Strategic Approach to Human Resources Policies during Recession: Compassion Management

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ARTICLE INFO	ABSTRACT
	Objectives: This study aims to show the importance and contribution of compassion to the welfare of employees. *Methods:* An intensive literature review is conducted in order to reveal theoretical relationships between human resource policies and compassion, especially during in economic crises times. *Results*: Throughout difficult times as economic crisis, compassionate practices for employees may increase their level of wellbeing and commitment to the organization. *Originality*: This study is one of the rare research which gathers and uses results of previous research in order to come up with a new intervention strategy focusing on positive experiences in adverse times.

Resesyon Dönemlerinde İnsan Kaynakları Politikalarına Stratejik Yaklaşım: Merhamet Yönetimi

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MAKALE BİLGİSİ	ÖZ
	Amaç: Bu çalışma çalışan mutluluğu-iyi oluşunda merhametin önemi ve katkısını göstermek amacını taşımaktadır. Tasarım/Yöntem: Ekonomik durgunluk zamanlarında örgütlerin kullanabilecekleri İnsan kaynakları pratikleri örneği olarak merhamet yönetimi stratejisi hakkında derinlemesine bir literatür taraması yapılarak ilişkiler teorik bir çerçevede araştırılmıştır. Sonuçlar: Ekonomik kriz gibi güç zamanlarda, çalışanlar için merhamet içeren uygulamalar onların mutluluk-iyi oluşlarının yanı sıra kuruma bağlılıklarına da katkıda bulunmaktadır. Özgün Değer: Bu çalışma daha önce yapılmış çalışmaların sonuçlarını bir araya getirerek özellikle olumsuz ekonomik dönemlerde kullanılacak yeni bir müdahale stratejisi öneren ve bu alanda yapılmış nadir çalışmalardan birisidir.

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1. **Introduction**

The Great Economic Depression was originated in the US mortgage market and leaded to a liquidity shortfall in its banking system. It was started to be felt in August 2007 and the second phase began with the fall of Lehman Brothers in September 2008. This economic downturn was accepted to be the deepest that has been experienced since the stock market crash in 1930s (Appelbaum, 2011). The main consequence of this depression was a general loss of confidence and solvency problems in financial institutions across the globe. It then affected the real economies of all developed and emerging countries (Mitsakis, 2014) with the most significant impact on human resource practices and labor relations.

In times of crisis, enterprises are forced to reduce the personnel, freeze the recruitment process, reduce the budget for training and development and in some cases reduce wages and benefits, eliminate allowances and redefine the role and responsibilities of managerial staff. Economic crisis also influences individuals' approaches in life and evaluations of their work situations. Bell and Blanchflower (2011,103) reported in a pan- European survey that the so-called 'happiness' levels in Southern Europe have sharply fallen between 2007 and 2010 due to the effect of the economic crisis and the high and continuously rising unemployment rates, especially among the younger cohorts of the working population. They found that ''there is a noticeable decline in the happiness levels in Greece (0.28), Ireland (0.14), Portugal (0.17) and Spain (0.10), which have been hard hit by recession and the sovereign debt crisis'' (Markovits et al., 2013).

One of the recent arguments on the effects of the recession on HR suggests that the recession will increase the importance and influence of the HR function and deepen the prevalence of HR practices. Mohrman and Worley claims that organizations can take advantage of recessions to introduce fundamental changes in management logic and make them more sustainably effective through time (2009, 443).

Chartered Institute of Personnel and Development (CIPD) guides HR professionals on how they should manage their workforce in recession. They exhort to think long term, maintain employee engagement, and strengthen line management capability, support employees' health and well-being. If staffing reductions are unavoidable they advise to find ways to minimize redundancy, consult workforce and their representatives, establish fair and objective selection criteria for redundancy, provide advice and support for people losing their jobs. Furthermore, HR should also have long-sightedness and plan reallocating jobs and responsibilities, provide training for new jobs, and communicate with employees at all stages of the process (CIPD, 2008).

2. Literature Review

2.1. Recession and Its Complications on Human Resource Practices

Recession is a phenomenon in which an economy is characterized by persistent and significant reduction of economic activity specifically in its macroeconomic figures, such as employment (European Commission, 2009).

Recessions create several conditions that substantially affect labor market. Roche et al. (2011) claims that sometimes economic downturn is so severe that it is inevitable to make some employees redundant, to avoid putting the survival of the entire organization in jeopardy. When job losses are compulsory the main concern is the type of criteria used to select people for redundancy. Traditionally, the seniority rule last-in / first-out prevailed in redundancy situations, but recently comprehensive criteria such as attendance, sickness, disciplinary records, skills, competencies, qualifications, work experience and performance appraisals are more commonly used to select redundancy pools (Doherty, 2009).

The consensus in literature is that wherever possible organizations should seek to get volunteers for redundancies as compulsory redundancies can have severe negative consequences in terms of the morale of the remaining workforce (Bowers and Davis, 2010). So, it is important to devise a comprehensive employability package for the ones losing their jobs (Incomes Data Services, 2009). These packages should include individual counselling on future

possible career options, interviews with training bodies to discuss re-skilling and re-education options and available employment opportunities in the locality and elsewhere. Organizations that pursue these actions usually gain the reputation of being a socially responsible employer, which motivates retained staff easier (Cedefop, 2010).

Cascio (2002) agrees Bowers and Davis that job losses can have devastating impact on individuals and their families and organizations should be encouraged to try and find alternatives to redundancies. Sharing the same point of view some organizations seek to avoid job losses and use human resource adjustment programmes that can be technical or behavioral in character. Technical HRM practices include sets of policies focusing on payroll cost savings and headcount management whereas behavioral HRM practices are primarily intended to ensure the motivation and commitment of employees that are retained. The so-called practices can be analyzed as employment stabilization and internal flexibility, and pure restructuring and external flexibility (Teague & Roche, 2013).

Pure restructuring and external flexibility programs involve changes in numbers and in the composition of the workforce without complementary changes in the way work is done. Pure restructuring programmes concern exclusively with payroll cost reductions that pivot heavily on cuts in headcount. External flexibility includes job cuts, increase the use of part time and temporary employees so that operating costs can be quickly realigned with market conditions (Hyman, 2010).

Employment stabilization programs include practices as recruitment freeze, terminating temporary agency contracts, temporary lay-offs or short-time working, reduced hours of work, sabbaticals and/or flexible working and freeze or cut pay and bonuses. Recruitment freeze is often the first stage in a stabilization program. This practice enables an organization to reduce its staff headcount through natural wastage. For instance, staff that quite or retire is not replaced, without need for any redundancies costs. Terminating temporary agency contracts conveys the same cost advantage as a recruitment freeze and has an added advantage of immediate implementation, thus resulting in quick savings. This is again an early-stage option and widely used, since the employer can simply terminate the agency worker contract without having to incur any redundancy cost. Companies can also address a slump in demand by seeking to in-source production that had previously been outsourced to suppliers or other companies (Farndale, Paauwe & Hoeksm, 2009). Temporary lay-offs or short-time working is to retain the employees but provide no work for a definite or intermittent period of time and place workers on short-time working which is a kind of partial lay-off where fewer than normal working hours are provided. This practice enables the employer to save on payroll costs during the period of lay-off or short-time working, but employees may be entitled to a guaranteed payment for a day on which work is not provided. It also provides companies to recover from a cash flow problem or to run down stocks, or simply to stand back from harsh market conditions within a period (Glassner & Galgóczi, 2009). The basic idea behind reduced hours of work, sabbaticals and/or flexible working is that during a specified period of time an employee is able to work longer or shorter hours than collectively agreed, thereby collecting working time credits or debits in an individual working time account, which are later compensated for by additional free time or work (Bosch, 2009). These arrangements hold out two advantages for employers. First, they allow companies to have more flexible production systems, which are aligned closely with market demand. Second, since most of the working time credits are not counted as overtime, the employer does not have to make overtime payments at premium rates, which keeps labor costs in check. From an employee viewpoint, this practice provides them with opportunities to align work with their individual and family needs and interests (Berg, 2008). So companies are either reducing the number of hours saved in individual accounts or increasing the number of working time credits which will have to be worked in the future when business recovers. Firms may also respond to the recession by increasing numerical flexibility: greater numbers of part-time and temporary workers are employed instead of full time workers to meet changes in demand. Employers may also encourage employees to take sabbaticals or periods of unpaid leave, to save on wage costs while retaining the employee. Pay freezes and cuts or reductions in bonuses are relatively easy methods of cost-cutting to implement, assuming periodic pay increases and bonus payments are not guaranteed within employment contacts. (CIPD, Issue 27)

Teague, Roche (2014) states that, if firms rely solely on the mentioned cost-saving programs, these technical strategies are likely to come up short. So, HR programs should include some behavioral foundations complementary

as communication, engagement, HR development and culture to some extent. They state that these motivation and commitment focused practices are important complementary to payroll focused and work reorganization practices.

Parallel to the vision of Teague, Roche, Ulrich (2008) claims that HR leaders should intensify and extend the established paradigm of high-commitment management rather than regress in the recession to 'command and control'. Bad economic times should not halt efforts from remodeling the HR function inside the organization. On the contrary, the HR should undertake a business partner role inside the organization and be a better service provider inside the organization. This means HR managers should continue to create a leaner HR department by outsourcing various HR functions, particularly those of a transactional nature. In this respect, HR policies as talent management aimed recruiting and retaining skilled employees should be developed and pursued even more systematically (Cooper, 2009). HR leaders should also ensure that firms are positioned for the long-term by investing in skills and the creation of a positive organizational culture and brand.

In addition to this, Bates (2009) surmises that employers often have misconceptions about what motivates employees during a recession. She suggests that employers focus too often only on compensation as a motivating factor, while employees are primarily concerned with recognition and learning opportunities even in the face of such hardship (Bates, 2009).   Accordingly, HR programs should include some behavioral foundations as HR development, engagement and communication.

Cascio (2009) advocates responsible restricting programs based on redeployment, relocation and retraining during recessions have positive consequences. Employers may redeploy staff at a risk of redundancy with the necessary training or retraining. They may sometimes choose transferring staff geographically. A common view is that when firms enter a recession, their first response is to cut-back on training budgets as part of an overall strategy of financial retrenchment. On the other hand, increased training allows firms to 'board' core employees with higher skills allowing them to make an even greater productive contribution when buoyant market conditions return.

Economic crisis has adverse effects on affections and moods, resulting in a downturn in employees' affective feelings on commitment towards their organization. Brockner and colleagues (1987) showed that employees who managed to remain in their jobs after layoffs had lower organizational commitment. This attitude strengthens if the layoff victims are perceived as inadequately compensated and unjustly fired from their jobs.

During an economic crisis, employment conditions are severely hit, resulting in less positive and more negative job conditions causing a decline in general satisfaction of employees. Employee satisfaction involves how individuals feel about their work environment, pay, teammates, etc. (Judge et al., 2001). So being primarily a cognitive evaluation, and composed of extrinsic components (wages, working conditions, job security, HR policies, organizational environment, issues of fairness, etc.) employee satisfaction is directly influenced by these adverse economic conditions (Markovits et. al., 2013). In contrast to employee satisfaction, employee engagement is more behavioral in nature. Employee engagement allows organizations to adjust successfully to difficult times creating high levels of trust and reciprocity inside organizations. This facilitates the emergence of restructuring programs which secure employee support and thus prevents employee demoralization during restructuring policies (Hallock, 2009). Contrary to popular belief, employee engagement is not guaranteed to wane during difficult economic times (Van Rooy & Whitman, 2011). In fact, positive organizational efforts can lead to an engagement increase even amidst a turbulent environment. Strong leadership communication and providing cross-training opportunities are key drivers of improving engagement. Difficult times actually provide some of the best opportunities for career development, which is another predictor of employee engagement (Hewlett 2010).

A key component of maintaining high levels of employee engagement in recessionary times is the more intensive use of established channels for communication with the workforce. Keeping employees regularly and fully informed of the organization's commercial position as well as management's plans is considered indispensable to adjusting adverse times (CIPD, 2010). Organizations should supplement standardized forms of direct and group-based communication such as e-mails, company bulletins/newsletters, and more importantly, team-briefings and staff

councils with special employee meetings to allow the CEO and other senior managers to speak with the entire workforce about the challenges facing the organization.

Intensive communication serves many important purposes. It prevents rumor-mill to generate speculation about the company's future. It creates a strong signal that management is seeking policies which address the interests of employees. It also leads to improved management thinking and decision-making by speaking openly about firm performance and managerial intentions (Robinson-Smith & Markwick, 2009). Some organizations involve employees and their representatives in the formulation and implementation of organizational restructuring plans. Allowing employees perform such a role results in shared understandings between employees and managers about the need for restructuring (Glasser & Keune, 2010).

Whether an organization decides to focus almost exclusively on communicating with employees or whether it decides to integrate employees fully in a restructuring plan, the wide consensus is that management must be open and truthful when reporting financial and business developments. Employees fully aware of the challenges facing the business are less likely to think that the organization is using the recession to push through workplace changes that they have been seeking for some time. They are also more likely to accept sacrifices asked of them and moreover, employee commitment is likely to remain intact for the return of a more prosperous business climate. Numerous studies have demonstrated the key role that communication holds in maintaining and increasing trust, resulting in increased employee commitment and job performance (Dirks & Ferrin, 2001; Ellis & Shockley-Zalabak, 2001; Ruppel & Harrington, 2000).

2.2. Recession and Well-Being of Human Resource

The sociological literature suggests that budget cuts and reductions in staff numbers bring potential changes to the conditions of employment and the well-being of employees. As cited in the study of Armstrong-Stassen (2005), organizational restructuring and downsizing have negative consequences for survivors'health.

During economic crises, with the high number of individuals being laid off from their jobs and the relative unavailability of similar job openings, people are left without adequate income for extended periods of time. This promotes lower paying jobs, resulting in higher level of stress and more health symptoms. The relationship between unemployment and well-being is explained by income loss and by the psychic costs of joblessness related to identity problems, psychological distress and low self-esteem (Veenhoven and Hagenaars, 1989; Gallie and Russell, 1998). As expressed in the study of Ramlall (2009), because work often provides one's time, social connectedness, feelings of self-worth (Latack, Kinicki, & Prussia, 1995; McKee-Ryan, Song, & Wanberg, 2005), losing one's job often entails confronting the losses associated with these secondary benefits. It is not surprising, therefore, that job loss, particularly involuntary job loss, has been found to be stressful, and have a negative impact on mental health (Latack et al., 1995).

As stated in the study of Arampatzi et al. (2016), economic crises also tend to affect well-being of those who manage to keep their jobs. As noted by Frey (2007), this phenomenon can be explained by the effect of longer working hours without overtime compensation (Stewart and Swaffield, 1997), increased fear of becoming unemployed in the near future and losing material well-being (Luechinger et al., 2010).

According to Russell et al. (2014) economic crises create work pressure that has important implications for employees' physical and mental well-being which is associated with a wide range of psychological distress measures and physical health problems such as stomach problems and sleep difficulties (Fairris and Brenner 2001; Wichert 2002). At the same time, higher levels of work intensity have also been found to lead to substantial reductions in employee well-being measured by job satisfaction and by indices of affective well-being (Warr 1987).

2.3. Compassion

The word "compassion" comes from the Latin root "passio", which means to suffer, and "com" from Latin prefix, meaning together. Compassion is comprised of three interrelated elements. The first element is noticing of suffering;

involving the awareness of the presence or possible presence of suffering. The second element is the empathic concern comprising emotionally connecting to another who is struggling or suffering. Here perspective-taking plays an important role by connecting the awareness of suffering to compassionate responding (Kanov et. al., 2004) which is the third element of compassion referring to actions and displays that occur in response to others' suffering with the aim of lessening, alleviating or making it more bearable.

Compassion in work organizations has two forms; dyadic process and more collective and organized ones. Dyadic compassion occurs when a person notices the suffering of another person, feels empathic concern and responds. On the other hand, compassion may not be limited to an interaction between two individuals. It may go beyond an individual's notice of a colleague's suffering to a social process where members of an organization come to exhibit a collective acknowledgement that pain is present, share and express their empathic concern, and respond to suffering in a collective, coordinated way (Lilius et al., 2011).

Facilitating compassion in organizations should fallow two ways; it can either be a spontaneous process shaped by the unique conditions of the compassion provider and receiver or the organizational context or explicit attempts to routinize compassion through the institutionalization of the process. Institutionalization of compassion enables to notice and respond a person suffering in a coordinated way.

Frost et al. (2000) asserts three processes that facilitate compassion in organizations: Legitimation, propagation and co-ordination. Legitimating is a process ensuring actions of an entity are desirable, proper and/or appropriate (Suchman, 1995). When noticing of pain, the expression of feelings and acting toward others to facilitate healing is legitimate, the organizing of compassion is more likely to take place and to be enacted with competence. For most, compassion competence can be evaluated along four dimensions: scope, scale, speed and specialization of response (Dutton et al., 2006; Dutton, Frost, Worline, Liluis & Kanov, 2002). Scope refers to the breadth of resources provided to a person or group who is suffering; scale refers to the volume of the resources, the speed captures the timeliness with which the resources are provided and specialization refers to the degree to which resources are customized to the need and circumstances of the sufferer. So if the scope, scale, speed and specialization of response for a sufferer is supported by some degree of legitimacy, compassion has opportunity to institutionalize in organizations. Legitimating can also facilitate compassion by granting people the freedom to display feelings, which in turn facilitates co-ordination of responding. In particular, actions of leaders offer important symbolic endorsement of what is appropriate and inappropriate to feel (Pfeffer, 1981). Leaders' actions can quickly make the expression of grief and shock illegitimate, which often accompany pain, ultimately stifling collective responding. (Frost et al., 2000)

Propagating refers to the spreading of ideas, feelings and information between people. Propagating is critical for compassion organizing in that it facilitates collective noticing, collective feeling and collective responding to organizational member's pain. Propagating can be facilitated by established systems in the organization; e-mail networks within the organization, video conferencing facilities, town hall meetings. Leaders can also serve as propagators of information within the organization, by initiating a flow of information that is shared by others or by extending and sustaining an information flow over time. When ideas and emotions are spread about someone who is suffering it helps to legitimate the situation, which in turn can widen the scope of shared responses to the situation. What has been noticed and shared as a legitimate observation by organizational members makes it more probable that it will be spread in the system (Frost et al., 2000).

The last element to facilitate compassion is coordinating which refers to the process by which people arrange interdependent actions in ways that will enable them to accomplish their goals (Weick, 1979). Coordination is often essential to compassion organizing as it facilitates the transformation of collective noticing and feeling into collective responding. Without structures and systems in place that co-ordinate member responses, joint efforts to offer compassion may fail as good intentions dissipate for lack of means to turn efforts into tangible help (Frost et al., 2000).

3. Conclusion

Lilius et. al. (2011) claims suffering is a broad term that encompasses a wide range of unpleasant subjective experiences including physical and emotional pain, trauma, psychological distress, existential anguish and feelings of disconnection. Suffering may stem from events in an employees' personal life and by events within the workplace. Organizational events that create suffering may be specified as organizational changes such as layoffs or restructuring.

Lilius et al. (2008) assert that experiencing an act of compassion can aid an individual's recovery from suffering and positively influence how he/she sees his/her colleagues and their organization. In addition, some research on post-crisis highlights how organizational members generate and direct resources to alleviate suf¬fering after an organizational disaster (Dutton et al., 2006), how compassionate witness¬ing helps activate organizational resilience (Powley, 2009), and how compassionate leadership enables an organization to heal, learn and adapt after a trauma (Dutton et al., 2002). Building a system of caregiving and supportive attachments among colleagues may be seen as a collective property (Kahn, 1993), as a type of emotion-based organizational capability that is sustainable over time (Cote and Huy, 2010) and as organizational virtuousness (Cameron, Bright & Casa, 2004).

Powley (2009) states that positive interpersonal connections enable organizations to gain resilience. Gittell and colleagues (2006) found that a firm's decision to avoid layoffs and its internal positive relationships contribute to an organization's ability to recover from crisis.

Experiencing compassion shapes individuals' sense-making out the kind of organization of which they are in and the kinds of colleagues with whom they work. They also suggest that compassion receiving employees are more likely to be committed affectively to their organization and define their co-workers and organizations positively. Similarly, Powley (2009) finds that work colleagues emerge from a shared trauma and subsequent compassionate treatment with a strengthened quality of relationship with their colleagues and heightened sense of community and belonging.

Further, virtuous behavior such as compassion seems to have a positive impact on organizational performance through both the amplified effect of roles that encourage positive spirals of prosocial behavior (Batson, 1991) and the buffering roles that protect and strengthen the organization in times of trauma (Cameron, Bright, & Caza, 2004). Experiencing compassion within the organization can alleviate individuals' suffering and can offer indirect benefits for other employees because of improved affective commitment, positive emotions, and employee attraction and retention (Lilius et. al.,2011).

So, it will be accurate to say that HR managers should include more motivation and commitment focused practices that legitimate, propagate and coordinate compassion for their workforce in organizations.

Through hard times as in recessions this new approach on HR programs facilitate an institutionalized consciousness to the suffering of employees and is believed to heal some of the negative effects of the trauma experienced in organizations.

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