Implication of COVID-19 crisis for small scale industries on human resource management practices

Abhinav Anand

Abstract
For any industry/organization to work properly, it should have human resource i.e. employees, money, raw material and Plant & Machines. Only Employees i.e. Human Resource Management (HRM) can use other resources to put everything else into operations, as they can’t work themselves. That is why it is one of the biggest departments in any organization. It is a function that deals with hiring, training of the employees, safety, salary payment, performance, guidance, and various other areas.

Coronavirus disease which is also known as COVID-19 is an infectious disease caused by the SARS-CoV-2 virus. People who are infected with this virus will have mild to moderate breathing problem and will recover without medical treatment.

Small scale industries are those which provide products and services at small/micro level. They make an investment in plant, machinery and equipment where investment doesn’t exceed Rs. 10 crore and their annual turnover fall below Rs. 50 crores.

Objective of the study: To identify HR practices followed by management in small scale industries after COVID-19 and how it impacted management and employees within organization.

Problem statement: I have observed that after COVID, small organizations faced major financial crunch and it changed the way they operated in the market. HR department became more analytical while analyzing employee’s performance, distributing bonuses and annual increments. They have taken harsh measures to keep their organization going. Why organizations shut down? Why operations go low? Why salary reduced?

Study area: I have analyzed around 50 food outlets and restaurants in my area with 5 different categories of outlets, over the course of one month. I have tried to identify:

- How different outlets operation/customer foot fall reduced after first wave of COVID?
- How much salary reduced after COVID?
- Why they have reduced number of staffs on the outlet?

Conclusion: During my study and analysis, I interpreted that after first lock-down during this pandemic, it was very scary situation for all the food outlets i.e. small-scale industries to survive in the market. So, they had to make necessary changes within the organization and one of the major departments was HR. They had pressure to keep business running, keep their employees working for them and perform with utmost quality. So most of the organizations made changes by reducing salaries of employees, keeping only necessary staffs and kept those who were performing well and trained them for better performances.

Keywords: human resource management, human capital management, salary, employees, motivation training & development layouts, revenue, labors outlets, COVID small scale industries

Introduction
For any industry/organization to work properly, it should have human resource i.e. employees, money, raw material and Plant & Machines. Only Employees i.e. Human Resource Management (HRM) can use other resources to put everything else into operations, as they can’t work themselves. That is why it is one of the biggest departments in any organization. It is a function that deals with hiring, training of the employees, safety, salary payment, performance, guidance, and various other areas.

Human resource was the term used in early 1900s, now it is majorly used as Human Capital. Human capital means quantifying workers skill set in monetary terms. This concept states that all employees are different with each other and by providing relevant trainings, employees can be up skilled to perform their jobs better. Performance of employees is calculated by their attitude on work floor, working with stakeholders, skill sets for the job, achievement towards objectives in any organization.
Every organization evaluates employees on these parameters and invests accordingly, so that they can work up to the mark. HCM/HRM is a calculative method to deal with employees/human resources of an organization. Strategies are implemented to optimize performance of employees. Purpose of human capital is to achieve goals and objectives of an organization through their achievements, so both works hand in hand.

Human capital/resource management have to focus on various aspects like salary, hiring, training, organizational development, defining jobs, work on personnel needs, getting right employees at right position, bonuses, increments, setting performance goals, right work environment on work floor, dispute resolution, effective communication at all the levels within organization.

Definitions of HRM by various authors
Oracle defines as Human Capital Management (HCM) transforms the traditional administrative functions of human resources (HR) departments-recruiting, training, and payroll, compensation, and performance management-into opportunities to drive engagement, productivity, and business value. HCM considers the workforce as more than just a cost of doing business; it is a core business asset whose value can be maximized through strategic investment and management-just like any other asset.

The National Institute of Personal Management (NIPM) of India has defined human resources-personal management as “that part of management which is concerned with people at work and with their relationship within an enterprise. Its aim is to bring together and develop into an effective organization of men and women who make up enterprise and having regard for the well-being of the individuals and of working groups, to enable them to make their best contribution to its success”.

Edwin B. Flippo defined HRM as “planning, organizing, directing, controlling of procurement, development, compensation, integration, maintenance and separation of human resources to the end that individual, organizational and social objectives are achieved.”

Wesley Chai defined as “Human resource management (HRM) is the practice of recruiting, hiring, deploying and managing an organization’s employees. HRM is often referred to simply as human resources (HR). An organization or organization's HR department is usually responsible for creating, putting into effect and overseeing policies governing workers and the relationship of the organization with its employees. The term human resources were first used in the early 1900s, and then more widely in the 1960s, to describe the people who work for the organization, in aggregate.”

Objectives of HRM
1. To set organizational goals and motivate employees to work on them.
2. To maintain healthy working conditions.
3. To have clear organization hierarchy, so that there is clear set of rules and regulation, roles and responsibilities to work on.
4. To manage data of all the individual employees and make sure it doesn’t get leaked within or outside organization.
5. To provide healthy relationship between employer and employees.
6. To help employees to grow within organization, by providing relevant trainings to achieve their goals.
7. To use employees effectively in achieving their goals and organizational goals.
8. To have ethical policies within organization and attain satisfaction of employees.
9. To provide salaries on time and recognize their efforts.
10. To provide clear communication
11. To have transparent work culture.
12. To provide efficient leadership.
13. To provide stage for employees to speak.
14. To maintain employee’s motivation.
15. To set standard within organization for everyone to work on.

Functions of Human resource management
1. Staffing/Recruitment: They have to employ right talent at right position with right skill set. Their performance can be measured by time taken to fill a position. Efforts put in to attract right skill set for the job like job posting, interviews and employing right talent for the job.
2. Salary and Benefits: This department decides salary for the employees and make sure they receive it on time. They decide other benefits as well like insurance, travel policies and bonuses. They provide increments to employees on bi-annual/annual basis, which is decided based on employees’ performances. Many companies outsource this department for fair functioning of the organization.
3. Training and Development: Organization provide training to employees for necessary tools and processes so that they can perform their day to day job requirement. Their success means giving extensive orientation training to new employees and help them to be part of the organization effectively. Trainings are also required for new managers, newly promoted employees or to the existing employees, so that they can grow within organization.
4. Employee relations: HR department also works to provide healthy relations between employer and employee. They try to achieve this through engagement programs, providing solution to the conflict, providing job satisfaction and healthy work environment.
5. Job safety: Under act of Occupational Safety and Health Act of 1970, there is an obligation on employers to provide a safe and healthy work environment to employees. So, this department helps in keeping workplace safe and healthy to avoid any injury and keeping healthy employees.
6. Labor law compliance: It is one of the most critical areas in HR. It can lead to conflicts, dissatisfaction, unethical practices. It all can affect organization in a great deal i.e. organization may fall short of their targets, would not able to achieve their goals, may not be able to meet customer satisfaction. Department works best to maintain safe working conditions on work floor.
7. Other functions of HR are as follows. They are kind of extension of the functions stated above.
   a. Hiring from within organization
   b. Performance appraisals
   c. Promotions
   d. Information sharing
Uses and Benefits of HRM

1. To motivate employees: Human resource management helps to ensure good quality and quantity by motivating employees through providing incentives, giving rewards for their good performance, and challenging them to achieve better results. Motivated employees in a company always take organization to higher heights and set right standard for others to work on.

2. To implement change: HR department receives instructions from various other departments to implement change and they always work in harmony of employer and employee to implement that change and provide training and proper explanation why this change is necessary and how they can achieve better with this change. They try to implement changes required for employees, for organization, for production process, for various other processes.

3. To create and provide healthy work environment: It designs work environment by developing teamwork. As teamwork requires contribution from each employee. It focusses on each and every employee and let them feel valued so that they work best.

4. To have proper staffing: Human resource management analyses current employees’ structure within organization, identify where it is required. They run employment program to fill those positions. In few cases they also help organization to lay-off employees if they are not required.

5. To give reward and recognition: Human resource management performs biannual or annual appraisal for employees, so that they can be rewarded based on their performances.

6. To retain employees: They identify high performing employees, who helps organization to achieve them goals and set standards for other to work on. Organization always want to retain employees who love their job. Human resource works best to keep them motivated and work for the organization. They perform activities like giving fringe benefits, compensation and rewards to the deserving employees. These activities help in retaining employees.

7. To resolve conflicts: Providing solutions to the conflicts/issues in good faith so that healthy environment within remain intact within organization. In any organization, conflicts might happen between individuals/group/team. Conflicts shouldn’t be ignored. They work as a mediator to resolve conflict between the impacted parties.

Brief on COVID-19
(Source: Data is picked up from WHO site and is used as it is to avoid any change of meaning, as technical terms are used in its definition).

What is COVID-19?
Coronavirus disease which is also known as COVID-19 is an infectious disease caused by the SARS-CoV-2 virus. People who are infected with this virus will have mild to moderate breathing problem and will recover without medical treatment. However, some may become seriously ill and require medical attention. People with medical problems like cardiovascular disease, diabetes, chronic respiratory disease, or cancer are most likely to develop serious illness. Anyone can get sick with COVID-19 and become seriously ill or die at any age. The best way to prevent and slow down transmission is to be well informed about the disease and how the virus spreads. The virus can spread from an infected person’s mouth or nose in small liquid particles when they cough, sneeze, speak, sing or breathe. The virus can also be spread through contact with a person’s respiratory droplets to smaller aerosols. Stay home and self-isolate until you recover.

How it spreads?
The virus can spread from an infected person’s mouth or nose in small liquid particles when they cough, sneeze, speak, sing or breathe. These particles range from larger respiratory droplets to smaller aerosols. People may also become infected by touching surfaces that have been contaminated by the virus when touching their eyes, nose or mouth without cleaning their hands.

How its risk can be reduced?
1. Follow local guidance: Check to see what national, regional and local authorities are advising so you have the most relevant information for where you are.
2. Keep your distance: Stay at least 1 metre away from others, even if they don’t appear to be sick, since people can have the virus without having symptoms.
3. Wear a mask: Wear a well-fitting three-layer mask, especially when you can’t physically distance, or if you’re indoors. Clean your hands before putting on and taking off a mask.
4. Avoid crowded places, poorly ventilated, indoor locations and avoid prolonged contact with others. Spend more time outdoors than indoors.
5. Ventilation is important: Open windows when indoors to increase the amount of outdoor air.
6. Avoid touching surfaces, especially in public settings or health facilities, in case people infected with COVID-19 have touched them. Clean surfaces regularly with standard disinfectants.
7. Frequently clean your hands with soap and water, or an alcohol-based hand rub. If you can, carry alcohol-based rub with you and use it often.
8. Cover your coughs and sneezes with a bent elbow or tissue, throwing used tissues into a closed bin right away. Then wash your hands or use an alcohol-based hand rub.
9. Get vaccinated: When it’s your turn, get vaccinated. Follow local guidance and recommendations about vaccination.
Introduction of small-scale industries
Small scale industries are those which provide products and services at small/micro level. They make an investment in plant, machinery and equipment. Investment doesn’t exceed Rs. 10 crore and their annual turnover fall below Rs. 50 crores. They also fall under guidance set by Government of India. Sometime they are also known as lifeline of the economy. Small scale industry consists of manufacturing companies, provide services with less manpower. SSI are very important part of the economy as they provide employment at ground level and they contribute to per capita income.

We can identify SSI through following features:
- Mostly they are handled by Single owner and sometimes we see partnership projects as well.
- Operations and other managerial departments are also handled by owner.
- Operation of the organization is labor intensive.
- Limited target area.
- They utilize countries resources very well and try to avoid wastage to keep products cheap.

Examples of SSI are
- Kirana shops
- Food outlets/restaurants
- Small manufacturing organizations like toys, leather products, water bottles
- Food processing organizations like bakeries
- Construction companies
- Sweet shops
- Flour meal
- Third party services
- Cab facilities
- Security services

Objectives of SSI are
- To earn money
- To create employment
- To provide goods and services to lower- and middle-income group
- It helps in developing rural area
- To use natural resources at maximum
- To help other grow with them
- To achieve country objectives with organization objectives

Role of SSI in countries economy
- Country export: Contribution in Export of the country: Half of the export from a country comprises of production from small scale industries.
- Production of goods & services: Approximately 42% Requirement of goods and services in India is fulfilled by small scale industries.
- Employment generation: Employment in any country is majorly supported by SSI.
- Social responsibility: They also contribute in public welfare, which make society strong and helpful in development of the country.

Research Methodology
Objective of the study
To identify HR practices followed by management in small scale industries after COVID-19 and how it impacted management/owner and employees with organization.

Problem statement
I have observed that after COVID, small organizations faced major financial crunch and it changed the way they operated in the market. HR department became more analytical while analyzing employee’s performance, distributing bonuses and annual increments. They have taken harsh steps to keep their organization moving. Why organizations shut down? Why operations go low? Why salary reduced?

Study area
I have analyzed around 50 food outlets and restaurants in my area with 5 different categories of outlets, over the course of one month. I have tried to identify;
- How different outlets operation/customer foot fall reduce after first wave of COVID?
- How much salary reduced after COVID?
- Why they have reduced number of staffs on the outlet?

Hypothesis
1. 10 employees per outlet/restaurants
2. 5 different type of category among various outlets
   a. Fine dine restaurant
   b. Take away outlet
   c. Chinese food van
   d. Order online get home delivery
   e. Order on counter and eat
3. 10 outlets of each category

Different areas where HR department changed policies for the employees
1. Number of Jobs / Positions
2. Salaries
3. Training
4. Leaves

Impact on number of jobs/positions
Following table shows reduction in average number of jobs per outlet. Major reason is reduction in foot fall of customer/number of orders from customer on any outlet. As they are scared to go out, as they might get contaminated with COVID.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fine Dine Restaurant</td>
<td>10</td>
<td>8</td>
<td>20.00%</td>
</tr>
<tr>
<td>Take Away Outlet</td>
<td>10</td>
<td>7</td>
<td>30.00%</td>
</tr>
<tr>
<td>Chinese Food Van</td>
<td>10</td>
<td>5</td>
<td>50.00%</td>
</tr>
<tr>
<td>Order Online &amp; get Home Delivery</td>
<td>10</td>
<td>4</td>
<td>60.00%</td>
</tr>
<tr>
<td>Order on Counter &amp; Eat</td>
<td>10</td>
<td>4</td>
<td>50.00%</td>
</tr>
</tbody>
</table>

Table 1: Impact on number of jobs/positions
On average basis there is reduction in number of position in any outlet by 42%.

![Graph](image1.png)

**Fig 1: Impact on number of jobs/positions**

**Impact on Average Salary**

Following table represent reduction in salary per employee per month in respective outlet.

**Table 2: Impact on average salary**

<table>
<thead>
<tr>
<th>Food Outlet Category</th>
<th>Avg. Salary p.m. Before COVID</th>
<th>Avg. Salary p.m. After COVID</th>
<th>Avg. Reduction in Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fine Dine Restaurant</td>
<td>₹ 14,700</td>
<td>₹ 10,878</td>
<td>26.00%</td>
</tr>
<tr>
<td>Take Away Outlet</td>
<td>₹ 8,150</td>
<td>₹ 6,410</td>
<td>21.00%</td>
</tr>
<tr>
<td>Chinese Food Van</td>
<td>₹ 9,410</td>
<td>₹ 6,681</td>
<td>29.00%</td>
</tr>
<tr>
<td>Order Online &amp; get Home Delivery</td>
<td>₹ 7,100</td>
<td>₹ 4,970</td>
<td>30.00%</td>
</tr>
<tr>
<td>Order on Counter &amp; Eat</td>
<td>₹ 11,000</td>
<td>₹ 8,568</td>
<td>28.00%</td>
</tr>
</tbody>
</table>

On average basis there is reduction in salary by approx. 26% across all the outlets. Within all the outlets, all the employees had major hit during COVID period due to reduction in customer footfall, which lead to reduction in revenue and in turn leads to pay cut for employees.

![Graph](image2.png)

**Fig 2: Impact on average salary**

**Investment on Training of employees**

Outlets have invested heavily on training of employees as due to reduction in number of customers, margin of error is very less for any of the outlet, as they can’t afford to lose customers. So they provide training to existing and new employees to keep their customers satisfied from service perspective as well apart from product delivery. On an average basis annual expenditure gone up by Rs. 11,665 per employee per annum (on an average basis it increased by 65.83% per employee per annum).

**Table 3: Investment on Training of employees**

<table>
<thead>
<tr>
<th>Food Outlet Category</th>
<th>Avg. Exp. on Training Before COVID</th>
<th>Avg. Exp. on Training After COVID</th>
<th>Avg. Increase in Training Exp</th>
<th>Avg. Increase in Training Exp %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fine Dine Restaurant</td>
<td>₹ 8,820</td>
<td>₹ 14,112</td>
<td>₹ 5,292</td>
<td>60.06%</td>
</tr>
<tr>
<td>Take Away Outlet</td>
<td>₹ 1,955</td>
<td>₹ 3,814</td>
<td>₹ 1,859</td>
<td>95.06%</td>
</tr>
<tr>
<td>Chinese Food Van</td>
<td>₹ 3,380</td>
<td>₹ 6,194</td>
<td>₹ 2,814</td>
<td>83.21%</td>
</tr>
<tr>
<td>Order Online &amp; get Home Delivery</td>
<td>₹ 1,270</td>
<td>₹ 2,138</td>
<td>₹ 862</td>
<td>68.07%</td>
</tr>
<tr>
<td>Order on Counter &amp; Eat</td>
<td>₹ 3,427</td>
<td>₹ 6,784</td>
<td>₹ 3,357</td>
<td>97.17%</td>
</tr>
</tbody>
</table>
Impact on leave of employees
Following table shows how leave per employee per annum reduced before and after COVID period. It is due to the efforts by owners of the small scale organizations to keep running their business.

<table>
<thead>
<tr>
<th>Food Outlet Category</th>
<th>Avg. Leaves Per Emp. Before COVID</th>
<th>Avg. Leaves Per Emp. After COVID</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fine Dine Restaurant</td>
<td>25</td>
<td>20</td>
</tr>
<tr>
<td>Take Away Outlet</td>
<td>18</td>
<td>12</td>
</tr>
<tr>
<td>Chinese Food Van</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>Order Online &amp; get Home Delivery</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>Order on Counter &amp; Eat</td>
<td>14</td>
<td>10</td>
</tr>
</tbody>
</table>

Impact of HR Policies on the Food Outlets / Restaurants after COVID
1. Increase in Customer Footfall
2. Revenue is getting better for the organizations after COVID impact
3. Customers Feel satisfied and feel safe while visiting the outlets
4. Business are in running positions
5. Employees are getting salaries on time
6. Employees feel motivate to work for the respective outlets
7. Less strikes
8. Employees willingly taking less leaves
9. Quality improved
10. Ethical practices followed by organizations
11. Employees / Organizations feel responsible towards society

Conclusion & Recommendation
During my study and analysis I interpreted that after first lock-down during this pandemic, it was very scary situation for all the food outlets i.e. small scale industries to survive in the market. So they had to make necessary changes within the organization and one of the major departments was HR. They had pressure to keep business running, keep their employees working for them and perform with at most quality. So most the organization made changes by reducing salaries of employees, keep only necessary staff and keep those who were performing well and trained them for better performances.

This change lead to motivation among employees as they are earning during this pandemic situation, their organization made constant efforts to serve their customers, society and their employees as well while trying to meet their own goals.

This change was necessary to keep up with the market trend and work on to increase the footfall of customers within outlet and which in turn led to increase in revenue for them.

During my study I found out that the organizations which didn’t implement any change in their working, led to closure of the outlets, employees losing their jobs, business owners had to face acute financial crisis as there were hardly any demand for their product and services during the pandemic situation.
So my recommendation to small scale industries is to keep changing themselves with time, implement new technologies as and when required. Keep making amendment in salaries, bonuses and job positions i.e. in HR policies within organization as per requirement. Majority of the business units keep on focusing on immediate short term gains and they tend to lose sight of making benefits and profits in the long term. Hence they shouldn’t be myopic in their business approach. They should always try to diversify the nature of business which would help in minimizing financial risk and help in dealing with any unprecedented threats or challenges in near future.

References


47. Chuthamas Chittithaworn. Factors Affecting Business Success of Small & Medium Enterprises (SMEs) in Thailand, Asian Social Science 2011;7(5).

