

HUMAN RESOURCES DEVELOPMENT UNDER THE CONDITIONS OF THE GLOBAL CRISIS

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1. Global crisis and its impact in the case of Slovak Republic

At the end of 2008 the global financial crisis showed its impact and distended around the world in a short period of time. The world stocks all over the world have fallen, financial institutions – even those with a long tradition – have collapsed and national governments have faced the problem arising as a consequence of the crisis at the financial market. Even though the crisis was originally considered to be only a problem of the financial system, huge problems have appeared in many other areas of human life. Due to the more serious and wider character of this event, the crisis has become not only a financial but even an economic event. One of the European countries with a highly developed knowledge economy, Iceland, was hit by the economic problems very hard, as its economy was very dependent on the finance sector. In order to rescue the economy the government had to borrow from the International Monetary Fund as well as from other neighbors. General dissatisfaction of the public led to the resignation of the government [6]. Even that Iceland is one of the countries affected by the crisis in the most negative way, other states are threatened by it as well. As for Slovakia, the crisis has affected its economy under relatively good conditions. According to Elexa [2, p. 22–23] the economic stability and favorable values of the indicators

were achieved due to the entrance of Slovakia to the EU and the subsequent reforms. As a result, the economic growth in the Slovak Republic was just culminating and the economic growth rate was the highest within the EU. And also, thanks to the good state of the banking system in Slovakia the government has been forced neither to sanitize depressed financial institutions like a majority of western countries nor to socialize them as it was for example in Austria. Despite this fact the crisis has affected Slovakia dramatically. Among the proofs we can mention the decrease of the industrial production (19.9 % during the first 8 months in comparison with the previous year) as well as of the sales in almost every branch (the indicator of selected branches has decreased by 18.7 %), but also the increase of unemployment as a consequence of the previous events [9].

As far as the unemployment rate is concerned, from August 2007 to August 2008 the unemployment in Slovakia was constantly decreasing or at least remained the same. As Table 1 shows in September 2008 the rate of unemployment in Slovakia started to rise and in April 2010 it reached 12.5 %.

There are only 5 countries with worse results than Slovakia – Latvia (19.9 %, year-to-year accrual of 11.9 p.p.), Spain (19.7 %, year-to-year accrual of 11.8 p.p.), Lithuania (13.9 %, year-to-year accrual of 8.9 p.p.) and Estonia (13.8 %) [1]. Romania is the least affected member state of the Europe-

Tab. 1: Unemployment in the Slovak Republic in the years 2006–2009

The rate of unemployment (in %)	2006					2007				
	I.Q	II.Q	III.Q	IV.Q	year	I.Q	II.Q	III.Q	IV.Q	year
	14.9	13.5	12.8	12.0	13.3	11.5	11.1	11.2	10.3	11.0
	2008					2009				
	I.Q	II.Q	III.Q	IV.Q	year	I.Q	II.Q	III.Q	IV.Q	year
	10.5	10.1	9.0	8.7	9.6	9.6	11	12.2	12.5	11.4

Source: [10]

an Union managing to keep unemployment under control. In the first trimesters of 2009 the unemployment rate grew to 6.2 % from the initial rate of 5.7 % registered in 2008, and it was the lowest rate in the European Union. At the opposite end, the three Baltic states are confronted with the most serious problems on the labor market. Lithuania has registered the highest rate of unemployment: from 5.8 % to 16.7 %. Latvia ranks second in this category, from 6.9 % to 17.4 % whereas Estonia has registered an unemployment rate of 13.3 % [5].

The situation in Slovakia warns the government as well as enterprises that it is time to wake up and start to act; otherwise the consequences in the area of human resources might be fatal. Downsizing lowers the standard of living of the fired people, causes many psychological and social problems at the level of individuals but has also a huge impact on the people who remain employed. The atmosphere in the working place is oppressive, people are stressed and afraid of becoming redundant and lose the confidence in their employer. Moreover, they often lose a part of their income (variable part of wage or some benefits), have no opportunity to develop their knowledge or become promoted and also lose job security.

2. Human resources under the conditions of the global crisis

Human resources are generally considered to be the most important asset of the company. Under the conditions of the global crisis their importance should be even higher. A company facing a negative impact of the recession needs qualified and creative staff with strategic thinking, able to adopt necessary changes, to react to them quickly and to make appropriate decisions regarding the arising problems. Unfortunately, the current situation seems to be the wrong way about. Companies downsize and reduce the amount of money spent on their employees rather than look for less negative actions and other areas suitable for cost cuts. At the same time they stop all the personal activities that seem to be redundant without considering possible negative impacts. The discontinuance in the investments into human capital development may cause significantly negative consequences in the future once the crisis ends and the competitive environment

in the labor market comes back to life. Moreover, many organizations forget the fact that the human resources development is not only an area that requires money to be invested but also helps the organization to get through the crisis and problems arising consequently. Knowledge, skills and abilities obtained by individuals should be continually transformed into important expertise that could be utilized for the benefit of both people and business. As a result, a company disposing of valuable stocks of human capital naturally becomes more proactive rather than reactive. While reactive corporations only do what is right, but only if it is cost-effective, proactive firms have a tendency to follow the principle of not harming any individual to guide their conduct. Ironically, it has been observed that reactive companies, concerned with making money, regardless of employee wellbeing, usually end up being less profitable [3]. Based on these facts the initiatives taken in human resources development are likely to be effective in both business revenues and individual satisfaction of employees.

In general human capital is a combination of knowledge, abilities, experience and other attributes embodied in individuals or groups of individuals, needed during their lives and utilized for the production of goods, services or ideas in the market of opportunities [7, p. 12–13]. Besides many other specific features, human capital is able to be cultivated but may be degraded as well. This is the case when a company does not invest in the human capital development, underestimates education and training activities and hinders its employees to keep up with changes in the environment. It is true that investments into technologies are easier to notice and easier to evaluate than investments in individuals. The latter, on the other hand, have considerably higher potential assets. To successfully develop the value of the organization, people must increase their personal and professional level to achieve the top level of overall progress [8, p. 41]. It is natural that the owner of the human capital expects a countervalue for the capital used in the working process, e.g. an equivalent for his or her effort and performance. If an employer is not able to provide his employees with such a reward, corresponding with the motivational profile of the employees, they fire – really or potentially. It is difficult to decide which of these two forms is worse – whether fluctuation or absent-minded, frustrated and de-motivated employees.

For this reason the personal work of an enterprise is becoming more important, even crucial during the crisis. It requires strategic orientation, effective internal communication and forming a real partnership. And, the main task is not to stop education but to improve its effectiveness and efficiency. But, according to a survey carried out at the beginning of 2010 education is one of the personal activities restricted during the crisis significantly.

2.1 Methodology of the survey

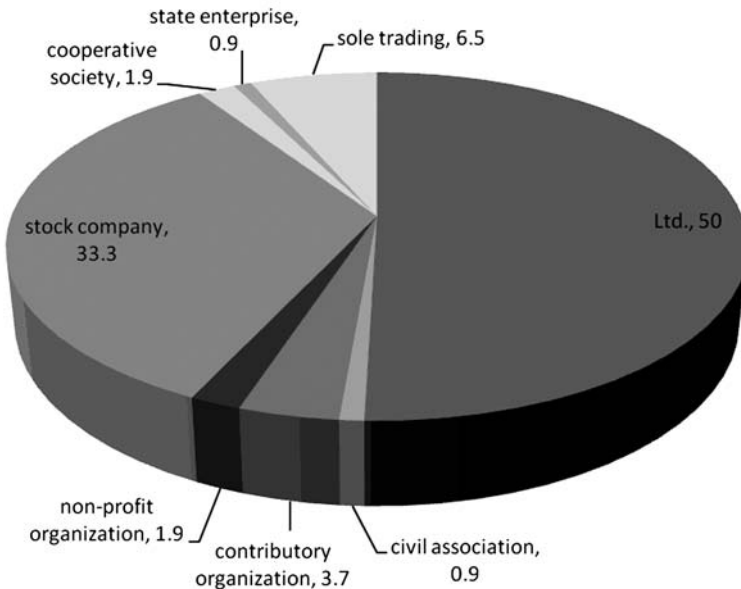
The objective of the survey was to analyze the initiatives of the Slovak enterprises in the area of human capital and potential development as well as to identify the most significant changes in performing these activities as a result of the global economic crisis. In order to meet this objective we have also set several partial objectives:

- to evaluate the noticed importance of the company’s human capital as well as the initiatives performed for the purposes of its cultivation,
- to identify and compare the methods used for measuring the effectiveness of employee education passed,
- to describe the consequences of the global crisis on the company’s investments into human capital development,

- to compare the amount of money and number of hours spent by the employee education before the global crisis and within its influence.

In order to compare the acquired data, to identify the changes, events and their frequencies as well as future trends we have decided to choose the methods of the quantitative research. As the main research method we have used interrogative method through the use of the questionnaire as one of its techniques. As the object of the survey we have chosen enterprises operating in the region of Banská Bystrica located in the middle of the Slovak Republic. In the process of their identification we have used the database enabled by the Statistical Office of the Slovak Republic. There are 2,835 enterprises filed in the database (except for the micro enterprises with less than 10 employees that were irrelevant for the purposes of the survey). The questionnaire was distributed by electronic mail to 1,104 of them due to the impossibility to contact all of them (some of the enterprises do not have an e-mail address or the process of delivery failed because of other reasons). Due to the insufficient reaction of the respondents we have decided to distribute the questionnaire personally. In spite of the effort, only 108 enterprises (i.e. 9.78 %)

Fig. 1: The structure of the researched sample from the point of view of their legal form (in %)



Source: own survey

operating in the region of Banská Bystrica were willing to take part in the survey. This was probably caused by the insufficient cooperation of the enterprises with the Academia, fear of the internal data misusage or by the concentration of the company's management on more important issues, particularly elimination of the crisis' negative consequences.

Based on the current state of the researched topic elaboration we have set 3 hypotheses:

1. We supposed that the proportion of the employee education costs on total company's costs is less than 5 per cent.
2. We supposed that the global crisis at the end of the year 2008 influenced employee education in a negative way.
3. We supposed that less than 50 per cent of the surveyed enterprises cooperate with high schools or universities.

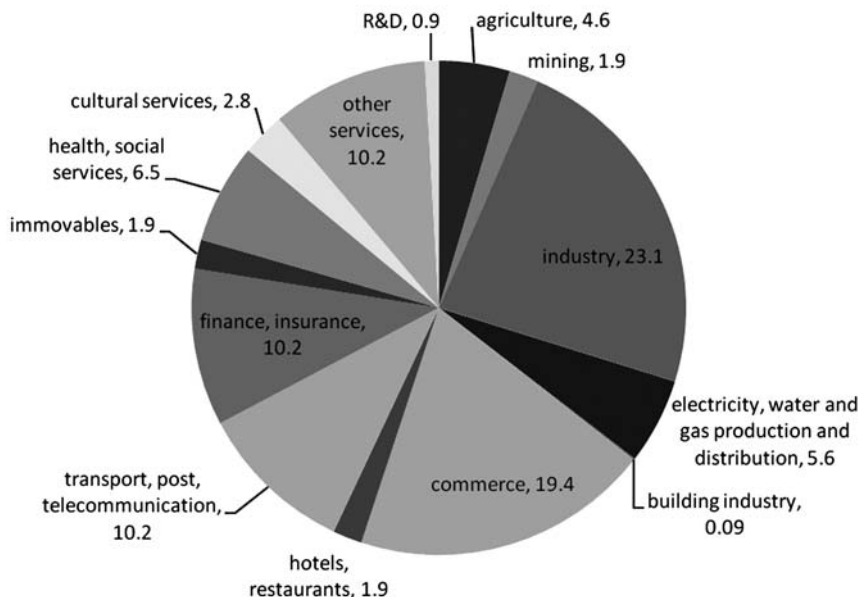
In order to categorize and interpret acquired data and to verify the hypotheses we have used several theoretical methods, e.g. analysis and synthesis, comparison, induction and deduction and scientific abstraction. While processing and evaluating data and results we have used relevant mathematic and statistic methods (Pearson's Chi-Square, Fisher's Exact Test, Linear-by-Linear

Association, Likelihood Ratio, quota charts) and disposable software (SPSS, MS Excel).

The structure of the researched sample from the point of view of their legal form and line of business is depicted in graphs Fig. 1 and Fig. 2.

The greatest part of the respondents were limited liability companies (50 %) followed by stock companies and sole traders. The other legal forms of organizations were of minor shares. As for the line of business, the most of the respondents were those operating in the field of industrial production (23.1 %), wholesalers and retailers (19.4 %) and enterprises in industrial production, finance and insurance and transport, post and telecommunications (10.2 %). As for the number of employees, 49 % of the respondents are small enterprises having less than 50 employees, 24 % of respondents have more than 50 but less than 250 employees, 11 % have more than 250 employees but less than 500 and only 7 % of the examined enterprises are of more than 500 employees. As the research topic we have chosen the areas of employee education, ways of assessing the effectiveness of education, total costs spent on education, number of hours per capita spent by education and finally, the impact of the global crisis on the area of employee education.

Fig. 2: The structure of the researched sample from the point of view of line of business



Source: own survey

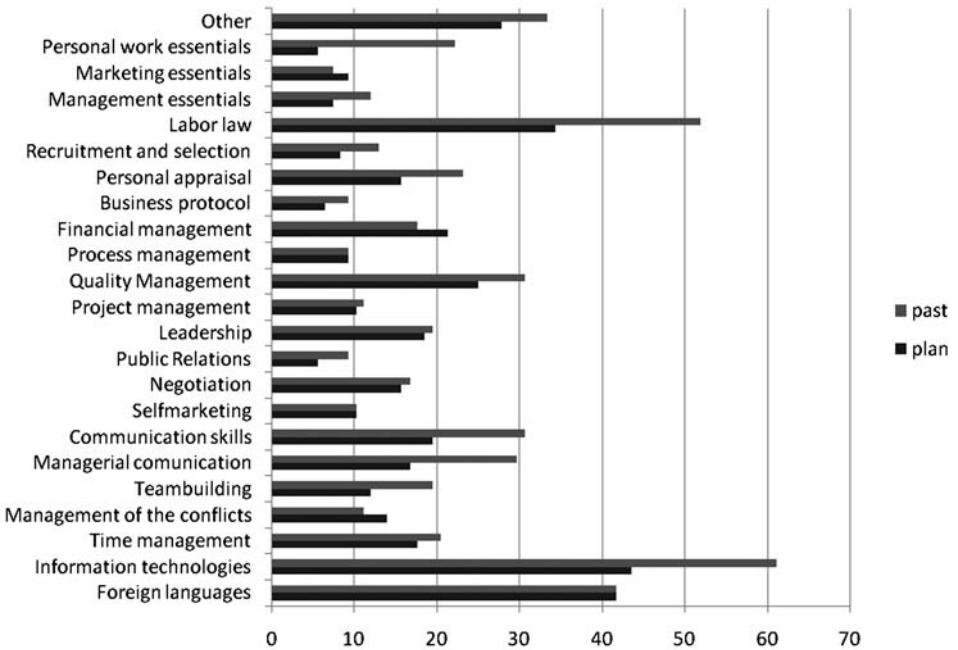
2.2 Education of employees during the crisis

Based on the research results we can allege that the enterprises still include employee education in their long-term plans. On the other hand, a significant decrease of their utilization intensity is apparent. Fig. 3 illustrates the comparison of the educational activities carried out in the past and the activities that the companies plan to use in the future.

might be a reason for improving the ability of people to solve the conflicts and avoid redundant stress at work. The second activity with a certain accrument is financial management. This result is not very surprising again due to the character and importance of the global financial and economic crisis.

The decrease of sales and turnover and consequent necessity to cut the expenses in every area of the company's activity requires appropriate knowledge and skills how to get through

Fig. 3: Employees education in the past and future plan



Source: own survey

Based on these results we can predict that future education of employees will not be as frequent as it was before the crisis. An interesting finding is the rising interest in the education in the field of the management of conflicts. This may be also a consequence of the global crisis and worsening relationships in the workplace. It is natural that the fear of being redundant, laying off colleagues, wage-cutting and reducing employee benefits influences the relationships among the employees as well as between the employees and their employer in a rather negative way. This

this complicated period of time. Regarding this fact the talent management and human capital and potential development seem even more important than under good financial and economic conditions. For this reason a simple restriction of employee education may influence future performance of the company. Of course, sometimes it is the only possibility the company has. But, before such a decision the management should consider other alternatives as well. Detailed assessment of education activities and evaluation of their effectiveness and efficiency should be the

first step. According to our findings employee education is still misvalued. Approximately 62 % of the surveyed companies assess the satisfaction of the participants (educated employees), 34.6 % use tests to compare the knowledge before and after education, 28.7 % measure the return on investments into education, 20.4 % are interested in the lecturers' opinion, in 16.7 % of the companies the effectiveness of the activity is assessed by the superior of the educated employees, 8.3 % of the respondents use different measures to monitor the influence of education on the financial indicators and 8.3 % use other forms of evaluation. Despite the fact the satisfaction of the participants with the acquired education is very important for motivation a company threatened by the financial crisis should focus more on its economic impact. With regard to this fact companies should consider implementing a controlling system into personal work and also should measure the economic effectiveness through the use of financial analysis tools. These results correspond with the findings of the previous survey. This survey was carried out on a sample of the best enterprises in the Slovak and Czech Republics from the point of view of the turnover during the years 2008 and 2009 and it confirmed that 69.7 % of the researched companies evaluate education of their employees using different measures and indicators. According to this survey the most frequent method of measuring education effectiveness is the evaluation of the participants' satisfaction through the use of questionnaires, or the assessment made by the participants' superior. The respondents also mentioned the use of a test before and after education, evaluation of chan-

ges in the participants' behavior after completing the activity and implementation of the acquired knowledge in practice by performing working tasks. Surprisingly, comparison of the results (effects) and expenses is rare among the best companies.

The research findings have proved that companies prefer taking restrictive actions (reductions or even stoppage) in the area of employee education rather than re-evaluating its effectiveness and rationalizing. From this point of view we can identify a positive aspect of this negative era. The global crisis is a well-timed period to reassess all the processes and activities in a company, to remove all redundant costs and to start spending financial resources effectively. Klementová and Klement [4] add some other positive effects of the global crisis. According to them the circumstances induced by the economic crisis require reduction and elimination of ineffective and unproductive processes, concentration on core activities, searching for new and cheaper business production factors, for suppliers of inputs, cost saving technologies, new distribution channels, customers and business partners. Moreover, stronger competition at the market accentuates the need for innovations so that there is a chance for successful enterprises to come up with new solutions, take an advantage to invest and prove their viability.

Money spent on employee education is considered to be an investment rather than a cost. Although the money has to be spent now, the positive effects and benefits will become evident a long time later. Despite this fact education and training represent a very important activity in hu-

Tab. 2: Employee education costs as a proportion of total company's costs

Proportion of total costs	Number of enterprises	Proportion of the enterprises answered
less than 1 %	46	55.40 %
1–5 %	22	26.50 %
6–10 %	5	6.00 %
10–20 %	5	6.00 %
25 %	1	1.20 %
30 %	3	3.60 %
43 %	1	1.20 %

Source: own survey

man resources development and thus also in the development of the company. Because of that we have tried to find out what is the proportion of employee education costs of total company's costs. The following table illustrates the findings of this survey based on the answers of 83 companies. The other enterprises involved in the whole survey were not able to assign this percentage as they do not use a personal controlling system and thus do not monitor similar data (Tab. 2).

The results are much worse than our expectation was before starting the survey. It is apparent that the majority of enterprises (55.4 %) spent less than 1 % of total costs on employee education. The second biggest group of enterprises (26.5 %) assigned more than 1 but less than 5 per cent of total costs used for the purposes of employee education. Only in 5 of the asked enterprises, e.g. 6 per cent of the companies that answered this question, the proportion of education costs accounts for more than 25 per cent of the total company's costs. We can consider these findings to be even more negative than they seem to be. The reason is that the answers were based on the past results and financial indicators of the enterprises. Because of that we can suppose that the current situation of the companies after many restrictive actions is even worse and the proportions are even smaller than they have reported.

the mean value of the number of hours spent by education at the level of 250 hours, while the mode (the most frequent answer) is 20 hours and the median is 50 hours. Naturally, this number depends on the size and character of the company as the line of business strongly determines the necessity to educate people as well as the extent and duration of the education. Despite this fact the number reported by the enterprises is rather small as it expresses the total number of hours of employee education per year and we live under the conditions of a knowledge-based economy when the continual education and innovative activity of the company is considered to be a necessity. Without it a company is no more able to keep abreast with its competitors as well as with new trends in the branch. And finally, the level of the company's human capital cannot rise but, just the opposite, it has a tendency to degrade.

In order to see the potential correlation between the number of hours spent by employee education as well as the proportion of education costs of the total company's costs and the characteristics of the enterprises (size, legal form, line of business) we have used mathematical and statistical methods (Pearson 's Chi-Square, Fisher's Exact Test, Linear-by-Linear Association, Likelihood Ratio). Surprisingly, the results have not proved a correlation between the time and money spent on employee education as we sup-

Tab. 3: Correlation between the time and money spent on employee education

		Costs	Hours
Costs	Pearson Correlation	1	.032
	Sig. (2-tailed)		.792
	N	83	70
Hours	Pearson Correlation	.032	1
	Sig. (2-tailed)	.792	
	N	70	84

Source: own survey

Another issue solved in the survey was the amount of hours spent by employee education and training. This question was answered by 84 enterprises. Based on their answers we can set

osed (Tab. 3). We expected a rising amount of money spent on education along with rising time spent by education and training of employees (direct dependence).

Tab. 4: Directional Measures (dependence of education costs on the legal form)

			Value
Nominal by Interval	Eta	Legal form dependent	.737
		Education costs Dependent	.261
Nominal by Interval	Eta	Legal form dependent	.669
		Hours of education Dependent	.307

Source: own survey

As for the identification data of the enterprises involved in the research sample, the only dependence has been proved between the examined values (costs, number of hours) and the legal form of enterprises (Table 4). Except for the Eta indicator these results have been verified by using the Pearson's Chi-Square.

The main cause of this finding could be that the time and money investments into employee education are higher in the case of companies than in the case of sole traders. The reason might be their bigger budget, higher importance of human capital development and more specialized job functions in companies.

One of the most important parts of our survey was connected with the impact of the global crisis on the companies' activity and performance. We have tried to determine the necessary actions and changes adopted as a consequence of external forces and consequent internal problems. With regard to the topic of this paper we will focus only on the specific impacts in the area of

employee education. The following table gives an overview of the actions that the enterprises had to take due to the global crisis (Tab. 5).

It is apparent that the most frequent action of the companies surveyed was the reduction of the education extent, e.g. the reduction of the number of training courses and lectures offered to employees. Usually, the companies have stopped all redundant and obligatory activities except for those ordered by the legislation (specific certificates and licenses reinstatement). The second most frequent action was the change of the education provider (26.9 %). The companies have reduced the cooperation with educational institutions and have started to educate employees internally, using their own employees as lecturers, or have started to stimulate employees to study individually. In line with our expectations the third most frequent change was the reduction of the money spent on employee education (22.2 %).

On the basis of the acquired data and results we have verified the hypotheses set before the

Tab. 5: Actions in the area of education as a consequence of the global crisis

Action or change in employee education	%
education stoppage	13
reduced number of training activities	37
changed orientation of education	7.4
reduced costs on education	22.2
reduced time spent by education	9.3
internal education and self-education preference	26.9
introduction of education effectiveness assessment	10.2
other	5.6

Source: own survey

survey. Our results have led to the following findings:

1. *We supposed that the proportion of the employee education costs on total company's costs is less than 5 per cent.*

As the survey proved that the majority of examined companies spare approximately 1 % of total costs on the employee education, we confirm the hypothesis 1.

2. *We supposed that the global crisis at the end of the year 2008 influenced employee education in a negative way.*

During the survey we found out that the companies were forced to adopt many changes and interventions even those that are considered to be unpopular (the paper involves a detailed description of these changes). One of the areas affected by the crisis in the most negative way was the area of employee education, so we confirm the hypothesis 2.

3. *We supposed that less than 50 per cent of the surveyed enterprises cooperated with high schools or universities.*

The survey proved that only 24.2 per cent of the respondents had never cooperated with universities in the past. As a result more than three quarters of them used some form of such cooperation. Based on these findings we disapprove the hypothesis 3.

Conclusion

At the end we can summarize that the global crisis has influenced not only the economy and national financial system of each country in the world but has affected the economy and financial situation of the companies and institutions as well. Our survey has been focused on human capital and potential development on the sample of Slovak enterprises. The research findings and results constitute a proof to our statement and confirm the negative impact of the crisis especially in the area of employee education. We have found out that enterprises had to adopt many changes in the extent and content of education, to cut the amount of money spent on this purpose and also had to cut total personal expenses, i.e. not only the money spent on education but also on the wages and benefits of employees. This solution is in defiance of the opinion about the crucial role of human resources among the company's resources as well as in defiance of their most important role in the company's

performance and competitiveness. Without development people will not be able to get used to new trends and innovative production and technology, and without adequate reward they will neither be motivated to use their individual human capital for the benefit of the company. It may happen that they will change their employer once the crisis ends and the situation in the labor market improves.

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ABSTRACT**HUMAN RESOURCES DEVELOPMENT UNDER THE CONDITIONS OF THE GLOBAL CRISIS****Gabriela Elexová**

At the end of the year 2008 the world was affected by the financial, later even economic crisis. Countries as well as enterprises all over the world have been threatened by this event significantly. The crisis has influenced almost every area of the human life. One of the areas affected by the crisis in the most significant way was the area of human resources management. Despite the fact that people – employees are considered to be the most important company's asset and the crucial source of its competitiveness, they have become the most frequent object of the costs cuts. Companies have started to downsize, to reduce wages and benefits and also to reduce the duration and extent of employee education. Due to the fact that employee education is the most important way of the human capital development, the restrictive actions in this field might have fatal consequences on the future performance of the company. The paper deals with the most significant changes in the area of employee education under the conditions of the global crisis. It is based on a survey aimed at human capital and potential development that was carried out on a sample of Slovak enterprises at the beginning of 2010. The objective of the survey was to analyze the initiatives of the Slovak enterprises in the area of human capital and potential development as well as to identify the most significant changes in performing these activities as a result of the global economic crisis. The main aim of the paper is to characterize the impact of the global crisis particularly at the labor market and to identify the impact of the global crisis on the investments into human capital development with the focus on employee education as one of the personal activities.

Key words: *global crisis, human resources, human resources development, education.*

JEL Classification: *M12, M21, M53, M54.*