

Global economic crisis and stress on employees

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ABSTRACT

Global economic crisis that originated in the US expanded slowly and has now become a global crisis. As far as India is concerned, it is not going to be the worst sufferer as India shares only 18 per cent of its foreign trade with US. However, the Indian financial markets still need to be insulated from the turbulence which is being witnessed in the financial markets of the US. The severity of the financial meltdown has created severe crisis amongst employees creating a high degree of stress. Downsizing, layoffs, salary cuts, mergers and bankruptcy have become the common practices of HR department which adversely affect the physical and mental health of employees. This paper discusses the impact of the economy slow down on HR practices of the organisations and on employees in terms of stress in the workplace. The paper also discusses measures which could be initiated by the management to remove the current uncertainties of the employees.

Key words : Global economic crisis, HR practices, Stress

The “Global Economic Crisis” of 2008 also called as ‘global financial meltdown’, ‘global turmoil’, ‘financial tsunami’ or ‘a tipping point’ is mainly resulted from the sub-prime mortgage crisis in the US of July 2007 that has become a global phenomenon. Almost every country is facing this problem today. US, Japan, Germany and Italy are major economies that are officially in economic recession. Between 31st December 2007 and the 18th December 2008, all the world’s stock exchanges fell dramatically by 30-40%, sometimes even more. In the case of the stock exchanges of the industrialized countries; 45% for Turkey, Argentina, Brazil and India; 60% for Russia and China. The sum of public and private debt in the United States amounted to 50 000 billion dollars *i.e.* 350% of GDP in 2008. In 2008, India was hit very hard in terms of increasing oil prices, costs, and imports. As per the IMF estimates, in 2008, the current account balance was in deficit of about 2.8 per cent and this was the result of a combination of factors-high oil prices for a while last year and deterioration foreign markets. The BSE Sensex has fallen by more than 55% in the course of 10 months, from all time high level of 20,873- below 9,000 (first time since July 2005). After three years of growth over 9%, India’s economy experienced 6.7% in 2008-09 fiscal year. However, the position is now rising and in January 2010 it stood at 7.2% (*Source:*

www.economictimes.com, www.business-standard.com, www.bseindia.com). The slump in the market has created lots of problems both in developed and developing economies like India; the HR department has taken various measures such as downsizing, lay-off, salary cut, production cut, budgetary cut and the like to overcome the situation. Thus, it creates the state of uncertainty and fear of unknown result which leads to the increase in the level of stress among employees.

Global impact:

The Global Economic Crisis has very serious dimensions as it has impacted the world economies in total. Kochhar (2009) has highlighted the global impacts of the current economic crisis in the following ways:

- Open economies like USA, UK turning protectionist leading to tight visa and outsourcing norms.
- Job cuts in USA, UK, Japan, India and other leading economies by major companies.
- Adverse impact on exports and deferred capital expenditure.
- Slowing down of industrial output and corporate profits, finally resulting into lower GDP rate.
- Rise in Non-Performing loans that would make the banks cautious in funding.
- Much more stressful environment for employees.

Well managed companies like Toyota and Microsoft also have been substantially affected by the economic downturn. Individual consumers have lost confidence and spending has come to a halt. According to Prof. Nouriel Roubini, “This is the worst financial crisis we had since the Great Depression”. It is almost a year and half into recession and the fall in output is going to continue, the

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