

## **HISTORY, EVOLUTION AND DEVELOPMENT OF HUMAN RESOURCE INTRODUCTION**

### **Defining Human Resource Management (HRM)**

According to Armstrong (2006) Human Resource Management (HRM) is defined as a strategic and coherent approach to the management of an organization's most valued assets – the people working there who individually and collectively contribute to the achievement of its objectives. From this definition, we can deduce that HRM or simply HR is a function in organizations designed to maximize employee performance in service of their employer's strategic objectives (Johanson, 2009). HR is primarily concerned with how people are managed within organizations, focusing on policies and systems (Collings & Wood, 2009). HR departments and units in organizations are typically responsible for a number of activities, including employee recruitment, training and development, performance appraisal, and rewarding (e.g., managing pay and benefit systems) (Paauwe & Boon, 2009). HR is also concerned with industrial relations, that is, the balancing of organizational practices with regulations arising from collective bargaining and governmental laws (Klerck, 2009)

HRM is a product of the human relations movement of the early 20th century, when researchers began documenting ways of creating business value through the strategic management of the workforce. The function was initially dominated by transactional work, such as payroll and benefits administration, but due to globalization, company consolidation, technological advancement, and further research, HR now focuses on strategic initiatives like mergers and acquisitions, talent management, succession planning, industrial and labor relations, ethical considerations, diversity and inclusion. These, among other initiatives contribute to the understanding of Human Resource Management as a contemporary issue owing to their sustained evolutionary nature. Global Journal of Human Resource Management May 2015 Published by European Centre for Research Training and Development UK

In this paper, I will discuss the historical development of Human Resource Management (HRM) as a discipline. I will consider its various evolutionary phases outlining the specific characteristics of each phase and the contributions of these characteristics in shaping the development of Human Resource Management as a field of study as well as a profession. Lastly I will provide a summary of key issues that justify Human Resource Management as a contemporary subject.

## **HISTORICAL DEVELOPMENT OF HUMAN RESOURCE MANAGEMENT (HRM)**

### **Tracing the roots of HRM**

During pre-historic times, there existed consistent methods for selection of tribal leaders (Jones & Bartlett, 2014). The practice of safety and health while hunting was passed on from generation to generation. From 2000BC to 1500BC, the Chinese used employee screening techniques and while Greeks used an apprentice system (History of Human Resource Management, 2010).

These actions recognized the need to select and train individuals for jobs.

Early employee specialists were called personnel managers (or personnel administrators), and this term is still in use in various discourses. 'Personnel management' refers to a set of functions or activities (e.g. recruitment, selection, training, salary administration, industrial relations) often performed effectively but with little relationship between the various activities or with overall organizational objectives. Personnel management in the United Kingdom and the United States developed earlier than in Australia and Asia Pacific countries in response to their earlier and more widespread adoption of mass production work processes. Power-driven equipment and improved production systems enabled products to be manufactured more cheaply than before. This process also created many jobs that were monotonous, unhealthy or even hazardous, and led to divisions between management and the 'working class'. The concentration of workers in factories served to focus public attention upon conditions of employment, and forced workers to act collectively to achieve better conditions. The Humanitarian, Cooperative and Marxist theories of the early 1900s highlighted the potential conflicts between employee and employer interests in modern industry – situations that laid the foundations for the growth of trade unionism and industrial relations systems which are important elements of contemporary HRM (Nankervis et.al (2011)

Governments in both the United Kingdom and the United States became involved in these issues and passed a series of laws to regulate the hours of work for women and children, to establish minimum wages for male labour and to protect workers from unhealthy or hazardous working conditions. Australian governments, both state and national, gradually began to follow suit from the early 1900s, although Australia and New Zealand adopted a different system based on conciliation and arbitration rather than mandated conditions.

During this period, management theorists in the United States and United Kingdom began to examine the nature of work and work systems, and to develop models based upon emerging psychological and sociological research. The ways in which these theories have developed, and have been applied by both general management and HR professionals, reflect changing attitudes to jobs, work processes and organizational structures. The Classical school (or 'Scientific Global Journal of Human Resource Management Vol.3, No.3, pp.58-73, May 2015 Published by European Centre for Research Training and Development UK

Management', founded by Frederick Taylor, and best exemplified by Henry Ford in his vehicle manufacturing plants) puts its emphasis on the job itself and the efficient adaptation of workers to work processes. The Behavioural school (for example, Elton Mayo's Hawthorne Studies) focuses on workers themselves, and the satisfaction of their needs, to achieve greater organizational productivity. Subsequent management theories (e.g. systems theory, contingency approaches) attempt to build on earlier ideas to benefit both employees and their organizations. Contingency, Excellence and Total Quality Management (TQM) theorists have applied these ideas to particular industries and organizations, or to different economic and social situations. The relevance of these theories to HRM is twofold. First, personnel management has historically developed into human resource management by incorporating management theories (notably strategic management); second, a sound knowledge of these theories can assist HR managers to more effectively adapt their practices to organizational requirements and realities.

### **Stages in the Development of HRM**

Human resource management in Australia and the Asia Pacific region has progressed along similar lines to its United States and United Kingdom counterparts, but with differences in the stages of development, and in the relative influence of social, economic, political and industrial relations factors. The two main features of the US development of HRM are its initial emphasis on largely administrative activities, directed by senior management, and then the move to a more confident, business-oriented and professional approach in the 1980s and 1990s. Similar processes occurred in the United Kingdom, with more early emphasis on the 'welfare' roles of personnel practitioners because of the excesses of early capitalist industry, a strong humanitarian movement and developing trade unionism. In Asian countries, there has been a blend of administrative, paternalistic, cooperative, and business-focused HRM that varies between countries depending on their cultures, stages of development, extent of government intervention in the economy and industrial relations systems (Nankervis, Chatterjee & Coffey, 2007)

In Australia, HRM has developed through the following general stages.

- a) Stage one (1900–1940s): administration stage
- b) Stage two (1940s–mid-1970s): welfare and administration stage
- c) Stage three (mid-1970s–late 1990s): human resource management and strategic human resource management (SHRM) stage
- d) Stage four (Beyond 2000): SHRM into the future

These stages largely reflect the development of Human Resource Management in the rest of the world notably, the UK and the USA. A critical discussion of these stages is presented below:

#### **Stage one (1900–1940s)**

##### **Welfare Stage**

During this period personnel functions were performed by supervisors, line managers and early specialists (e.g. recruitment officers, trainers, welfare officers) long before the establishment of a national association representing a 'profession' of personnel or human resource management. Global Journal of Human Resource Management , May 2015 Published by European Centre for Research Training and Development UK

The early management theorists contributed ideas that would later be incorporated into personnel management theory and practice. Through job design, structured reward systems, 'scientific' selection techniques espoused by scientific management (see Frederick Taylor, Frank Gilbreth and Alfred Sloan) personnel management practice were refined especially in the recruitment and placement of skilled employees. Behavioural science (or industrial psychology) added psychological testing and motivational systems (see Elton Mayo), while management science contributed to performance management programs.

In Australia, however, these overseas influences were of only marginal importance until the 1940s. Prior to World War II, personnel management functions were largely fragmented, and often conducted by line managers as part of their overall management responsibilities. At the time, Australia had a relatively stable economy, with certain markets for its agricultural and limited manufacturing products in the United Kingdom and Europe. Society was generally stable, though disrupted by World War I and the Great Depression (1930s). Unemployment was low until the 1930s, when labour became readily available for employers. Trade unions were active, largely focusing on issues of pay and working conditions. Personnel functions during this period were mainly restricted to administrative areas (e.g. wage/salary records, minor disciplinary procedures and employee welfare activities). In 1927, A. H. Martin established the Australian Institute of Industrial Psychology at Sydney University to promote the ideas of Behavioural scientists and industrial psychologists in Australia.

#### **Stage two (1940s–mid-1970s)**

##### **Welfare and administration Stage**

This second stage marks the beginning of a specialist and more professional approach to personnel management in Australia. World War II had significant repercussions for both those who went overseas and those who stayed behind, and particularly for business, the economy and the labour market. During World War II, not only was there a scarcity of labour for essential industries such as munitions and food, but there was also a corresponding increase in the problems and performance of existing employees. Many more women had become involved in all areas of Australian industry, to replace their husbands and brothers who were in military service. Financial, social and family pressures began to hinder the productivity and output of such employees, and they became increasingly harder to recruit. When the war ended, returning soldiers flooded the labour market, often with few work skills. Thus, employers – spurred on by government initiatives and their own post-war requirements for skilled employees in a developing economy – began to focus on the importance of a wider range of personnel functions.

Increased provision of welfare services for employees was seen by some employers (notably government departments such as the Postmaster-General) as a means of attracting and maintaining employees and ensuring their continued productivity. The Commonwealth Department of Labour and National Service established an Industrial Welfare Division in the 1940s to promote the welfare function, offering emergency training courses to equip practitioners with the necessary skills. These activities were supported by the new human relations theories that were filtering into Australia from the United States. In addition, scientific management, the quantitative school and behavioural science contributed employee and management assessment and development techniques such as productivity measures, Global Journal of Human Resource Management , May 2015 Published by European Centre for Research Training and Development UK

management planning and control mechanisms (e.g. Drucker, McGregor, Chandler), psychological testing and applications of the emerging employee motivation theories (e.g. Maslow, Herzberg, McGregor). Many more organizations began to employ specialists to conduct recruitment, training and welfare activities, taking these functions away from line managers.

In 1943, the first personnel officer was appointed to the St Mary's Explosives Factory in New South Wales, and in the same year a Personnel and Industrial Welfare Officers' Association was established in both Victoria and New South Wales. These state associations combined to form the national Personnel Officers' Association in 1949, renamed the Institute of Personnel Management Australia (IPMA) in 1954 (Nankervis, Chatterjee & Coffey, 2007). Subsequently, the Commonwealth Employment Service (CES) was set up to help employers obtain suitable employees, and both Sydney Technical College and Melbourne University developed personnel management courses. Business schools with personnel management strands were established in most Australian states during the 1950s, encouraged by the development of the national professional association, IPMA, with members in Victoria, New South Wales, South Australia, Western Australia and Queensland. This stage is also characterised by the expansion of necessary personnel functions for the post-war Australian economy (welfare, recruitment, selection, training); a gradual move from specialist to more general approaches; the adoption of overseas theories, including scientific management, behavioural science and human relations; and the emergence of professional associations and courses. The resurgence of unionism during these decades cannot, of course, be overlooked. Unions in a buoyant economy focused on issues of pay and work conditions, forcing further expansion of personnel activities to include industrial relations considerations. The complex industrial relations structure at the national level was originally established by the *Conciliation and Arbitration Act 1904*, with similar developments at each of the state levels. They were further developed during the post-war period. While the range of functions performed by the growing number of personnel specialists expanded greatly during this period, they were often conducted in isolation from one another and generally without any consideration of their impact on overall organizational effectiveness. Personnel management activities were largely separated from those concerned with industrial relations, and a clear professional philosophy did not exist.

### **Stage Three (mid-1970s–late 1990s)**

#### **HRM and SHRM**

During the 1970s, the majority of Australian organizations found themselves in turbulent business and economic environments, with severe competition from US and European organizations and emerging Asian markets. The influences of the 'Excellence' theories (e.g. Peters and Waterman) were beginning to affect the management of employees, together with increasing cost–benefit pressures.

At the same time, the professional association (IPMA) and training institutions (TAFE and the universities) were becoming more sophisticated in their approaches, incorporating the ideas of the 'excellence', leadership and Total Quality Management (TQM) theories, with more recent Global Journal of Human Resource Management May 2015 Published by European Centre for Research Training and Development Uk

developments such as Kaplan and Norton's (2005) 'Balanced Scorecard.' During this period, the IPMA held a number of international conferences, initiated relationships with the Asia Pacific region, developed minimum criteria for practitioner accreditation (the 1987 rule) and a journal for academic and practitioner discussion ( *Human Resource Management Australia* , later re-titled *Asia Pacific HRM* , and still later the *Asia Pacific Journal of Human Resources* ).

Personnel management was becoming human resource management, representing a change towards the integration of personnel functions, strategically focused on overall organizational effectiveness. Significantly, the use of the term 'human resource management' was first noted in Australia in these years, (Kelly, 2003) reflected in the formation of the Australian Human Resources Institute to replace the IPMA. It was enhanced by industrial relations changes, including award restructuring and enterprise agreements, increasing employment legislation, and economic realities such as declining trade with Britain and Europe and increasing opportunities in the Asia Pacific region. (Ogier, 2003) In essence, human resource management recasts 'employees' as 'human resources' who are vital organizational 'assets', possessing knowledge, skills, aptitudes and future potential; and who therefore require integrated and complementary management strategies (through, for example, human resource planning, job design, effective attraction and retention techniques, performance management and rewards programs, occupational health and safety systems) in order to assure their individual and collective contributions to the achievement of organizational goals and objectives. According to Taylor (2011) this transition of personnel management to human resource management signaled not just new rhetoric, but also significant new thinking on the part of managers. Donkin (2001) neatly sums up the result as follows:

"...Like an improved soap powder with a biological ingredient, HRM, equipped with something called strategy, promised a new set of tools and measures to reward, motivate and organize employees in the re-engineered workplace..."

For a generation, managers had been seriously constrained in terms of how they approached the people-related aspects of their activities (Taylor, 2011). Now they had an opportunity to take control and create approaches that were appropriate for their own organizations' particular circumstances. HR strategies were developed, new individualized pay arrangements introduced, formal performance appraisal systems established and competency frameworks defined. Employers also seized the opportunity to employ people more flexibly, establishing more part-time and temporary jobs, outsourcing 'non-core' activities to external providers and abolishing long-established lines of demarcation which determined where one group of workers' duties ended and another's began. At the same time, new methods of relating to workers had to be established to replace union consultation and negotiation arrangements, so there was the spread of a range of new involvement and communication initiatives along with a preference for single-table or single-union bargaining in circumstances where trade unions retained an influence. In short, HRM can

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largely be explained as a response on the part of organizations to a newfound freedom to manage their workforces in the way that they wanted to. Fewer compromises had to be made, allowing decisions to be made and strategies to be established which operated exclusively in the long-term interests of organizations.

Building upon previous developments, this stage represents the integration of personnel management and industrial relations and HRM into a coordinated and strategic approach to the management of an organization's people, signaling the eventual birth of strategic human resource management (SHRM) (Nankervis et.al (2011) . SHRM can be perceived as a 'macro' perspective (e.g. strategies and policies), whereas HRM represents more of a 'micro' approach (e.g. activities, functions and processes). SHRM adds the extra dimension of the alignment of the goals and outcomes of all HRM processes with those of their organizations as a whole though both are intertwined. SHRM also provides practitioners with renewed confidence to perform their activities as an integral component of organizational success (Cengage, 2010).

The current discipline of Human Resource Management (HRM) casts a radically different image from its ancestor, Personnel Management (PM). The main differences between HRM and PM are shown in the table below:

<b>Differences between Personnel Management and Human Resource Management Factor</b>	<b>Personnel Management</b>	<b>Human Resource Management</b>
<b>Time and planning perspective</b>	Short term, reactive, <i>ad hoc</i> , marginal	Long term, proactive, strategic, integrated
<b>Psychological contract</b>	Compliance	Commitment
<b>Employee relations perspective</b>	Pluralist, collective, low trust	Unitarist, individual, high trust
<b>Preferred structure/system</b>	Bureaucratic/mechanistic, centralized, formal/defined roles	Organic, devolved, flexible roles
<b>Roles</b>	Specialized/professional	Largely integrated into line management
<b>Evaluation</b>	Cost minimization	Maximum utilization (human asset accounting)



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