

SOCIAL POST-PANDEMIC TRANSFORMATIONS AND COST-OF-LIVING CRISES AS CHALLENGES TO HUMAN RESOURCE MANAGEMENT TRANSITION

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Abstract

The Covid-19 pandemic has changed how we think about our society, and the sharp rise in commodity prices followed by the cost-of-living crisis has forced everyone to face a new reality. This paper investigates the new opportunities and challenges of initiating the Human Resource Management transition. In addition, HRM needs new visions for a radically different society. Firstly, this paper discusses society's changing values and priorities in HRM, as determined by Covid-19 and the cost-of-living crisis, which has accelerated HR's increased focus on many aspects of the workforce, employer–employee relationships, and ways of managing employees. Secondly, we faced a new reality in connection with work–life balance principles. As millennials age into HRM positions, double-digit rates in HR tech are expected. As a result, millennials want hybrid or remote working, and according to this generational cohort, businesses offer employees the flexibility to work when and where they want.

Key words: cost-of-living crisis, generational cohorts, human resource management, remote work, social post-pandemic crisis

JEL Code: J11, M12, M37

Introduction

The Covid-19 pandemic has accelerated the digitalization of working conditions and presents unprecedented social and economic challenges for Europe. The pandemic has brought many changes and trends to our entire society. The new situation completely changed many enterprises' attitudes towards office work. The global lockdowns have forced companies to implement conditions for remote working and teleworking (home-based telework and mobile telework combined). Before the pandemic, the employees were working from home occasionally. According to Deloitte (2022), burnout is very high among Gen Zs and millennials and signals a significant retention issue for employers. The research shows that

46% of Gen Zs and 45% of millennials feel burnt out due to the intensity/demands of their working environments. In addition, 49% of younger employees aged 18 to 34 who now work from home did so for the first time during the pandemic crisis. In addition, 44% of Gen Zs and 43% of millennials say that many people have recently left their organizations due to pressure.

1 Literature review

Within the European Union (EU), the incidence of regular or occasional teleworking varied before the Covid-19 pandemic from 20% or less in the Czech Republic, Croatia, Poland, Slovakia, Bulgaria, and Hungary to more than 40% or more in the Netherlands, Sweden, Belgium, and Denmark. The most significant impact was in countries most affected by the virus. In Finland, there was a most significant jump in numbers to close to 60% of employees working from home. This high level could be due to the quality of Finland's technological infrastructure or to the management culture. (Eurofound, 2020)

The pandemic has changed the possibility of working from home. Evidence concerning the impact of remote working on employee productivity and well-being was investigated by Bloom et al. (2015) and Hacker Martin & MacDonnell (2012). Bloom et al. (2015) reported that employees working from home increased their productivity by 13%. At the same time, Golden et al. (2008) show that professional isolation impacted job performance negatively. Jarvenpaa & Välikangas (2020) mentioned that teams have shifted toward virtual collaboration.

The possibility of remote working varies significantly depending on the company's size in 2021. Half (48%) of small companies, three-quarters of medium-sized companies (74%), and nine out of ten (91%) large companies made it possible for employees to work from home, and almost 20% of businesses with ten or more employees said they started using online communication platforms in connection with the Covid-19 pandemic. This pandemic forced it to begin to organize online meetings. (Czech statistical office, 2022) Remote working and teleworking numbers vary significantly across different industries. According to OECD 2021, employees in the information and communication sector (75%), the banking and insurance sector (73%), and the education sector (69%) can work from home more than those employed in the agriculture, food, and fishing sector or the accommodation and food services sector (13%). The other factor for differentiation could be the level of education. Managers, professionals, and people with tertiary education have a greater capacity for remote working.

Eurofound (2020a) and McCulley (2020) have shown that employees working from home tend to work longer hours and to work more during the evenings and the weekends. Remote working has reduced transport-related gas emissions, established greater flexibility of working, and introduced potential cost savings for firms.

In other words, it is essential to consider the right HR cost reduction ideas for the organization's particular situation. From an HR perspective, any crisis is essential to reconsidering cost reduction ideas. According to Lockwood (2005), HR crisis management is defined as an organization's acts and behaviours that prepare it for negative events in a safe and practical style. The global economic recession of 2009 was fundamentally financial. The Covid-19 pandemic and the war in Ukraine have led to an unprecedented increase in macroeconomic volatility; the volatility in the euro area over the past two years (2020, 2021) was about five times as high as it was at the peak of the Great Recession in 2009. (ECB, 2022) The current cost-of-living crisis is a human one. Human resources (HR) leaders are central in enabling organizations to exit the crisis successfully (Caligiuri et al., 2020; Collings et al., 2021). Overall, the challenges associated with the Covid-19 pandemic and the cost-of-living crisis highlight HR's need to expand the stakeholder perspectives and balance multiple stakeholders' needs (Hitt et al., 2020). Statista (2022) states that five HR (tech) segments are critical for managing and engaging employees. The most established areas with development potential in HR are recruitment and personnel management, engagement and connectivity, recognition and rewarding, and learning and development.

Remote working is the new normality, and many employees prefer not to return to the office, at least not full-time. According to Deloitte (2022), the majority of Gen Zs (75%) and millennials (76%) would prefer to split their time between remote and on-site work or to work entirely from home. In addition, Gen Zs and millennials want flexibility in how and when they work. Human resources (HR) is becoming more critical and complex, as it focuses on many diverse aspects of the workforce, including employer–employee relationships. The pandemic has further accelerated this process.

2 Materials and Methods

The research has adopted a three-stage investigation model to evaluate the social post-pandemic transformations and cost-of-living crisis as a challenge to human resource management transition. Firstly, the introduction and main research objectives were created, along with the theoretical background based on the literature review. Secondly, the

framework of the research paper, in connection with the proposed procedure, was set up. Finally, in the conclusion, the research examined how defined factors influence employee attitudes among a group of respondents and it examined new trends in HR management strategy. The methodology used in this paper included analysis, synthesis, and comparison in time.

The research analyzes two waves of research conducted by the Ministry of Labour and Social Affairs in 2020 and 2021. Working from home has become a reality on a large scale. The situation in the labour market has thus changed rapidly in recent months. Therefore, the Ministry of Labor and Social Affairs reacted by preparing a survey focused on experiences and satisfaction with this work. The analyzed studies (“Remote Working” 2020 and 2021) are mainly based on data from 2020 and 2021.

The first wave of research realized by the Ministry of Labour and Social Affairs in 2020 (“Remote Working 2020 – Work-from-Home Experience in Connection with the Growth of Working from Home During the Coronavirus Pandemic”) occurred at the beginning of the Covid-19 crisis, in July 2020. Quantitative research was done via an online survey method. In this wave, 5,779 responses were obtained. The second wave of research realized by the Ministry of Labour and Social Affairs in 2021 (“Remote Working 2021 – Staff and Managing Employee Experience”) occurred during the Covid-19 crisis, from 8 June 2021 to 2 July 2021. Quantitative research was done via an online survey method, and in this wave, 5,605 responses were obtained. Of these, 4,789 (85%) respondents answered only part of the questionnaire intended for employees. In addition, 349 (6%) respondents answered the section for executives only, and 467 (8%) respondents then filled out both questionnaires.

The data obtained are valuable partly due to their extensiveness, but mostly due to their timeliness. Moreover, the research aims to obtain information in connection with the aspects of remote working and teleworking (home-based telework and mobile telework combined), especially the mapping of attitudes, experiences, advantages, and limits of working from home – from the point of view not only of the employees themselves but also of the managers who commission the work. On the other hand, there was one main weakness of this research. It was done only among public sector employees. For this reason, a pilot study was conducted among 100 respondents in 2022. The questionnaire was also created for the entrepreneurial sector. While previous research has provided a general overview only for the public sector, the current investigation reveals trends in remote working and teleworking in the entrepreneurial sectors, among other entrepreneurial firms.

The last wave of the research occurred from 15 April to 31 May 2022, and the study's relevance was secured by selection sampling. The data collected from 100 respondents, with a response rate of 0.62, were classified into two main groups according to employer type (35% were enterprises of 10–49 employed persons, 35% were enterprises of 50–249 employed persons, and 30% were enterprises of over 249 employed persons), and employee gender (57% were men and 43% women). Initially, we decided how the respondents must be selected concerning the employer type.

Tab. 1: Respondents' classification

Organization type / all respondents	Remote Working 2020		Remote Working 2021		Remote Working 2022	
	Count	Percentage	Count	Percentage	Count	Percentage
Public (less than 10 employees)	198	3.2%	99	1.6%	1	1.6%
Public (11–50 employees)	676	10.8%	553	9.1%	3	4.8%
Public (51–250 employees)	2,454	39.6%	2,289	37.7%	2	3.2%
Public (more than 250 employees)	2,875	46.3%	3,131	51.56%	3	4.8%
Enterprises of 10–49 employed persons	x	x	x	x	18	29%
Enterprises of 50–249 employed persons	x	x	x	x	21	33.9%
Enterprises of over 249 employed persons	x	x	x	x	14	22.6%

Source: own elaboration based on own research 2022 and HO 2020, 2021 research

For a better understanding of this survey's content, partial goals were set, for which working hypotheses were formulated simultaneously. Based on previous studies, the following hypotheses were defined (H1-H3):

H1: Priority will be given to benefits related to the practical side of work and private life.

H2: The employees and their managers evaluate remote working positively.

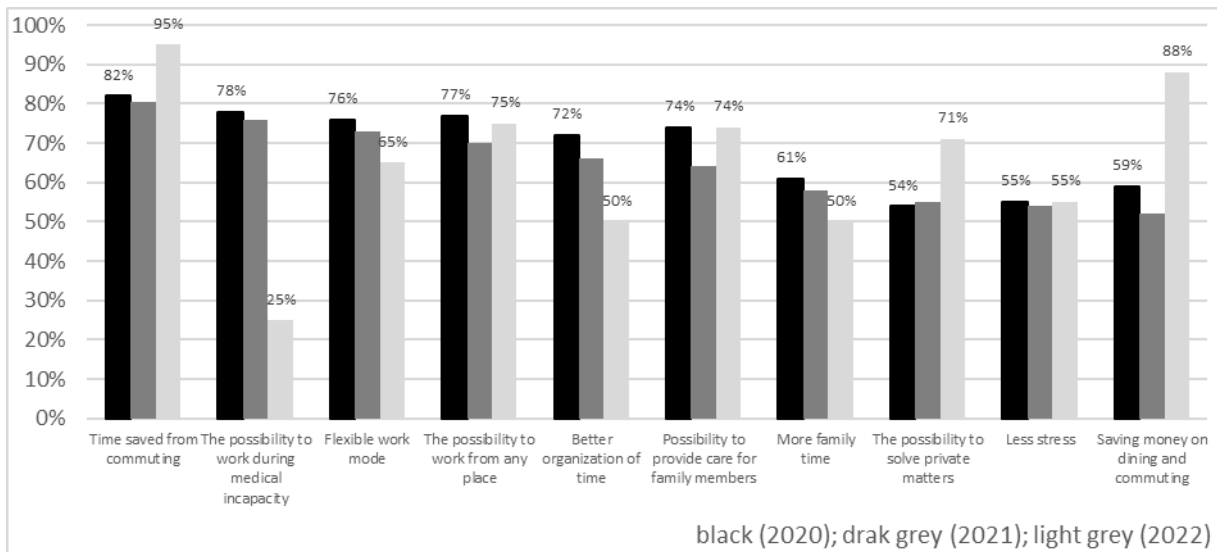
H3: Millennials want hybrid or remote working, and businesses are responsible for offering employees more flexibility.

3 Findings, Results, and Discussion

The literature review focuses on the role of the Covid-19 pandemic and the cost-of-living crisis as the reason for the new opportunities and challenges of initiating the Human Resource Management transition. Both crises have transformed perceptions of employer benefits and started the discussion that HRM needs new visions toward a radically different society.

The research (HO 2020, 2021, 2022) was focused on the advantages and disadvantages of remote working. The primary condition was having at least some remote work experience in the past six months. However, there was the opportunity to mark whether they considered the experience as an advantage, a partial advantage, or a disadvantage.

Fig. 1: Home office advantages

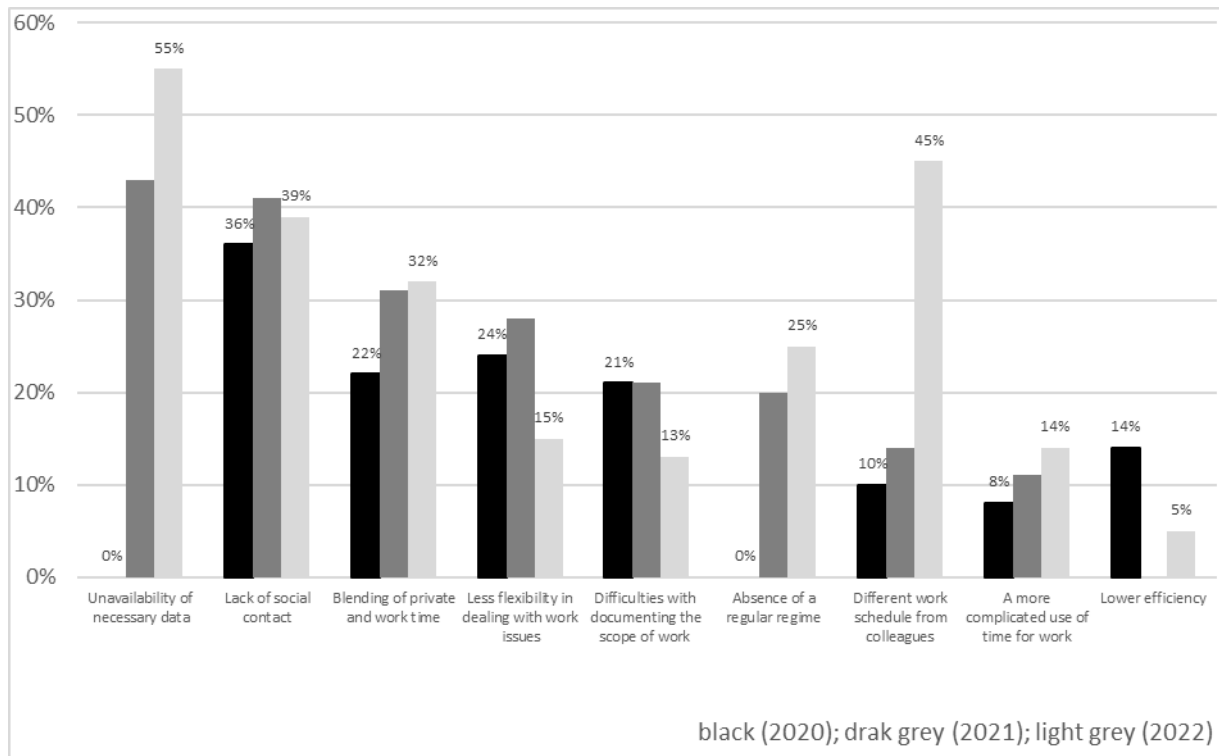


Source: own elaboration based on own research 2022 and HO 2020, 2021 research

The respondents' experience with remote working is now more significant. The first place will be placed the benefits related to the practical side of work and private life, namely saving time on commuting (first position), the possibility to work from any place (fourth position), and the possibility to provide care for family members (fifth position). These days, the time of the sharp rise in commodity prices followed by the cost-of-living crisis allows everyone to face a new reality. For this reason, there is the advantage of saving money on dining and commuting in the third position.

Compared to the previous years (2020, 2021), the overall intensity of the perception of associated disadvantages increased with teleworking. The unavailability of colleagues (85%) and the lower flexibility in dealing with common work issues with colleagues (72%) were mentioned as the main disadvantage. Although remote working has become more manageable for companies worldwide, it also means a lack of social interaction (42% in 2021, 23% in 2022). The reason is that the crucial part of employees' social interactions revolves around their job and workplace. We spend most of our active days with our colleagues; therefore, social life could disappear during remote work. This fact can sometimes lead to greater feelings of isolation and problems with one's mental state.

Fig. 2: Home office disadvantages



Source: own elaboration based on own research 2022 and HO 2020, 2021 research

In addition to the advantages and disadvantages, we investigated whether respondents felt the impact of remote work on their mental health, physical health, family life, finances, and life goals. In 2021, items concerning social life and career were added.

In addition to the advantages and disadvantages, as in the HO 2020, 2021, 2022 survey, we investigated whether respondents felt the influence of working from home on their mental health, physical health, family life, finances and life goals. The impact of remote working is most often assessed as unfavourable in the case of social life, where it is rated as such by 40% of respondents. On the other hand, remote working has a positive impact on mental health (very positive 24%, positive 30%), family life (very positive 23%, positive 35%), and physical health (very positive 18%, positive 27%). However, the mental and physical health of respondents was affected negatively at around 25% and 15% respectively.

Conclusion

The research has adopted a three-stage investigation model to evaluate the social post-pandemic transformations and cost-of-living crisis as a challenge to human resource management transition. Firstly, the introduction and main research objectives were created,

along with the theoretical background based on the literature review. Secondly, the framework of the research paper, in connection with the proposed procedure, was set up. Finally, in the conclusion, the research examined how defined factors influence employee attitudes among a group of respondents, and it examined new trends in HR management strategy.

The following research questions were answered positively:

H1: Priority will be given to benefits related to the practical side of work and private life.

YES (based on the research findings)

H2: The employees and their managers evaluate remote working positively.

YES (based on the research findings)

H3: Millennials want hybrid or remote working, and businesses are responsible for offering employees more flexibility.

YES (based on the literature research)

Employers seem to prioritize their employees' well-being and mental health. More than half of enterprises agree that workplace well-being and mental health have become more critical since the Covid-19 pandemic. Lately, companies can provide employees with the opportunity to work fully remotely. They often had to introduce or expand the possibility of using remote access to the company network. It was also necessary to apply collaboration tools such as video calls or the ability to share work files online. The cost-of-living crisis has caused organizations to slash budgets, to freeze hiring, and to look for opportunities to reduce costs. In other words, it is essential to consider the right HR cost reduction ideas for the organization's particular situation. The cost reduction steps are necessary; they can be done to pause large software projects, eliminate or reduce external training, cancel outsourcing contracts and bring the work in-house, freeze hiring, monitor and limit overtime, or control spending on nonessential items.

Remote working is the new normality, and many employees prefer not to return to the office, at least not full-time. However, converting to digital platforms becomes more natural as millennials age into management positions. These digital natives have inspired a shift to

technology in the HR department. As a result, HR tech is expected to grow at double-digit rates overall until at least 2025.

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