UNIT 1 : INTRODUCTION TO HUMAN RESOURCE MANAGEMENT

UNIT STRUCTURE

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1.1 LEARNING OBJECTIVES

After going through this unit, you will be able to-

- explain the concept of human resource management
- describe the objectives and significance of HRM
- discuss the functions of HRM
- explain the organisation for HR Department
- explain the outsourcing of HR Activities
- discuss the internal and external factors affecting HRM
- describe the role and responsibilities of HR manager
- discuss the latest trends in HRM.

1.2 INTRODUCTION

'Our assets walk out of the door each evening. We have to make sure that they come back the next morning'.

Narayana Murthy, CEO, Infosys.

An organisation is made up of four resources, namely men, machine material and money. The first one is living one, i.e. human who make use of other non-human resources. Hence, people are the most significant resources in an organisation. According to Peter F. Drucker, 'of all the assets, men are the most valuable one.'

The adequate provision for appropriate human resources is an essential requirement for any organisation's success. Keeping in view the importance of human resources, the present Unit focuses on the concept, objectives and functions of human resource management. The Unit also includes discussion on various relevant aspects of human resource management. The role and responsibilities of HR manager and the recent trends in HRM are also highlighted in the Unit.

1.3 CONCEPT OF HRM

Human Resource Management (HRM) is a process of making the efficient and effective use of human resources so that the set goals are achieved. It is that part of management which is concerned with management of people in an organisation.

Human Resources are regarded as human factor, human asset, human capital and the like.

According to Decenco and Robbins, 'HRM is concerned with the people dimension in management.'

According to E.F.L. Breach. 'HRM or personnel Management is that part of management process which is primarily concerned with the human constitutents of an organisation.'

According to Indian Institute of Personnel Management, 'Personnel Management is that part of management function which is primarily concerned with human relationship in an organisation.'

From the analysis of the above definitions it is clear that HRM or personnel management includes the following :

i) It is management of human resources of the enterprise.

ii) It is concerned with the effective utilisation of human resources.

iii) It requires special knowledge and skills in human psychology, law and industrial relations as shown in Figure 1.1.

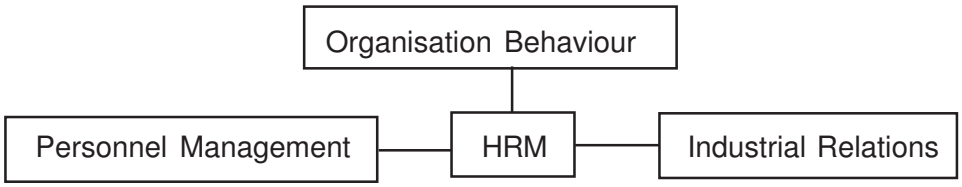


Figure 1.1 : Elements of HRM



Industrial Relations: It refers to the interrelationship among the workers, employers and the government agencies in industrial context

Thus, HRM focuses attention on the employment and utilisation of human resources with a view that the organisation has right people at right time at right place.

Since every organisation is made up of people, acquiring their services, developing their skills, motivating them to higher performance and ensuring their commitment to the organisation are essential. These areas are taken care of by the HRM. Considering the importance of human resource management in an organisation, a separate department is set up within the organisational structure to deal with the matters associated with human resource. The department is generally headed by a Human Resource Manager. The structure of HR Department will be discussed in Section 1.7 of this unit.



CHECK YOUR PROGRESS

Q 1: Define human resource management.

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1.4 COMPARISON BETWEEN PERSONNEL MANAGEMENT AND HRM

There are differences of opinions so far as comparison between personnel management and HRM is concerned. Some treat both as the same, some treat them as different. Taking all the views on comparison of personnel management or HRM, we can differentiate them as follows :

Personnel Management	HRM
1. It is a routine type and maintenance oriented administrative function.	HRM places emphasis on continuous development of people at work.
2. It is mainly reactive and responds to the demands of an organisation whenever arises.	It is a proactive function because it anticipates future needs and acts accordingly.
3. It is an independent function without giving much regard to organisational strategies and processes.	It takes into account its linkages with all other parts of the organisation.
4. It takes a narrow view of its scope and objectives.	HRM takes a system view in which attempt is made to create proper organisational culture.
5. It emphasises on economical rewards and traditional job design for motivating people for better performance.	HRM emphasises on satisfaction of higher needs for motivating people such as challenging jobs, creativity etc.

1.5 OBJECTIVES AND SIGNIFICANCE OF HRM

The objectives of HRM may be discussed under two broad categories:

A. Basic or general objectives.

B. Specific objectives.

They are explained below :

A) Basic or General Objectives :

The basic objectives of HRM is to ensure that there are right people at the right time and the right place.

The basic objectives should include the following :

- **Maximum Individual Development :** The management should develop the personatity of each individual. Employees should always be regarded as a co-owner or partner of the organisation and give a due importance in the organisation.
- **Desirable Working Relationship :** One of the main objectives of HRM is to have a desirable working relationship between the employer and employees so that they may co-operate with the management. Management should realise that worker is a human being and human treatment should be given to him.
- **Effective Moulding of Human Resource :** Management should emphasises the effective utilisation of human resources so that more production at minimum cost is possible. Without effective moulding of human resources, other factors of production will be ineffective.

B. Specific Objectives :

This refers to the various activitives of the HR Department such as the following :

- **Selection :** It includes selection of right type and number of persons required for the organisation.
- **Orientation/Induction :** It means proper orientation or induction of new employees of the organisation to their jobs and other people.
- **Training :** HR department should organise suitable training programme to prepare people for better job performance and prepare them to accept the challenges of higher jobs.
- **Better working performance :** Another specific objective of HRM is to make provision of better conditions and other facilities for the workers such as medical benefits, leave with pay, provident fund, pension etc.
- **Incentives :** This objective includes the provision of fair wages and salary administration and other incentives which will result in highest

possible productivity of workers.

- **Retirement :** A full and fair consideration should be given to an employee when his/ her services are terminated or he/ she leaves the organisation.
- **Trade Union :** Trade unions play an important role in the industrial life. Therefore, good relation should be maintained with the representatives of the trade union.
- **Personnel Research :** Provision of continuous personnel research should be there so that sound decisions can be taken without any further delay as regards the human resource matters.

Significance of HRM

The significance of HRM may be of three types, normally organisational significance, social significance and professional significance.

They are explained below :

- **Organisational Significance :** HRM is of vital importance to the individual organisations as a means of achieving their objectives. It contributes to the achievement of organisational objectives in the following ways :
  - i) By effective utilisation of human resource through motivating them and changing their attitudes towards the work.
  - ii) By developing personnel to meet the demands of the work effectively.
  - iii) By ensuring recruitment and retention of personnel in the organisation so that right people are available at right time and right place.
- **Social Significance :** Since human resources are drawn from the society, their effective contributions to the welfare of the society is important. It is often said that a happy worker is not only happy at the work place but at home and in society too. The social significance of HRM is achieved by :
  - i) Maintaining balance between jobs and job seekers.
  - ii) Providing most productive employment from which socio-

psychological satisfaction can be derived.

iii) Utilising human capabilities and matching rewards for the contributions made by people.

iv) Eliminating wasteful organisational and individual practices.

- **Professional significance :** Professional significance of HRM lies in developing people and providing appropriate environment for effective utilisation of their capabilities :

  This can be done by :

  i) Developing people on continuous basis to meet the future challenges.

  ii) Maintaining the dignity of personnel at the work place.

  iii) Providing proper physical and social environment at the work place.

  iv) Providing environment and incentives for developing and utilising creativity.



CHECK YOUR PROGRESS

Q 2: State two general objectives of Human Resource Management.

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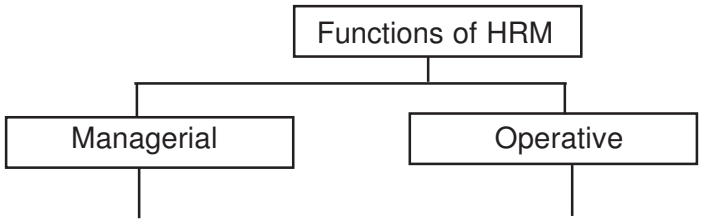
Q 3: Explain the importance of human resource management.

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1.6 FUNCTIONS OF HRM

The functions of HRM may be divided into two parts as shown in the chart :



1. Planning
2. Organising
3. Directing
4. Controlling

1. Recruitment
2. Development of Personnel
3. Compensation
4. Record Keeping
5. Motivation
6. Industrial Relations
7. Research and Audit
8. Maintenance

A. Managerial Functions :

1. **Planning :** It is the main function of management. It is concerned with manpower planning, study of labour turnover rate, forecasting the future requirements of personnel, planning for selection and training of personnel etc.
2. **Organising :** It involves the establishment of inter-relationship within an organisation. It identifies the various sub-groups and their jobs. Organisation provides a structure for the company.
3. **Directing :** The directing function of HRM includes issuing instructions to the workers, developing communication network and integrating the workers.
4. **Controlling :** It provides basic data for establishing standards for performance, makes job analysis and performance appraisal etc. All these techniques assist in effective control of the qualities and efforts of the workers.

B. Operative Functions :

1. **Recruitment :** It is concerned with obtaining the proper kind and

number of personnel necessary to accomplish organisational goals. It basically deals with manpower plan, recruitment, selection, induction and placement.

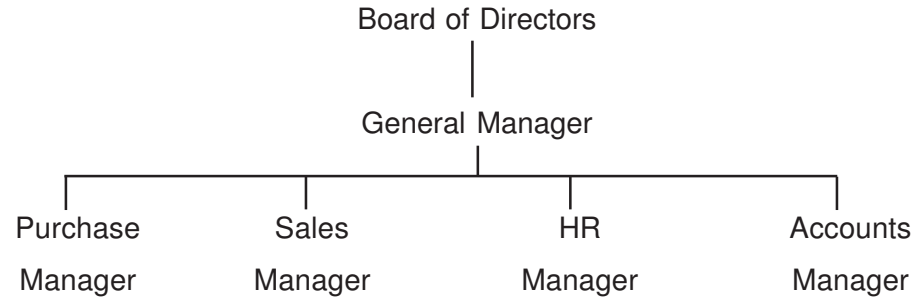
2. **Development of personnel :** It deals with providing training to improve the skills for proper job performance. In this process, various techniques are used to develop the employees.
3. **Compensation :** Compensation means determination of adequate and equitable remuneration of personnel for their contribution to organisational objectives. It is one of the most difficult and important functions of HRM.
4. **Record Keeping :** In record keeping the HR manager collects and maintains information concerned with the staff of the organisation. It assists the management in decision making such as promotion, transfer etc.
5. **Motivation :** Another important function of HR manager is to motivate people in the work place through various financial and non-financial incentives.
6. **Industrial Relations :** If the HR manager is unable to make harmonious relations between management and labour, industrial unrest will take place. Hence, the HR manager must create harmonious relations in the organisation.
7. **Research and Audit :** It is concerned with the research in various fields of personnel activities and their effect on the workers of the organisation.
8. **Maintenance :** It is concerned with providing various benefits for maintenance of staff including medical, housing, educational, transport facilities, pension, provident fund etc.

1.7 ORGANISATION FOR HR DEPARTMENT

HR department is a staff department in an organisation. Being the head of the department, HR manager has a line authority within the department. He may be provided with other staff to assist him in achieving

the objectives of the organisation. Keeping in mind the size, nature and location, the HR department may be organised as discussed below-

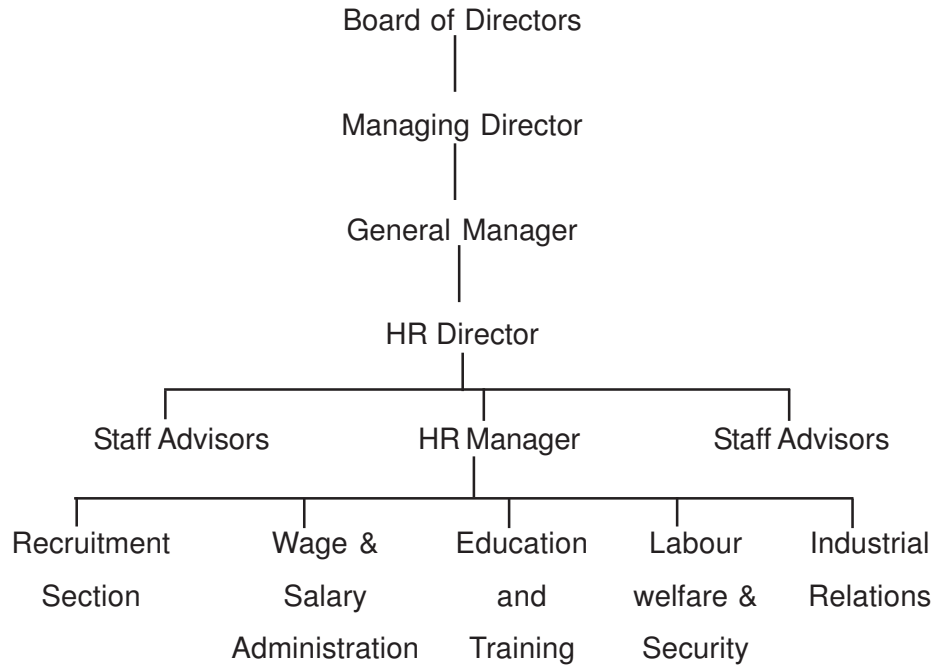
- **In Small- sized Enterprises :** HR department may or may not exist in such enterprises. Generally, the HR manager is supposed to perform the staff function in the organisation. The HR department assists the top management in performing the HR activities. An idea of the organisation of HR department in small- sized enterprises may be drawn from the following chart :



- **In Medium- Sized Enterprises :** Such enterprises include all those enterprises which employ between one thousand and two thousand employees. In such enterprises more importance is attached to personnel functions. Each personnel function is assigned to a seperate section under the charge of a sectional head. The following chart may depict the organisation of a HR department in medium-sized enterprises :



- **In Large-sized Enterprises :** Large-sized enterprises are those which employ more than two thousand employees. In such organisation a Human Resource Director may be appointed as the overall incharge of HR Department. The HR managers in respective regions work under him. HR managers are assisted by the advisory bodies. The following chart shows the organisation of HR Department in large-sized enterprises :





CHECK YOUR PROGRESS

Q 4: State two operative functions of Human Resource Management.

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1.8 OUTSOURCING OF HR ACTIVITIES

HR services outsourcing has become an acceptable norm in business. Outsourcing means sending work outside the organisation to be done by the individuals not employed full time with the organisation. This concept has entered the Indian business recently because of international

impact. The following HRM functions can be outsourced :



BPO: Business Process Outsourcing is an agreement under which a company outsources certain activities to a third party service provider like, customer care, payroll, accounting etc.

i) Getting contingent workforces through Business Process Outsourcing (BPO).

ii) Preliminary process relating to recruitment and selection may be outsourced.

iii) Administrative works related to employee benefits, employee welfare services, staff training etc. can be outsourced.

iv) Some other functions like HR planning, job design, job evaluation etc. can also be outsourced on selective basis.

Benefits of outsourcing :

Outsourcing offers certain benefits to the HRM functions like,

i) By outsourcing, the organisation can concentrate on critical HRM functions.

ii) The outsourcing agencies (BPO) have required skill and infrastructure and they can provide services at much lower cost.

iii) Outsourcing leads to reduction in the investment requirements because the outside agencies have already invested in those activities.

Problems in Outsourcing :

Problems related to outsourcing of HRM functions are of the following types :

i) The organisation has to depend on outsiders for getting things done and the work can be delayed.

ii) The qualities of BPOs in India yet to achieve the required level. Its reliability and capability should be ascertained.

iii) It is argued that outsourcing of some routine and administrative functions will adversely affect the morale of the HR staff.

1.9 INTERNAL FACTORS EFFECTING HRM

Since the beginning of the twentieth century there is a great change in the attitude of industrialists towards labourer. They have realised that labour is partner in the functioning of the industry. Modern workers are educated and united into a sense of social responsibility. Government have

come forward with various steps in improving the conditions of the labour force. The mounting pressure of labour problems have changed the attitude of management towards workforce. The change in size of the business, socio-economic environment, technology, political situations etc. all have contributed to the growth and development of human resource management.

The factors responsible for the growth of HRM may broadly be divided into two groups- Internal factors and External factors. In this section we will discuss the internal factors that influence HRM

- **Change in the attitude of leaders :** Some of the factors which compelled the busines leaders to make a change in their attitudes towards labour were the development of scientific management, industrial revolution, awakening of workers, favourable attitude of goverment towards labour, industrial democracy and change in the social values of workers in organisations.
- **Trade Union :** After the World War- I, workers started to unite. A new industrial labour movement soon became an important element in this structure. With the emergence of International Labour Organisation (ILO) in 1919, the union movement succeded in imporving the labour relations in industries. The concept of labour from commodity concept to the human concept was given a wide recognition. The emerging concept of industrial democracy is the outcome of the labour union movement in organisations.
- **Organisational Culture :** The workers now perform their duties under a changed organisational culture. Education brought the change in the attitude of labour towards their work. They could understand what was favourable and what was against their interest. Hence, they could no longer be exploited.

Active utilisation of men, unemployment problem, wage fixation, migratory character of labour etc. are some of the socio-cultural problems. These problems could be overcome by motivating the people in the right direction.



Industrial Democracy: It refers to an arrangement where the employees can take part in the decision- making process of the organisation and thereby shares responsibility.

1.10 EXTERNAL FACTORS EFFECTING HRM

The important external factors effecting HRM are explained below :

- **Political :** The political environment of a country largely affect the functioning of management. The change in government attitude towards labour, management and business influence the managerial activities to a great extent. The laissez faire view point was popularised and it proposed a minimum of public intervention in business activities. However, political interest of the countries could not be safeguarded by this policy. Hence, protection policy was introduced by nearly all the countries in the world. The Government came to the rescue of the employees in getting them rid of exploitation by the employers.
- **Economic :** Economic forces include growth rate and strategy, industrial production, national and per capita income, money and capital markets, competition, industrial labour and globalisation. All these forces have significant influence on wage and salary levels and cost of production. Growing unemployment and reservation in employment also affect the choice for recruitment and selection of employees in organisations.
- **Legal :** Establishment of welfare states in most of the countries led to the enactment of various labour laws for the welfare of the industrial force. International Labour Organisation and other national labour agencies recommended several countries to introduce numerous labour statues to reconcile the viewpoint of the labour and management. Thus, the legal forces is one of the factors influening HRM activities.
- **Technical :** The following technical factors have contributed a lot towards the growth of HRM :
  - i) Industrial Revolution brought in revolutionary changes in the methods and techniques of industrial production. So, the existing management principles were suitably changed to reconcile the situation.
  - ii) With the advent of science, new and newer products, methods,

techniques and processes were developed in the fields of production, communication and marketing, affecting the industrial development and personnel relations.

- **Demographic :** Demographic variables include gender, age, literacy, mobility etc. Modern workforce is characterised by literate, women and scheduled caste and scheduled tribes workers. Now, workers are called 'knowledge workers' and the organisations wherein they work are called 'knowledge organisations.' Employees are demanding parity in remuneration and responsibility among various categories and levels of employees.



CHECK YOUR PROGRESS

Q 5: Mention two problems in outsourcing of Human Resource activities.

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1.11 ROLE AND RESPONSIBILITICS OF HR MANAGER

Throughout the world, the role of HRM has been well recognised. The HRM activities are effected by the external environment such as government and its policies, labour market, economic environment, competitions, population etc.

Similarly, internal factors such as organisational structure, job structure, health and safety measures, salary structure, policies and procedures of the organisation etc. are also directly related to the human resources of the organisation.

Thus, the HR manager has to play significant role and has to discharge the responsibilities in managing the above activities in the following ways :

- **Integrating organisation plan with HR plan :** Organisational planning must be closely integrated with the HR requirement of the organisation. The strategic HRM is essential for success in business.
- **Human Resource Planning :** It is one of the important activities of

the HR manager. He is to make planning of human resources carefully to meet the challenges in future.

- **Acquisition of Human Resource :** Acquiring human resources is another activity of HR manager. It is to be done very carefully because everything depends on the people.
- **Managing Performance :** Good performance by the employees benefits the organisation in the long run. The HR manager has to play the role in career advancement for the talented and hardworknig people.
- **Training and Development :** In order to improve the performance of individual and groups, training and development activities are undertaken. It is the crucial aspect of HRM.
- **Compensation and Benefits :** Compensation and benefits are activities that determine salary and wage structure, rewards and benefits to be paid to the staff of the organisation. The HR manager can play vital role in determining the compensation plan and other benefits for the employees.
- **Health and Safety Provision :** Making adequate provision for the health and safety of employees helps in building a strong workforce. Health and safety issues are crucial. Therefore, the HR manager must take measures for health and safety of workers as per legal provision so as to avoid further complications.
- **Encouraging Participation in Management :** Participation increases the performance of employees and their productivity. HR manager has to develop the skills of participation among employees. Effective participation is not that easy. The HR manager must try to secure participation of workers which helps in building up industrial democracy.

1.12 LATEST TRENDS IN HRM

Globalisation, liberalisation and technological advances that began in the late 20th century have changed the way of doing business around the world. Even in the present 21st century, these three factors are still

continuing to pose challenges to business organisations. In recent years, the need of HRM has been widely recognised as a specialised function of the management. Mostly all the organisations prefer to establish a HRM department to deal with the working force in the enterprise. The HR department has to face the challenges of dynamic environment which are discussed below :

- **Increasing size of workforce :** Modern day organisations are ever increasing in size and complexity, multiplying number of people working theirin. The management of an increased workforce becomes very challenging especially since the workers are becoming more and more conscious of their rights.
- **Management of Human Relations :** The new generation workforce comprising educated and conscious workers will ask for higher degree of participation and avenues for self-fulfilment. It is rather difficult to motivate many of the new generation workers than their predecessors.
- **Globalisation :** Globalisation is increasingly being viewed as a growth strategy by several companies. Growing internationalisation of business has its impact on HRM functions. The HR department is required to cope with the problems of unfamiliar laws, languages, practices, competition, attitudes, management styles, work ethics and more.
- **Managing the Managers :** Managing the managers is another challenge before the HR manager. A dangerous trend is emerging in the post-liberalisation era. Freedom given to the managers is grossly misused to get rid off talented and hard working juniors demanding unreasonably high remuneration.
- **Changes in Legal Environment :** In the legal environment, several strict legislations are being enacted for employees' protection. To meet the growing changes in the legal environment, necessary adjustments will have to be made by the HR department so that greater utilisation of human resources can be achieved.
- **Mergers and Acquisitions :** In merger, one organisation merges with another organisation and term one entity. But in acquisition one

organisation acquires the control of another organisation. Liberalisation has paved the way for mergers and acquisitions. Due to merger and acquisition integration of people becomes a problem due to difference in HR practices.

- **Changing Workforce Profile :** Over the period of time, there has been a tremendous change in Indian workforce profile. Today, workers are more educated, skill-oriented, comparatively younger and have high expectations. Therefore, there are challenges before the HR department to have a realistic preview so as to avoid unrealistic expectations from the jobs.
- **Increasing Quality Consciousness :** With the increased competition at the global level and discerning customers, more and more organisations are becoming conscious about the quality of their products/services. Increasing quality awareness has generated the adoption of the following practices :
  a) Emphasis on Total Quality Management
  b) Emphasis on Kaizen
  c) Moving towards Six Sigma
  d) Quality Certification.



CHECK YOUR PROGRESS

Q 6: State any two role of HR manager in modern organisations.

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1.13 LET US SUM UP

In this unit we have discussed the following aspects-

- HRM is concerned with that part of management which deals with people in an organisation. The adequate provision for appropriate

human resources is an essential requirement for any organisation's success.

- The basic objectives of HRM is to ensure that there are right people at the right time at right place. HRM is significant from social, organisational and professional point of view.
- A HR manager has to perform some managerial as well as operative functions in an organisation. The HR Department should be organised keeping in view the size, nature and location of the organisation. Some of the HR activities are now outsourced by big organisations that result in reduction in investment and increase in efficiency.
- The growth of HRM is effected by both internal and external factors which must be taken into consideration. The HR manager has to perfrom the functions very sincerely and efficiently in managing the internal and external factors.
- The HR manager must keep pace with the changing environment to make the department a dynamic one.



1.14 FURTHER READINGS

1) Khanka, S.S. (2009). Human Resource Management, S. Chand & Company, New Delhi.
2) Chabra, T. N. (2010). Human Resource Management, Dhanpat Rai & Sons, New Delhi.
3) Pathak, R.K. (2013). Human Resource Management, Ashok Book Stall, Panbazar, Guwahati.
4) Michael, V.P. (1995). Human Resource Management and Human Relations, Himalaya Publishing House, New Delhi.



1.15 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Human resource management is concerned with management of people in an organisation. It is the process of making the efficient and effective use of human resources to achieve organisational goals.

Ans to Q No 2: Two general objectives of HRM are–

i) Maximum individual development

ii) Effective moulding of human resources.

Ans to Q No 3: The importance of human resource management can be discussed from organisational, social and professional aspects. From organisational context, human resource management contributes towards achievement of organisational goals. From societal point of view, it provides most productive employment from which socio-psychological satisfaction can be derived. Professional importance of human resource management lies in developing people and providing appropriate environment for effective utilisation of their capabilities.

Ans to Q No 4: Two operative functions of HR management are–

i) Recruitment of proper kind and number of people.

ii) Providing training to improve the skills of personnel.

Ans to Q No 5: Two problems of outsourcing of human resource activities are–

i) The organisation has to depend on outsiders for getting things done.

ii) The qualities of BPOs in India are yet to achieve the required level.

Ans to Q No 6: Two role of HR manager in modern organisation are as follows :

i) To meet the global changes in legal environment, the HR manager must make necessary adjustment.

ii) The HR manager has to motivate the new generation workers which is a very difficult task.



1.16 MODEL QUESTIONS

Q 1: Define Human Resource Management.

Q 2: Distinguish between Personnel Management and Human Resource Management.

Q 3: Explain the specific objectives of HRM.

Q 4: Describe the social and professional significance of HRM.

Q 5: Explain the managerial functions of HRM.

Q 6: What are the different ways of organising a HR department ?

Q 7: What are the different HR activities that can be outsourced by a company?

Q 8: Discuss the various internal and external factors effecting HRM.

Q 9: Describe in brief the role of HR manager.

Q 10: Discuss are the challenges faced by HR managers in recent years.

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