in a certain scope - a luxury, which we are able to get over. The company - unlike the company of the type “A” - does not fire employees; on the contrary, it takes advantage of the situation in the labor market and provided the employment to nineteen experts in the IT industry, who occurred in the market. Furthermore, the team of the service technician was strengthened with four people. All new employees are qualified for their posts, holding the certificates, and without any investment into the training they can immediately start their work. From the point of the company the trend was very positive, after several years of the problematic recruitment of the new labor force it was suddenly possible to recruit quality, already “finished” employees for the adequate salary. In the company of the type “B” the salaries were not reduced on the grounds of the economic crisis even within the segment of the flexible component of the salary, parameters for their acquisition are still the same. Similarly, the employee benefits, in case of the company “B” meal vouchers and contributions to the insurance, remained untouched.

Table 1. Influence of the economic crisis on the employee policy of the companies A and B (source: personal)

<table>
<thead>
<tr>
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<th>EMPLOYEES</th>
<th>SALARIES</th>
<th>BENEFITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company “A”</td>
<td>Layoffs, transfers, reduction of capacities</td>
<td>Reduction and tightening of the flexible part of the salary.</td>
<td>Without changes</td>
</tr>
<tr>
<td>Company “B”</td>
<td>Recruitment of qualified labor force.</td>
<td>Without changes</td>
<td>Without changes</td>
</tr>
</tbody>
</table>
2.4 Fundamental changes in the employee policy on the grounds of the economic crisis in dependency on the size and orientation

- large international companies in quick response to the economic situation make layoffs of the employees, or they shift them among the plants, decrease the salaries and tighten the conditions for the acquiring of the flexible component of the salary,
- smaller companies in the IT industry are able to take advantage of the situation and to offer the work, to decrease the joblessness; no changes in salaries and benefits,
- business orientation of the companies influences described changes to a large degree; the economic crisis more severely hits the subjects with higher specialization, focusing on the specific segment, such as the automobile industry; the companies with greater focus can regroup their activities and maintain, or if successful in the re-grouped segment, increase the turnover,
- owing to the activity of the large international companies under the influence of the economic crisis the unemployment rate increases, small companies are able to take advantage of the situation and to offer the jobs, to decrease the unemployment.

Conclusions

The objective of the article was to identify the impact of the economic crisis on the behavior of the companies towards their employees on the basis of their size and business orientation. Illustratively was used the situation in the field of the automobile industry and information technologies as the segments of the complete market. On the basis of the characteristic features of the companies, representing the reference sample within the framework of the sizes and segments, their classification was made for this research. The article specified the factual impact of the economic crisis on the employee policy of the monitored companies in the area of the number of employees, impact on the payment conditions and other benefits. Moreover, within the framework of the article the impact of such behavior on the labor market as well as the impact of the economic crisis on the companies per their business orientation was identified. Thus, the specified objectives of the work were fulfilled, and all asked questions were answered.

References