UNIT 3 STRUCTURING HUMAN RESOURCE MANAGEMENT

Objectives

After going through this unit, you should be able to:

l   trace the evolution of Human Resource Management (HRM);

l   discuss the scope and importance of HRM;

l   describe different perspectives on HRM; and

l   appreciate various components of HRM and their role.

Structure

3.1   Introduction

3.2   Evolution of HRM

3.3   Importance of HRM

3.4   Scope of HRM

3.5   Perspectives on HRM

3.6   Components of HRM

3.7   Summary

3.8   Self-Assessment Questions

3.9   Further Readings

3.1   INTRODUCTION

For any organisation to function effectively, it must have resources of men (Human Resource), money, materials and machiner. The resources by themselves cannot fulfill the objectives of an organisation, they need to be collected, co-ordinated and utilised through human resources. And, the effective management of human resources is also vital. Hence, Human Resource Management (HRM) has emerged as a major function in organisations. In this unit, we will be discussing about the structural aspect of HRM such as evolution, approaches, components and scope.

3.2   EVOLUTION OF HRM

HRM activities have probably been performed since ancient times. The pioneering work of Peter Drucker and Douglas McGregor in the 1950s laid its formal foundation. Modern concept of HRM has developed through the following stages (Gupta, 1997).

a)   **The Commodity Concept:** Before industrial revolution, the guild system was the beginning of personnel management. Guild was a closely knit group concerned with selecting, training, rewarding and maintaining workers. Labour began to be considered a commodity to be bought and sold.

b)   **The Factor of Production Concept:** Employees were considered a factor of production just like land, materials, machinery. Taylor's scientific management stressed proper selection and training of employees so as to maximise productivity.

c) **The Paternalistic Concept:** Employees organised together on the basis of their common interest and formed trade unions to improve. Also employers began to provide schemes to workers. Employers assured a fatherly and protective attitude towards their employees.

d) **The Humanitarian Concept:** It is based on the belief that employees had certain inalienable rights as human beings and it is the duty of the employer to protect. Rather social and psychological satisfaction was equally important. Hawthorne Experiments of Douglas McGregor also generated considerable interest in human problems of work place. This is also known as human relations concept.

e) **The Behavioural Human Resource Concept:** It aimed at analysing and understanding human behaviour in organisation. Motivation, group dynamics, organisational climate, organisational conflict etc. became popular under this concept. Employees began to be considered as valuable assets of an organisation. Efforts were made to integrate employee with the organisation so that organisational goals and employees aspirations could be achieved simultaneously. Focus shifted towards management practices like two way communication, management by objectives, role of informal groups, quality circles etc.

f) **The Emerging Concept:** Now employers are considered as partners in industry. They are given share in company's stock membership. Slowly and steadily, HRM is emerging as a discipline. Unit 1 of this block has dealt in detail the emerging scenario of HRM. Unit 2 has discussed the differences between traditional personnel management and emerging HRM.

3.3   IMPORTANCE OF HRM

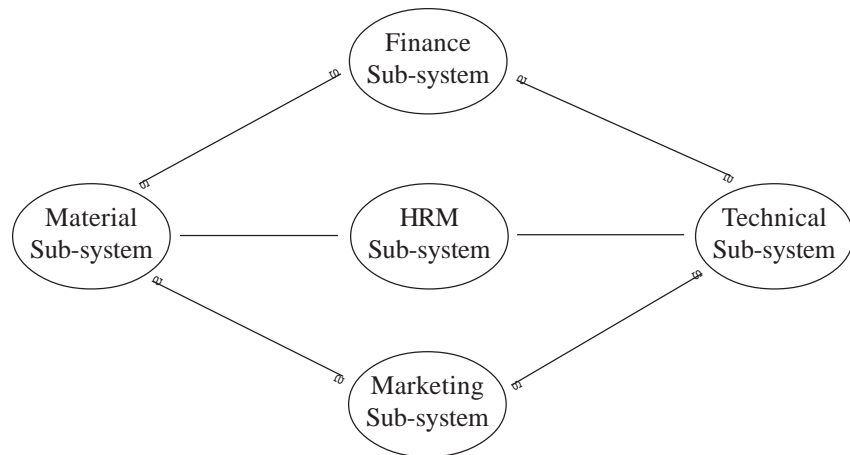HRM is the central sub-system of an organisation (Figure 1).

Figure 1: HRM as central subsystem in an organisation

Source: Gupta, 1997

As the central sub-system, HRM interacts closely and continuously with all other sub-systems of an organisation. The quality of people in all sub-systems depends largely upon the policies, programmes and practices of the HRM sub-system. The quality of human resources determines in turn the success of an organisation.

The importance of HRM can be discussed at four levels – corporate, professional, social and national (Gupta, 1997).

1) **Significance for an Enterprise:** Human resource management can help an enterprise in achieving its goals more efficiently and effectively in the following ways:

    a) Attracting and retaining the required talent through effective human resource planning, recruitment, selection, placement, orientation, compensation and promotion policies.

    b) Developing the necessary skills and right attitudes among the employees through training, development, performance appraisal, etc.

    c) Securing willing co-operation of employees through motivation, participation, grievance handling, etc.

    d) Utilising effectively the available human resources.

    e) Ensuring that the enterprise will have in future a team of competent and dedicated employees.

2) **Professional Significance:** Effective management of human resources helps to improve the quality of work life. It permits team work among employees by providing a healthy, working environment. It contributes to professional growth in the following ways:

    a) Providing maximum opportunites for personal development of each employee.

    b) Maintaining healthy relationships between individuals and different work groups.

    c) Allocating work properly.

3) **Social Significance:** Sound human resource management has a great significance for the society. It helps to enhance the dignity of labour in the following ways:

    a) Providing suitable employment that provides social and psychological satisfaction to people.

    b) Maintaining a balance between the jobs available and the jobseekers in terms of numbers, qualifications, needs and aptitudes.

    c) Eliminating waste of human resources through conservation of physical and mental health.

4) **National Significance:** Human resources and their management plays a vital role in the development of a nation. The effective exploitation and utilisation of a nation's natural, physical and financial resources require an efficient and committed manpower. There are wide differences in development between countries with similar resources due to differences in the quality of their people. Countries are underdeveloped because their people are backward. The level of development in a country depends primarily on the skills, attitudes and values of its human resources. Effective management of human resources helps to speed up the process of economic growth which in turn leads to higher standards of living and fuller employment.

3.4 SCOPE OF HUMAN RESOURCE MANAGEMENT

According to Dale Yoder, the scope of human resource management is very wide. It consists of the following functions:

i) Setting general and specific management policy for organisational relationships, and establishing and maintaining a suitable organisation for leadership and co-operation.

ii) Collective bargaining, contract negotiation, contract administration and grievance handling.

iii) Staffing the organisation, finding, getting and holding prescribed types and number of workers.

iv) Aiding in the self-development of employees at all levels providing opportunities for personal development and growth as well as for acquiring requisite skill and experience.

v)   Developing and maintaining motivation for workers by providing incentives.

vi) Reviewing and auditing manpower management in the organisation.

vii) Industrial relations research—carrying out studies designed to explain employee behaviour and thereby effecting improvement in manpower management.

The Indian Institute of Personnel Management has described the scope of human resource management into the following aspects:

1) **The Labour or Personnel Aspect:** It is concerned with manpower planning, recruitment, selection, placement, induction, transfer, promotion, demotion, termination, training and development, layoff and retrenchment, wage and salary administration (remuneration), incentives, productivity, etc.

2) **The Welfare Aspect:** This aspect is concerned with working conditions and amenities such as canteens, creches, rest rooms, lunch rooms, housing, transport, education, medical help, health and safety, washing facilities, recreation and cultural facilities, etc.

   3) **The Industrial Relations Aspect:** This is concerned with the company's relations with the employees. It includes union-management relations, joint consultation, negotiating, collective bargaining, grievance handling, disciplinary actions, settlement of industrial disputes, etc.

All the above aspects are concerned with human element in industry as distinct from the mechanical element.

3.5 PERSPECTIVES OF HUMAN RESOURCE MANAGEMENT*

You can examine the HRM function from several perspectives, and have already looked in some detail at the historical perspective, on the evolution of the HRM function. An environmental perspective tracks the external forces that continuously come to bear on HR. A strategic perspective clarifies the role of the HRM function in the strategy of the organisation. A political perspective shows to what extent and maximise their self interest, which may not reflect the interests of the organisation. An international perspective highlights the problems and opportunities that the HRM function has to face in what is fast becoming a global marketplace. Finally, an evaluation perspective shows the ways in which human resources activities can be evaluated as to their usefulness in attaining organisational goals.

a) Historical Perspective on HRM

As the early developments have already been discussed under historical antecedents of HRM, what follows will cover the recent trends only.

Recent Trends

The HRM function started getting attention and focus as research began to question the notion that job satisfaction and productivity are strongly related. In the US, the civil rights movement of the 1960s produced a good deal of legislation bearing on employment relationships. Further, the increase in discrimination-based litigation during the 1970s boosted the legitimacy of the HRM function in organisations.

Quite apart from various US-based interventions, it is the rise of international competition in a global market that may finally liberate human resources management from second-class status. In view of increasingly and fiercely competitive global markets, the critical need for using employees as a competititve resource has become increasingly evident. This international competition has led to four conceptual trends in the HRM function:

l   the need to link human resources to the strategic management process.

l   the need to select, train, and compensate individuals to function in an international marketplace.

l   the need to understand the political dynamics that undermine rational HRM decision-making processes.

l   the need to provide quantitative estimates of the money value contributions made by the human resources department.

b)   Environmental Perspective on HRM

The legal environment serves as the filter and as the ultimate mechanism for merging fact and value in society. When you examine legislation enacted during the human relations movement, you will note that it dealt extensively with wages and work hours. It also dealt with union-managment relations within the organisation. It provided for supervising those relations, i.e., the rights of employees to organise and bargain collectively vis-a-vis the rights of the employer and the union. In the US, these laws are still in force, but the federal laws enacted during the 1960s and 70s dealt more directly with the rights of the individual (or of classes of individuals, such as minorities and women) in a wide range of issues concerning employer rights.

Organisations as Open Systems

Katz and Kahn (1978) proposed that organisations be viewed as open systems. 'Open' means that organisations are responsive to external pressures and 'systems' means that a response by one element in the organisation/environment relationship usually leads to a variety of other responses by the same element or other elements in that relationship. Another premise is that, because of a flood of late 20th century laws regulating many broad organisation-to-society matters, most organisations are more permeable to external pressures than even before. In addition, the environment itself also continues to chantge at a rapid pace.

Buffering Strategies as an Organisational Response

As the environment creates uncertainly, how can managers adequately plan, organise, and control to deal with uncertainty? Organisations should develop a number of strategies, including forecasting and buffering. Forecasting attempts to anticipate change before it occurs. Buffering is concrete: designing structural devices (such as larger or more specialised organisitional units) and technological work-flow devices (such as new or more complex procedures). These buffering devices assist the organisation to be both proactive and reactive and to shield itself from the pressures of the environment. They both ease schedules and help managers to figure out the nature of the environmental pressures so that they can try to make sense of them. As a

manager, you often need more time and information to deal with emerging events. Once you reasonably assess the strength or potential impact of these pressures and resources for coping with them, you are in a sound position to safeguard the organisation. The notion of buffering seems to have been taken up by many organisations in response to actual or potential pressures of the legal environment. As a result, larger, more specialised human resources departments handle legal requirements concerning the rights of employees.

The HRM function (or any other function), in designing buffering devices, draws on the resources of the organisation and places greater responsibility on that function to meet its organisational obligations. Therefore, HRM has to protect or shield the organisation from errors of commission or omission in the management of its human resources. As this obligation carries with it increased visibility and risk for their function, human resources professionals have been seen at times as heroes and at other times as traitors. Their reaction to this impact demonstrates the 'open system' theory of Katz and Kuehn: they have designed a few internal buffering devices of their own. One way to reduce the risk of errors is to centralise human resources policy-making and planning activities at the corporate level while continuing to support decentralised decision-making at the unit level. It is at the unit level where you will see more sensitivity to, and information regarding, critical interpersonal and intergroup relationships.

c) Strategic Perspective on HRM

You have already learned about the various pressures the environment can exert upon the organisation. These have required the organisation to link HR activities to the organisation's overall strategy. For example, US firms, in the ealry 1980s, had to face stiff competition from foreign companies beginning to export their products to the United States at lower prices than US companies could offer. The cost advantage stemmed from lower labour costs and made it nearly impossible for American companies to survive. They had to look for more efficient and effective ways to use the resources available to them and stay afloat. The ensuing effort gave rise to the concept of **Strategic Human Resources Management (SHRM)**, defined as **'the pattern of planned human resource deployments and activities intended to enable an organisation to achieve its objectives.'** The first among organisation theories to explicitly discuss the concept of human resources strategies in the context of strategic management were Galbraith and Nathanson. They recognised the need to fit human resources into the strategy implementation process. As they presented the role of human resources in the implementation of organisational strategy, they identified four basic HRM sub-functions or strategies: **selection appraisal, rewards, and development.**
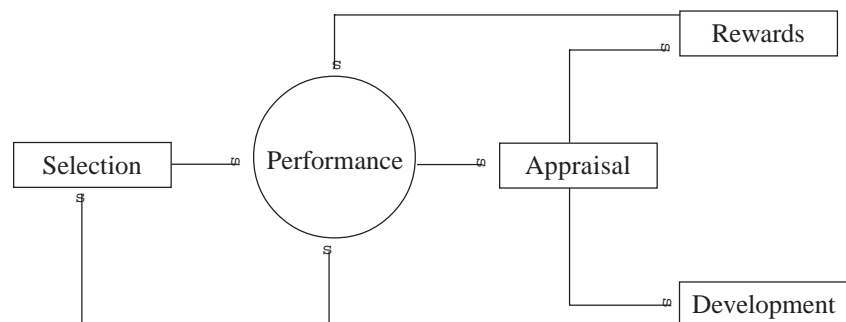
Figure 2: A Model of the Human Resources Management Function

Source: Tichy, 1982.

The figure above shows the interdependencies of the major HRM sub-functions.

d) Political Perspective on HRM

You will, by now, have a clear understanding of the strategic perspective on HRM, the objective of which is rational decision-making that aligns HRM practices with the organisation's strategic goals. However, as you have probably experienced, in organisations not all decisions are rational, and many have very little to do with achieving organisational goals. Recent writers in HRM propose that influence and politics are a significant part of the HRM function, or at least that they strongly affect that fuction.

What is meant by politics in HRM is that individuals or groups attempt to exert influence over others for purposes and in ways that are not approved or sanctioned by the organisation. Influence often consists of seeking to manage how others interpret events and symbolic actions. Politics is defined as 'the management of shared meaning by individuals, groups, or organisation.' This view of politics allows you to better understand the role of influence in HRM, particularly with regard to personnel selection, performance appraisal, and promotion/reward systems.

In the real world of HRM, it is not easy to identify perfectly the skill requirements of a particular job or to assess perfectly an applicant's level of each of the various skills, as perceived in strategic HRM. There is neither a perfect fit nor a rational decision-making process. It is the inability to assess fit perfectly in an objective manner that lets politics enter the decision-making process.

You would have experienced in your work life that there is no objective standard for assessisng fit. Selection decisions therefore often revolve around the perceived similarity of an applicant's skills with the standard. Thus, managing the perceptions of the decision maker can allow the applicant an opportunity to influence the decision-making process in a political manner. More specifically, the process of 'impression management' in the employment interview is an example of politics in HRM. Applicants usually search company information to assess the 'type of employee' that the organisation seeks. An applicant wishing to join an organisation that publicises its aggressive, market-oriented strategy will attempt to come across as quite aggressive in the interview. The same applicant wishing to join a firm that promotes its team atmosphers and group cohesiveness is likely to act significantly less aggressively in an effort to appear to fit that organisation.

Recent research has demonstrated that attempts to bring influence to bear on the employment interview do, in fact, affect decision outcomes. For example, it appears that interviewees who exhibit controlling tactics such as self-prmotion and efforets to dominate the interview prove more successful than those who act passive or submissive.

Performance evaluation, too, seems to be an area of HRM that is influenced by politics. A sacred principle of performance evaluation is to evaluate performance itself rather than the person in the abstract. As, in most jobs, it is difficult to define the measure all relevant aspects, the performance evaluation process can appear to be mostly subjective. Evaluators do aquire generalised impressions regarding employees' contributions to their organisation. Employees' behaviours, as well as beliefs, values and level of effort, all of which can be manipulated, can easily influence the impressions of evaluators. Often a discrepancy exists between an individual's performance and the evaluation result, and this difference stems out of political influence.

Promotion/succession systems are also subject to dynamics or political influence. Firms may prefer to fill managerial positions within the ranks to provide motivation. To assess the fit between the job vacancy and the person being promoted, the firm must partly rely on past performance evaluations as well as information found through

interviews and other means. You have already seen how these processes are affected by political influence. Although many may not want to acknowledge the existence of political influence in organisations, anecdotal and empirical data show very convincingly that these processes are part and parcel of organisations. However, to ignore their existence is short-sighted.

e)   Interpersonal Perspective on HRM

For many years there has been increasing international competition, and today most large corporations in the US, Europe and Japan function in a global economy. A revolution in management practices, and increased emphasis on quality of work life (QWL), has occurred over the same years. In order to compete internationally, many overseas facilities must be established, with the effect that two general concerns are being addressed by many American and European companies. Firstly, how does one manage a company's citizens working overseas? Secondly, how do organisational management policies and practices in other cultures differ from those in the respective home countries?

Expansion of production facilities outside US borders, for instance, provides HRM concerns for the American companies. As a means of keeping production costs down for the automotive industry, Lee Iacocca turned more and more to setting up plants outside America. In 1993, he headed the fight to set up the North American Free Trade Agreement (NAFTA) which created the world's largest free trade zone by virtually eliminating trade barriers among Canada, Mexico, and the US. In effect what happened was that US firms capitalised on Mexico's lower labour costs by building production facilities there.

The foremost challenge for firms going overseas is the need to select and train individuals who are able to work in a foreign culture. Therefore programmes featuring international management and cross-cultural training have increased in value.

Also related to the issue of managing one's citizens in a foreign setting is the problem of adequate compensation for them. This arises out of the volatility of major foreign currencies, particularly the US dollar. Corporations are meeting this challenge, thererfore, by paying allowances for housing, payment of tax if required, education of the manager's children, cost of living adjustments etc.

The other concern – the influence of culture on HR practices – has created more awareness among academics and HR practitioners. When there are joint ventures in foreign countries, US firms, for instance, need to have a good understanding of the foreign culture concerned. The 1987 conference on international personnel and human resources management held at the National University of Singapore was showcase for the work of academic researchers who had applied a number of methods in various Pacific Rim countries (Japan, China, Taiwan, etc.) to learn the human resources compared with US practices. You would be interested to know that inspite of these efforts to gain an understanding of human resources practices in Pacific Rim countries, evaluations have revealed that practice tends to be primaily guided by an ethnocentric view of the world.

For a firm to be competitive these days, its HRM function mut be characterised by:

1)   **Transnational scope:** going beyong a simple national or regional perspective and making human resources decisions with a global perspective.

2)   **Transnational representation:** globally competitive organisations must have multinational representation among their managerial employees.

3)   **Transnational process:** a decision making process that involves representatives and ideas from variety of cultures.

f) Evaluation Perspective on HRM

Two criteria are usually used to assess the quality of an enterprise's HRM function: efficiency and effectiveness. In judging effectiveness we ask, 'Is HRM doing the right things?' whereas efficiency 'doing things right' in the sense of maximising outputs relative to inputs. Effectiveness may involve biases of people because people decide what the right things are. Efficiency, by contrast, is associated with an internal value-free assessment of the function. The HRM function can be judged efficient but ineffective, effective but inefficient, ineffective and inefficient, or effective and efficient: the desired status.

Efficiency may be determined from short-term activities such as personnel functions. For instance, how fast were personnel requisitions filled? However, activities like preparing job descriptions and providing career counselling are long-term activities critical to the effectiveness of the organisation. In the short run, they may seem to resist efforts at efficiency improvement. The ideal is to strike an optimal mix.

Personnel Audits and Utility Analysis

One popular approach to assessing HRM function is called the personnel audit, which has two components: a procedural audit and a functional audit. The former focusses on the activities performed by members of the HR department and the amount of time spent on each. It is internal to the HR department and represents a measure of the function's efficiency. The latter, the functional audit, seeks to measure the function's effectiveness. In other words, it attempts to assess how well the function is serving the organisation in helping achieve short- and long-term goals.

Some researchers have demonstrated how human resources can be subjected to 'utility analysis' that leads to determining the money value of HRM activities to the organisation.

3.6   COMPONENTS OF HRM

The following are the major components of HRM (Sarma, 1998).

Human Resource Organisation: Human resource organisation is concerned with achieving success by organisation design and development, motivation, the application of effective leadership, and the process of getting across the message about what the enterprise is setting out to do and how it proposes to do it. The fundamental objective of human resource organisation is to ensure that every aspect of the organisation, employment, motivation, and management of people is integrated with the strategic objectives of the business and contribute to the successful achievement of those objectives. The human resource organisation programme has to take account of cultural issues so that the desired corporate culture can be developed or reinforced. Moreover, organisational development programmes and interventions are needed to achieve better integration, improve teamwork, motivate human resource, develop proper leadership, facilitate communication system, manage conflict and change, and obtain commitment.

Human Resource Planning: Human resource planning sets out to define how many people the organisation wants; the type of people the organisation needs at present and in the future, in terms of their expertise; and how they "fit" the corporate culture. It involves the forecasting of both the supply and demand for future labour. It provides the base for recruitment programmes and for human resource development plans.

Human Resource Systems: Human resource systems are the essential programmes needed to recruit, appraise, pay and look after the health, safety and well-being of the employees in the organisation. The main key programmes are:

a) *Recruitment management:* It is a process of obtaining the required human resource for an organisation.

b) *Information management:* It is a method of ensuring that all policies and practices are to be well articulated and effectively communicated to the workforce.

c) *Training management:* It is a system of identification of training needs, preparation of a training strategy, and an appropriate training system.

d) *Performance management:* It is a technique of appraising performance systematically against defined criteria, reviewing progress to date and assessing the potential for advancement. There are three main appraisal systems such as performance appraisal, potential appraisal, and performance coaching or counselling.

e) *Reward management:* It is a method to ensure that people are rewarded in accordance with their contribution.

f) *Career management:* It is a system of charting special career paths for the individual employees for advancement in the organisation.

g) *Health and safety management:* It is a system of maintaining a healthy and safe system of work in an organisation. (h) *Discipline management:* It is a system of administering discipline to foster positive employee behaviour that will promote organisational objectives.

i) *Culture management:* It is a system of thinking and behaving shaped by the values, attitudes, rituals and sanctions in an organisation.

Human Resource Development (HRD): Lippit (1978) points out that HRD as a system depends on: (a) the work itself which generates a higher degree of responsibility for the employees; (b) the individual's personal and professional growth; (c) the improved quality output as a result of increased responsibility; and (d) the organisation as an open system. Focus on all these aspects is what HRD all about.

Rao (1985) defines HRD as "a process by which the employees of an organisation are helped, in a continuous planned way to: (a) acquire or sharpen capabilities required to perform various tasks and functions associated with their present or expected future roles; (b) develop their general enabling capabilities as individuals so that they are able to discover and exploit their own inner potentials for their own and/or organisational development purposes; and (c) develop an organisational culture where superior-subordinate relationship, team-work, and collaboration among different sub-units are strong and contribute to the organisational health, dynamism and pride of employees."

HRD is a series of organised activities conducted within a specified time and designed to produce behavioural change. It is rooted in the belief that human beings have the potential to do better. It has two main purposes: (a) to provide employees with a greater opportunity to grow and succeed within a company; and (b) to strengthen management and professional teams at all organisational levels. Furthermore, it aims at developing employee capabilities in line with their career interests and with the manpower needs of the company.

HRD as a function consists of various activities related to training, education and development, and performance appraisal. All aspects of training and appraisal playa significant role in achieving the individual's growth and development. In this respect HRD is more a proactive and supportive function wherein the organisation has to take a lead in helping the people to grow and realise their potential role.

Human resource development programmes help to ensure that the organisation has the people with the skills and knowledge it needs to achieve its strategic objectives. They

aim to train new employees to the level of performance required in their jobs quickly and economically and to develop the abilities of existing staff so that performance in their present jobs are improved and they are prepared to take on increased responsibilities in the future.

The thrust of human resource development is on training and development. It is a dynamic process which aims at improving the skills and talents of the personnel. Training fills the gap between what someone can do and what he should be able to do. Its first aim is to ensure that, as quickly as possible, people can reach an acceptable level in their jobs. Training then builds on this foundation by enhancing skills and knowledge as required to improve performance in the present job or to develop the potential for the future.

Development can be defined as the modification of behaviour through experience. It provides for people to do better in the existing jobs and prepares them for greater responsibility in the future. It builds on strengths and helps to overcome weaknesses, and ensures that the organisation has the expertise it needs. Development operates at all levels - shop floor level, middle management level, and top management level - covering executives and non-executives.

HRD is an important force for the future. The challenges to HRD will continue. Instead of doers, HRD practitioners will be the process designers, researchers, strategists, advisors, business managers, and consultants. Looking ahead to the 21 st century, it is clear that the HRD community must accelerate the trends that have just begun. They must: (a) ensure that all people practice and support continuous development, learning and high performance; (b) work to create participative cultures and to dissolve autocratic and dependent mindsets; (c) help prepare people and institutions to succeed in a rapidly changing global village; (d) treat their employees like customers for enduring success of the organisation.

Human Resource Relationships: Human resource relationships deal with the handling of employees individually and collectively asmembers of trade unions or staff associations. Their main aim is to increase co-operation and trust and to involve employees actively in the company's affairs. It also deals with problem-solving techniques, particularly to solve problems relating to disciplinary cases and grievances. There are two sides to a dispute in most organisations: the management and the workers. There is a gap and the means have to be found to bridge that gap. Whether or not unions exist, it is highly desirable for the management to develop methods of dealing with employees collectively. Nonetheless, relationships with unions often involve confrontations. The necessary techniques must be evolved for encouraging mutuality and working together in the interests of all.

Unions have to be managed like everything else in an organisation. Management normally gets the union it deserves. If it handles unions the wrong way, the results for the organisation can be disastrous. An approach to collective dealing should be: (a) the recognition of the union, (b) the respective role perfonnance of management and union, (c) the type of procedures one can adopt to regularize relationships with unions, (d) the basic techniques of negotiating with unions, (e) the mechanism of involvement through participation, both traditional fonns of joint consultation as well as the Japanese import of quality circles.

Human Resource Utilisation: According to Peters and Watennan, to achieve productivity through people, it is very essential to "treat them as adults, treat them as partners, treat them with dignity, and treat them with respect." These fundamental human relations values provide the base for productivity management programmes, which use techniques such as method study to improve efficiency. Both managers and workers must be persuaded somehow to realise that they have a common interest in increasing output.

The following actions are required to improve the use of human resources: (a) conduct a productivity drive; (b) improve manpower budgeting and control techniques; (c) introduce work measurement; (d) use appropriate payment method by results; bonus and profit-sharing schemes; (e) improve motivation; (f) involve employees in improvement programmes; (g) introduce new technology; (h) negotiate appropriate productivity agreements; and (i) introduce training programmes based on an analysis of productivity needs.

Human Resource Accounting (HRA): HRA means accounting for people as the organisational resource. It is the measurement of the cost and value of people to organisations and involves measuring the costs incurred on recruiting, selecting, hiring, training and developing employees and judging their economic value to the organisation. HRA can be very useful in managerial decision-making. For instance, whether it is recruitment and selection or replacement *of* an employee, HRA can provide an estimate *of* the cost involved in the process.

Similarly, it can help the management in budgeting for development *of* human resources. HRA can also provide data pertaining to turnover costs, the cost *of* employee's absence and its impact on performance *of* others.

Human Resource Audit: The purpose *of* a human resource audit is to assess the effectiveness *of* the human resource function and to ensure regulatory compliance. Human resource audit is a vast subject and covers many delicate aspects *of* human and organisational interactions.

The HRD auditor has to study the organisation design, its objective, performance *of* its human resources, as well as the proper maintenance *of* HRD climate and practices. The job *of* the HR auditor is not an easy one. To gain success, he has to be very selective about the area and procedure he wishes to follow. Auditing in the field *of* human resources is a difficult job, more so because unlike other audits, the auditor has to deal with individuals vis-a-vis organisational priorities. Therefore, the HR auditor is required to be very systematic in his job and define the task clearly as to which arena he has to cover.

3.7 SUMMARY

HRM has emerged as a major function in organisations. Its origin can be traced back to Taylore and McGregor age. Today employee's position in the organisations has changed. Managing human resources is one of the key elements in the co-ordination and management of work organisations. As discussed in this unit, the scope of HRM is very wide and there are four perspectives on HRM. HRM is carried out in an organisation with the help of number of components it has. Hence, HRM is important for organisations, for organisation's members as well as for the nation.

3.8 SELF-ASSESSMENT QUESTIONS

1) Trace the evolution of HRM.

2) Discuss the importance and scope of HRM.

3) Explain different perspectives on HRM.

4) Describe the components of HRM.

3.9   FURTHER READINGS

Yoder, Dale (1977). *Personnel Management and Industrial Relations*, Prentice Hall of India, New Delhi.

Indian Institute of Personnel Management (1973). *Personnel Management in India*, Asia Publishing House, Mumbai.

Sarma, A.M. (1998). *Personnel and Human Resource Management*, Himalaya Publishing House, New Delhi.

Tripathi, P.C. (2004). *Personnel Manament and Industrial Relations*, Sultan Chand & Sons, New Delhi.

Katz, R. and Kahn, R. (1978). *The Social Psychology of Organisation*, Wiley, New York.

Galbraith, J. and Nathonson, R. (1978). *Strategy Implementation: The Role of Structure and Process*, St. Paul, Minnesota.

Tichy, N.N. (182). *Strategic Human Resource Management*, Sloan Management Review.