International Journal of Economics and Management Sciences
Vol. 1, No. 6, 2012, pp. 07-12

MANAGEMENT JOURNALS
managementjournals.org

THE GLOBAL ECONOMIC RECESSION: Impact and Strategies for Human Resources Management in Nigeria

Tinuke. M. Fapohunda
Department of Industrial Relations and Public Administration
Lagos State University Ojo
P.O. Box 6565, Somolu Post Office, Somolu Lagos
E-mail: tkfap@yahoo.com

ABSTRACT
The global economic and financial crisis has sent Tsunami ripples and wave shocks across the different socio–economic and political institutions in the present global environment. Tension is mounting everywhere as job cuts are on the increase, while many global corporate organizations are shutting down their operations and a few are declaring bankruptcy. Human resource management expert in Nigeria are befuddled as to how the human resource element in the industry is to perform in the wake of the global financial meltdown. Therefore, this paper examines the nexus between economic recession and human resource planning.

Keywords: *Economic Recession, Human resource management, Unemployment.*

1. INTRODUCTION

In today's business world, international experience has become critically important. Global trends have had an impact on the processes and outcomes of business fortunes even in developing countries; and have caused industrial relation actors to think differently about their goals. The current global economic crisis has been interpreted in many ways, chief of which is that it signals the end of capitalism or free market economic doctrine as exemplified by the American economic system. It is said to reincarnate the world economic depression of the 1930s which saw huge loss of wealth in both the money and capital markets around the capitalist world and led to actual and attempted suicide by many investors. It was a crisis that arose from the failure of the market to correct itself. Global economic recession describes the growing economic, political, technological, and cultural linkages that connect individuals, communities, businesses, governments and countries around the world and the negative impacts it carries with it as felt in the economies of different states and countries. The Nigerian economy faces the rippling effects of the global economic crises resulting to breakdown and decline in economic vigor. The effects find expression in downsizing, mass unemployment, and crashes in the money market. There is need to understand the dynamics of the present global economic meltdown with careful study and examination of the issues involved. The Nigerian economy has continued to witness renewed and sustained recession, characterized by galloping inflation, unemployment and declining businesses. The general business cycle of recessions affects human resource management. Such factors as interest rates, inflation, and economic growth help determine the availability of workers and figure into organizational plans and objectives. Decision on wages, overtime, and hiring or laying off workers all hinge on economic conditions. The Nigerian situation has been tagged feeble due to the negative effects the global economic meltdown has had on the country. Every industry has had its fair share of the troubles and companies are licking their sores with resultant effects on the masses. While retrenchment and downsizing appear to be a way out, there is no sense in making it massive. This contributes to the growth of jobless individuals in the street since there are no jobs to which these individuals will find themselves attached when retrenched in one. Therefore, the thrust of this study investigates the nexus between economic recession and human resource management. The paper will examine economic recession and its aggravating factors, the relationship between economic recession and human resource management, and the various challenges to the effective management of human resources arising from economic recession. It will also proffer strategies for coping and suggests policy options. This work therefore relays the means and strategies of combating the unavoidable problems of downsizing and retrenchment affecting human resources in a global economic crisis.

2. ECONOMIC RECESSION

Economic recession is a period of economic slowdown featuring low output, illiquidity and unemployment. It is characterized by its length, abnormal increases in unemployment, falls in the availability of credit, shrinking output and investment, numerous bankruptcies, reduced amounts of trade and commerce, as well as highly volatile relative currency value fluctuations, mostly devaluations, financial crises and bank failure.

The current economic crisis is said to have arisen from over reliance on market mechanism by the George Bush administration of the United State through unregulated credit expansion in the financial sector, particularly credit to home owners. The World Bank and the International Monetary Fund (IMF) in the 1980s offered the free market doctrine to many African countries through the Structural Adjustment Programmes (SAP) introduced and enforced on these countries. Though the failure of the SAP in most African countries is still visible till today, in form of increasing poverty, its free market doctrine persists in the form of flexible exchange rates; market determined interest rates in the financial sector and ongoing privatization of hitherto public owned enterprises. For over three years now, the global economy has experienced the most traumatic moments in many decades. Although in some quarters, there seems to be a glimmer of hope, the dimensions in which the crisis manifested itself have made analysts to describe the situation as perhaps the worst economic recession since the Great Depression of the 1930s. Indeed, for the first time, the world economy has witnessed stagnation or minimal growth since more than seven decades. At the root of the recent financial crisis was the ‘’search for yield’’ by financial institutions and investors. The increasing integration of financial markets and the apparent relative stability of advanced economies, led investors and financial institutions to begin to search for profitable investment opportunities which resulted in over optimism, speculation and leverage.

Another major aggravating factor was financial institution; the widespread practice of the securitization. Commercial banks changed their business models in which they initiated loans to borrowers and subsequently packaged and sold these loans as securities to investors in search of higher yields. The development of complex financial products led to the manufacture of coupon assets and unregulated credit creation. To make matters worse, credit rating agencies were rating many of these securities triple ‘’A’’ and could not foresee the impending disaster.

Also, there was the notion of self regulation of markets; the widespread belief that the market self regulates and that the government can only make matters worse. Thus, increasing competition in the banking business pushed banks towards more risky activities. Other factors which aggravated the recession were the fusion of banking and capital markets; technological revolution, contagion and connectedness of institutions and financial markets which made it easy for risks to be transferred among institutions and across countries. Lastly, banks pension funds, and investors all over the world were ‘’shallow’’ and ‘’greedy’’ and did not take the care to investigate how their money was used as everyone was carried away by the glamour of money making. In sum, the recent economic crisis was caused by the interaction of micro and macro elements. The consequences of the global economic downturn are very severe both in term of huge fiscal costs and external imbalances in the terms of trade. Adeogun (2009) notes that the Nigerian situation is blessed with the intervention of the CBN in the banking industry to expose financial institutions that were not measuring up to expectation in depositor’s funds. This intervention carries with it some consequences especially on the human resources aspect of the financial sector. Every industry, has had its fair share of the troubles and indeed, individual companies, both blue-chip and other oil companies are licking their sores and the human resources arm is in the receiving end of all this.

3. HUMAN RESOURCES MANAGEMENT

Effective human resources management has become a serious issue especially in view of the present global economic crisis. Human Resources Management refers to the management of people at work in an organization. It is concerned with the development and effective utilization of human resources to achieve organizational goals and objectives. It is the management function through which managers recruit, select, train, and develop organization members. French (1998) affirms that human resource management refers to the philosophy, policies, procedures and practices related to the management of people within an organization. It is that part of management which is concerned with of people at work and their relationships within an enterprise. It consists of the design and implementation of policies and all the practices that can assist in promoting efficient utilization of human resources. Long before the question of global economic meltdown the management of human resources in Nigeria has witnessed stories of pathetic modulations. Human resource management specialists determine the number and type of employees that a business will need. They are then responsible for recruiting new employees to replace those who leave and for filling newly created positions. With the ills of *man-know-man* there is no gainsaying the fact that the practice of authentic human resources management has been more of a fable than a reality. Ordinarily a business's HRM division trains or arranges for the training of its staff to encourage worker productivity, efficiency, and satisfaction, and to promote the overall success of the business. Human resource managers create workers' compensation plans and benefit packages for employees, when thorough scrutiny is made it will only reveals this is farfetched for some organization in Nigeria and the result has been the placement of mediocre instead of professionals or capable hands to handle jobs. Globenock (2006) holds that businesses rely on effective human resource management to ensure that they hire and keep good employees and that they are able to respond to conflicts between workers and management. **Yinusa (2004)** opines that there are so many factors militating against effective human resources management in the country today. For instance it could be blamed on history if we relate it to the colonial experience, and if we probe into poor political leadership and ineffective manpower planning by organizations the answers will not be farfetched. In truth, poor leadership is closely related to the problem of human resources development in Nigeria. There are indices that show that the problem can be blamed on economic recess and the global meltdown in world economy. The ripples of financial crisis experienced not only by financial houses, but also by blue chip organizations with world class reckoning in Nigeria shows that we are yet to experience our share of the meltdown.

4. IMPACTS OF THE RECESSION

Prior to the impact of the meltdown in Nigeria, the banking sector was swimming in a pond of false confidence in the financial policies. There was a crash in the stock market, the prices of Oil sky rocketed and left many financial homes depressed with the fear of an impending crunch. The crash affected the economy. It reduced the ability of the economy to fight off the underlying sicknesses of unevenly distributed wealth, agricultural depression, and banking problems. With the crash, it was apparent that the Nigerian economy faces the crippling effects of global economic crises resulting to breakdown and decline in economic vigor. **Opeyemi** (2008) observes that there are cases of unemployment, retrenchments, downsizing and layoffs, which served as indications to a troubled economy. According to her "What is worse is that individuals have nowhere to turn to…" except indulging in misconduct and societal condemned activities such as militancy, armed robbery, advanced fee fraud, ritual practices for fetish money among other things and our leaders sit almost helpless. In her words, "there have become a wide spread of distrust in the competency of the financial sector as the question of fund availability in banks pervades the minds of right thinking Nigerians."

More specifically the economic recession has brought in its wake enormous increase in the level of unemployment. The global financial crisis has led to a global unemployment crisis resulting in millions of redundancies. In the US for instance, about 2.2 million jobs have been lost so far and still counting. Statistics Canada reports that unemployment moved up from 0.6% to 7.2% in January 2009 marking the highest level of job loss in several decades. Japan is in its longest, deepest and most severe recession in the post-war period, as the economy has shrunk for a third straight quarter in the three months to December 2008 as the global slowdown crushed demand for Japanese exports, a key pillar of the world's number two economy. Similarly, Asian stocks also began to melt like sugar in a tea cup and according to another report, several Asian companies, mostly financial companies, have also declared redundancies in order to survive the present crisis. The situation is not different from Europe where many factories and companies are folding up, sending more employed citizens into the already swollen labour market. www.aswer.com.The impact of the global financial crisis has sent chilly winds into corporate Nigeria. There is a season of job losses as the Nigerian economy is playing host to the visit of the economic slowdown. For instance, the manufacturing sector in the country is already affected by massive decline in capacity utilization resulting from high exchange rate of the Naira and congestion at the ports. The crisis has compounded the challenges faced by the manufacturing sector. In 2008, Dunlop Nigeria Plc. the only surviving tyre manufacturing company, shut down its plants and laid off hundreds of its workers and put some others on half remuneration . In the textile sector, about 5,000 workers were forced out of job in late 2008. Recently, the Nigerian auto assembly company, Peugeot Automobile Nigeria (PAN), sacked 565 workers of its 753 workforce and placed the remaining staff on half salary. Similarly, the confectionery maker, Cadbury Nigeria Plc. has fired 300 staff, while in the banking sector which seemed to be the worst hit; massive sacks have been carried out and it is still ongoing.

The International Labour Organization (ILO) recently revealed that as many as 51 million workers were fired in 2010 globally, while 30 million more jobs are at risk. The United Nations, meanwhile, predicts that 200 million workers mostly in developing economies could be pushed into extreme poverty. The global unemployment rate is estimated at 7.5 percent in 2010, up from 6.5 percent in 2009 and 6.7 percent in 2008. This implies that the global economic recession is already resulting in a dramatic increase in the number of people joining the labour market and swelling the rank of the unemployed, creating a "labour market epidemic." Downsizing was also a result of the recession. There have been layoffs, downsizing, and retrenchments.

Again there has been decrease in oil revenue. In the first week of July 2008, Nigeria's Bonny Light Crude sold for $146.15 but slipped to $76.24 and $57 per barrel at the middle of October and November 2008 respectively and Light Sweet Crude Oil. $47.78 on 3rd December 2008. This represents a dip of about 69.83%. Dwindling revenue affects budgetary performance and allocations to sub sectors because of the country's monoculture economy and this invariably leads to possible delays in the discharge of government's responsibilities in recurrent expenditures.

Next is the effect of high indebtedness to internal contractors. Pension payment might become a huge source of worry because of the dwindling finances to meet up with the financial obligations of recurrent expenditure.

There is also increased restiveness on the part of the labour unions. And sometimes increase in industrial actions.

5. SUGGESTED HUMAN RESOURCE MANAGEMENT STRATEGIES TO REDUCE EFFECTS OF THE CRISIS.

Businesses have responded to the problem of economic recession, in a number of ways. Some sought subsidy and tariff protection from the government. Others became more efficient and *de-diversified*—that is, they sold off many of their subsidiaries in unrelated industries. They also reduced their labor forces shedding layers of management and laying off thousands of production workers. Rather than produce the entire product within the firm, more and more work was *outsourced*—that is, purchased from other abroad.

Every organization has the right to protect its interest and thus create modalities for true survival in a harsh economic condition. Hence the cry about downsizing and retrenchment should not raise the stakes high but should be seen as possible solutions to the problem that is put before us by world economy. While this is true, there are different ways to see that employees do not suffer such fate during critical periods of economic crisis. Notwithstanding the state of this seeming hopelessness, rather than brood over the present global financial crises, human resource practitioners have a huge challenge and an opportunity to reinvent the management of human resources; engender increased developmental processes to improve human behaviours, attitudes and staff relations that will bring about improved productivity; which at the end put them be on top of corporate policies for a key turn around.

Outsourcing has been taken as a major way to avoid mass retrenchment. This is because in many ways the scheme is cheap and easy to manage unlike direct sourcing of staff for employment. Other strategies to make staff into contract personnel are also a welcomed strategy instead of downsizing. The Nigerian situation cannot afford to continue the buildup of unemployed individuals on the streets. This would come with attending consequences that would outweigh possible solutions to the problem.

Another strategy is to create **new job functions**. Job creation should be primary; employment should be taken as important and vital. Sahdev (2008) observes that companies are not expected to employ for the sake of the word, rather adequate assessments should be done. Organizations should proactively employ good hands to make their relations better and effective, there should be genuine reasons to layoff or downsize, preserve staff or employ more.

Next is **communication**. Human resource practitioners must dedicate time to positive reasoning. This involves holding town hall meetings with staff and management on ways to tackle the challenges of the downturn. This gives room for sincere invectives and inputs, which may turn the organization around for good. Staff should be encouraged to objectively give their assessment of where the organization was, where it is and where they believe the organization should be and what should be done to survive the recession. Again there is **Positive Orientation and Team Culture** which involves paradigm shift in work culture and values. The aim is to change from busyness to effectiveness as being busy does not connote effectiveness. Being busy and working hard without focus does not translate to results the organization needs to be effective. Reorientation on the part of everybody becomes the in thing. In the case of a positive team culture, the emphasis is on shared vision, strategies and belief in team culture because of the positive value addition of synergy. Human resource practitioners should at this time radiate and give hope and lift their staff from negativity to positivity. A positive team culture stresses collectivism, and symbiosis. Learning is also a key strategy that opens the individual employee to knowledge beyond his/her immediate reach. It helps to bring a strong barrier against failures and landmines that may bomb the organization out of existence. It assists the worker to open up to new initiatives, ideas and best practices. Consequently there must be programmes designed to put the organization on top of the pack and enable the organization have a competitive edge. There should be workshops and conferences to enable comparing notes on experiences and learning from others. Temporary postings to areas of unsaturated staff, equal opportunities and redeployment could be explored. Everyone needs to have a re-assessment; individuals should know their strength and capabilities. Cameron (1994) holds that the age-long belief in white collar jobs should be demystified. Where the need for retrenchment or downsizing comes up as a necessity, there should be in place proper counseling to empower affected employees to have positive orientation in such situations. There should be pre-retirement workshops and incentives for early retirement.

The **focus of the leadership** is also important. It should be characterized by transparency, accountability, the courage to effect necessary changes, sacrifice and incremental changes.

Organizational structure and procedures should be reviewed. Complex structures should be reduced to simple ones. There should be increased autonomy to improve decision making process and concentration on core areas. All forms of tribal, political and racial considerations in the appointments and recruitment processes should be eliminated. The business value system should be redefined. This is a moment to re-examine the organization's business value system, goals, roadmaps, strategies and practices to align with the anatomy and physiology of the organization. The vision of the organization should be cascaded down the ladder so that there will be a total buy-in; into the new ways of achieving the vision even at these difficult times. A shared vision sets the tone for the conscious will power to achieve the impossible.

Added to the foregoing is **Succession Planning.** The chief executives of many parastatals of government in Nigeria are removed and replaced at will. The high turnover of the top management makes planning difficult, truncates strategic plan processes and kills any organization's initiatives to achieve a well-tailored succession plan. There should be a reversal of this unwholesome process.

There is also **proactive human resource management.** This has to do with the application of emotional intelligence strategies.

There should be fair human resource practice in the use of the carrot and stick approach. In-plant knowledge sharing forum should be enthroned to encourage staff to share their knowledge in an in plant workshop. This will assist the organization to source for and maintain a knowledge pool in the organization. **Change management** should be effected in bits and not radically so as not to further stress the staff. There should be a review of customer management processes and an integrated research and development process should be enthroned.

There is also need for **government involvement.** Arising from the after effects of the recession, the U.S. government took steps to alleviate unemployment. There was an infusion of a stimulus bill into the American economy. Jobs were provided by public works and other special programmes which employed young workers on a wide variety of projects; and on a broad programme involving both public-works construction and cultural and recreational activities. The Nigerian government can take a cue from this act and thus salvage the unemployed and the retrenched. Okpara (2006) suggests that jobs abound because there are so many gaps to be filled in any developing country or nation as the case may be. Okpara adds that the appellation *developing* shows that there cannot be an idle hand at any point in time. The Lagos state government for instance has created jobs where no one even thought there were any. Yet no graduate of any of the fields would take up a job of refuse collection or function as a traffic warder. With this type of attitude the illusive dream of unemployment will continue when in actual truth we can put ourselves into self- employment. Scholars have argued that the issue of unemployment is a reaction of the greed of the higher class. Individuals have opportunities to get self-employed there should however be enabling grounds for small businesses to thrive in Nigeria. Where this enabling is absent mass sacking will do nothing but simply contribute to the growth of jobless people on the streets. Individuals must see the plurality of opportunities around them. Everybody does not have to be a university graduate; individuals should look into themselves and see the gift which they can harness for the good of themselves and others.

Encouragement of Business Growth. The government should encourage small scale businesses while Central Bank should also encourage loans to small and large scale businesses for growth that will affect the economy positively. Corporate governance should be taken as a religious order. It should be respected and the rubrics should be followed with consequential punishment to those who sacrilegiously offend.

CONCLUSION

The recent downturn in the economy is having negative effects on engagement levels and this is something every business should be concerned with. While engaged employees will not make the recession disappear, they will certainly help companies get through it with far more success than would otherwise be possible. To overcome this crisis, human resource practitioners need to be more strategic and need to support their engaged employees. The paper encourages acceptance and positive attitude from organizations and especially from the government since it will take all stakeholders to reach the goals of effective human resources management. Global economic crisis impinges on effective and efficient practice of human resources management. Government involvement is essential in combating the problems of global economic downturn.

REFERENCES

Adebayo, D. (2006). *Workload, social support, and work-school conflict among Nigerian nontraditional students*. Journal of Career Development, 33(2), 125-141.

Adeogun Femi (2009) *The Face of Nigeria in a Globalised World*, BPP Publishing Ltd, New York

Drucker P, F 1999. *Management Challenges for the 21st Century*. New York: Harper Business.

French W.L. (1998) ***Personnel Management Process***, 5th Edition, Houghton Muffin Company, Boston

Gl**obenock James (2006)** *The Core Values Of Human Resources Management*, George Allen Ltd, London

Yinusa (2004) *Managing The Essence Of Ideas In An Innovative World: For Progressive Entreprenuers*, Apleton Centry Croft, Inc., New York

Opeyemi Modupe G. (2008) *The Restiveness Of The Nigerian Youth And The Problem Of Unemployment In The New Dispensation,* Laramaid Publications, Ohio

International Labour Organization (2010) World Employment. www.ilo.org/public/english bureau/inf/pkits

Sahdev, K. (2003) '*Survivors'reactions to downsizing: the importance Human Resource Management* Journal, Vol.13, No.4, pp. 56-74.

Cameron K S. (1994) *Strategies for successful organizational downsizing. Human Resource Management*, 33: 477-500.

Okpara Gift **(2006) The** *Causes Of Unemployment In Nigeria: A Critical Survey*, **Renegade Press Ilorin**

Wilkinson, A. (2004) *'Downsizing, rightsizing and dumbsizing: quality, human resources and sustainability'* Total Quality Management Vol 15 no 8

Search engines and key words

www.google.com.ng	Global Economic Crisis
	The Nigeria Banking Crisis
	Human Resources Management
www.wikipedia.com	Human Resources Management
	History of The global Crisis
	Effects of Global meltdown
www.Askgeeves.com:	Proplems of Economic Crisis
	Economic Meltdown
	The American Economy