

Unit- 7

Introduction

Concept/Meaning of HRM

- People are the most significant asset in an organization. In simple term, the management of people within an organization is HRM. It is mainly concerned with peoples' dimension in the org.
- **Human Resource Management refers to the philosophy, procedures and practices concerned with management of employees of the organization.**
- HRM systems and policies are designed to maximize employee performance to achieve strategic objectives.
- Human Resource Management is defined by **Decenzo and Robbins** as "Human Resource Management is a process of four functions-acquiring, development, motivation (utilization) and maintenance of human resources."
- So, human resource management (HRM) is the practice of recruiting, hiring, deploying (position) and managing an organization's employees.
- It is the new version of personnel management.

Features/characteristics of HRM

1. Element of management function: HRM is important part of managerial functions like PODC. It involves the rules, policies, procedures and practices concerned with mgmt of employees of the org.
2. Pervasive function: all level
3. Continuous process
4. Emphasize on manpower: acquisition to maintenance of employees / providing incentives on the basis of their skill. AUDM
5. Focus on organizational strategy: it focus on orgal plan, policy and strategy
6. Dynamic activity: as environment is changeable. An effective HRM system today may not be effective after certain duration of time. It need to be modified on the basis of changing environment of the society.
7. Focused on result
8. People centered

9. Integration of mutual interest: HRM emphasizes on integration of both organizational and individual objectives of employees

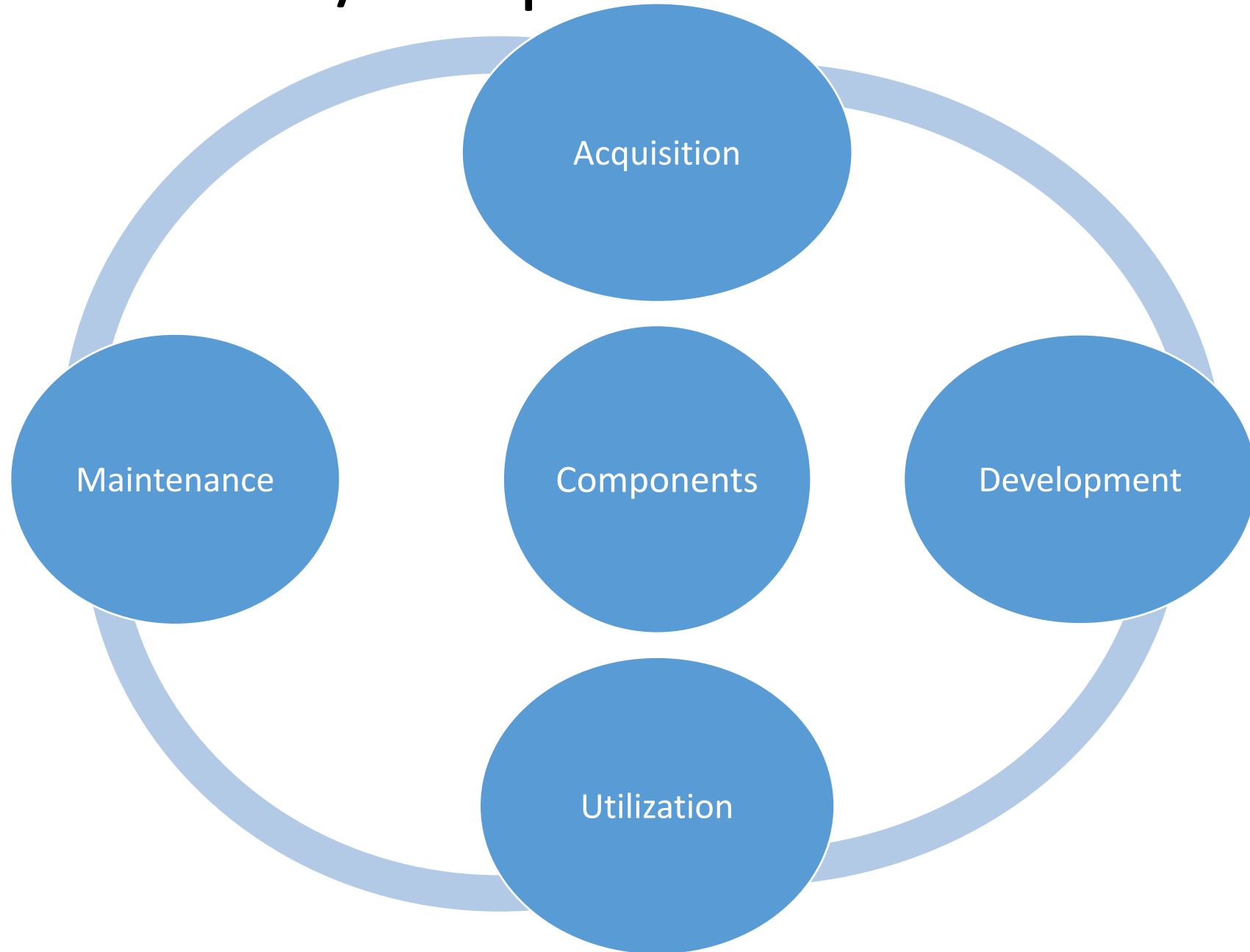
10. Essential in all organization: like trading, manufacturing, service organizations.

Objectives/Importance of HRM

1. Manage effective staff: HRM involve workforce planning, recruitment, selection, and placement of right to the right job, training, development, compensation and grievance handling etc, /enhance employees effectiveness then HR automatically utilize other resources
2. Utilization of physical resources: like money, materials, machines etc, it help reduce waste and maximize productivity
3. Increase productivity: it help to improve quality and quantity of products and services
4. Focus on goal achievement:-right person at right job/all staff members concentrates on organizational goal.

5. Job satisfaction: HRM ensure placement of the right person to the right job. Incentives according to their skill so job satisfaction
6. Self development of workers: HRM provide opportunities for training, seminar, further education, and other efficiency development programs. And also encourages to involve in decision making activities
7. Goal integration: HRM emphasize the integration of employees and organizational goal. It promote commitment and loyalty of employees towards organization.
8. Maintain quality of work life: healthy working environment
9. Adaptation with change: change is natural and inevitable because social environment is changeable. Change bring new concept, knowledge, idea, technology and strategy in production and distribution. HRM helps to accept change

Function /component of HRM



Acquisition

- HR Planning
- Recruiting (searching for prospective employee / stimulating them to apply for job)
 - Internal (transfer and promotion of existing employees)
 - External (advertisement, manpower suppliers, educational institution, employee referrals)
- Selection (is a process of choosing the right candidates from a pool of applicants)
- Placement (the process of providing appointment and assigning specific jobs to selected employees) right jobs to the right candidates.
- Employee socialization (the process of introducing new employees to the organization and its procedure, rules and regulations, working conditions)

Development functions

- Employee training: to enhance skill, ability and knowledge of employees. On the basis of the changing technology and environment.
- Management development: for managerial ability in decision making process and develop creativity and working efficiency of managers.
- Career development: for future profession of employees, to match long-term individual and organizational needs.

Utilization function

- Motivation: job design, working environment, friendly supervision, financial incentives, promotion, recognition, growth, responsibility etc.
- Performance appraisal: systematic way of evaluating a worker's performance and their potential for development.
- Reward and compensation: it is related with providing return against they devote their time and efforts for success. Like: salary, wages, allowance etc.
- Employee benefits (fringe benefit): besides regular incentives mgmt needs to provide fringe benefit to the employees. Like both financial and non financial eg: bonus, leave pay, insurance facility, flexible work time, medical facility, education leave etc.

Maintenance function

- Employee relation: maintaining better working environment, practice of mutual relation (labor relation)
- Employee discipline: abiding the rules and system of the org.
- Employee welfare: like health insurance canteen facility, recreation (fun/amusement) facility, rest room, games and sports
- Effective communication: proper communication from top level to subordinate levels. It is essential to solve problems and to know about progress and achievement.

Human Resource Management System

Inputs of HRM system:

1. Objectives and strategies of the organization
2. Plans, policies and procedures
3. Organization structure
4. Communication and decision making
5. Environmental and social obligation (social responsibility)

Human Resource Management System

Processes of HRM system:

1. Acquisition
2. Development
3. Utilization
4. Maintenance

Human Resource Management System

Outputs of HRM system:

1. Quality of work life (higher level of QWL)
2. Productivity (higher level of productivity)
3. Readiness for change (employees who are always ready to accept and boost organizational change rather than resisting change)

Human Resource Management System

Environments of HRM system:

1. Internal environment (SW): plan, policy, procedures, structure, culture, unions etc.
2. External environment (OT): economic, socio-cultural, political, legal, technological, global environment etc.

Feedback of HRM system: it is the key to system's control. The feedback system measures outputs of HR process and feed into the system. It helps to correct deviation and to achieve the desired HR results.

Human Resource Outcomes (HR outcomes)

Quality of work life (QWL): QWL has been defined as the quality of relationship between employees and the total working environment of the organization. It ensures greater worker empowerment, adequate and fair compensation, safe and healthy working conditions, development of human skills and higher level of job satisfaction. It support employees at all levels and encourages them to participate in decision making process. It involve:

- Participation in decision making process
- Open and two way communication system
- Rewards and incentives on the basis of skill and efficiency
- Job security and recognition of employees
- Provision of progress and career development of employees

Productivity: it refers to maintaining effective relationship between input and output of human effort at individual, group and organizational levels. An organization is said to be productive if it able to utilize resources in effectively. The proper use of resources at the time of transferring into output helps to minimize cost. As such productivity emphasizes both effectiveness and efficiency of human effort. The components of productivity are:

- Proper utilization of resources
- Use of modern machines and equipment
- Encouragement of employees for their better performance
- Emphasize for learning and innovation of new technology and system
- Initiation for efficiency development i.e. training, seminar, workshop etc. for employees

Readiness to change: present business organizations perform business in dynamic environment. They are affected by changing both internal and external environment. The change in the human resource system is essential to adjust its activities according to changing environment of business. In some situation workers may create resistance to change. Because of fear of uncertainty, traditional feeling, lack of knowledge, unclear communication etc. management needs to take some necessary measures so that employees can accept the change in positive perspective. The common components of readiness to change involve:

- Participation of employees in planning and decision making
- Effective communication
- Support employees by providing training and development
- Making negotiation with genuine employees to participate them as change agent
- Take necessary measures to remove the resistance to change in the organization.

Contemporary Issues and Challenges of HR

1. Globalization : it is well known to us this is the age of globalization.
 - Globalization means integration of economic, political and cultural system across the globe.
 - It occurs when the organization extends its activities to other parts of the world, actively participates in other markets, and competes against organizations located in other countries.
 - Some of the major **challenges** faced by HR management due to globalization are varying labor laws in different countries, different cultural aspects of employees hailing from different countries, and the need to stay competitive to thrive in a larger market.

The challenges in front of managers are:

- How to manage growing dissatisfaction?
- How to design motivational package?
- How to learn and develop managerial abilities?
- How to deal with cross cultural differences? Etc.

Opportunities- free flow of capital, cheaper labor, free trade

2. Outsourcing: outside resourcing (get resource from the outside)

- Outsourcing is the process by which organizations transfer routine work to another organization to bring quality and get the benefit of specialization.
- It is also called subcontracting.
- Outsourcing allows the hiring of specialized expertise.
- If an organization performs each and every activity by itself, it may not be able to perform activity in an efficient manner and the quality may also be inferior.
- So organization needs to identify certain areas that can be outsourced to minimize cost and produce higher quality.
- Eg: human resources tasks (payroll processing, employee recruitment or employee benefits administration)

Challenge: limited choice, lack of control, privacy and security (for software, confidential plan and decision) issue

3. Workforce Diversity: (differences among people)

- Workforce diversity means involvement of heterogeneous types of employees in an organization who represent different age, gender, ethnicity, physical ability and disabilities.
- Diversity is increasing in organization because of changing population dimension, to improve workforce, increased globalization, involvement of women, etc.
- It is necessary to develop emergent HR policies and programs to manage diverse workforce both from the individual and organizational approach

Challenges: How to addressing their different lifestyles, cultural factors, family needs and work styles.

4. Knowledge Management: Knowledge management (KM) is defined as the process of capturing, storing, sharing and effectively managing the knowledge and experience of employees to increase the workforce's overall knowledge.

- Its primary goal is to improve efficiency, productivity and retain critical information within the company.
- **Challenge** is how to use the knowledge of employees in an org.

5. Technological Advancement: another challenges that has attracted much attentions of HR managers is quality and productivity through technological advancement.
- Technology is the method of converting inputs into outputs. It focuses on machines and equipment, transmission of information, research and development etc.
 - The innovation of automation, robotics and computerization has brought tremendous change in HRM system.

Challenge: more and more organizations are using quality as a basis for competition, How to reduce cost but enhancing quality?

6. Change Management: environment is changeable so according to this it is compulsory to change in organization.
- Change management is a collective term for all approaches to prepare, support, and help individuals, teams, and organizations in making organizational change.
 - Change management process begins with the request for change and ends with its implementation, communication and documentation of results to all interested parties.

Challenge: how to manage the change effectively for organizational benefit (like reorganization of departments, disposal of poor performing units, downsizing, employee outsourcing etc.)

7. Ethical HR Activities: ethics is an individual's personal beliefs about what is right and what is wrong or good and bad
- It is developed through family, experience, personal values and morals and situational factors.
 - Ethical concern of HR manager is how an organization treats its employees, how employees treat the organization and how an organization treats other economic agents like customer, competitors, suppliers etc.

Challenge: the level of ethics is in declining trend. Ethics has become the greatest standing problems to the modern managers.

8. Change in Legal Trends:
- Legal trend of any country also affect in HRM.
 - The business have to abide by various laws, regulations and rules which influence every HR decision.
 - There are healthy and safety regulations relating to employee benefits, mergers and acquisition, hiring and firing, workplace safety, benefits and pay, confidentiality and protect against discrimination and harassment.

Challenges: the HR manager must be expert in these laws and regulations so that they can work with changing legal trend.

9. Empowerment of Employees:

- Employee empowerment is a management philosophy that emphasizes the importance of allowing employees to make independent decisions and act on them.
- This is the result of decentralization of authority
- Top level manager have to delegate authority to subordinates not only to take work related decision but also to maintain full control over the work they perform.

10. Work Life Balance: employees have two dimensions of life work life and family life. The emerging issue of HRM is to maintain balance between work life and family life of the employees.

- This issue become more serious when both husband and wife are employed.
- If work life balance is not maintained it can create the stress, conflict and misunderstanding among employees. So HR manager need to introduce different schemes such as flexible work time, counseling, job sharing, provision of child care center and flexible leave policy etc. to maintain balance in life of employees.

Human Resource Planning

Concept

- Also called manpower planning, personnel planning, employment planning
- HRP is the process of forecasting an organization's future demand and supply of the right type of employee, in the right number, in the right time and in right place.
- In other word, **Human resource planning is a process that identifies current and future human resources needs for an organization to achieve its goals.** Human resource planning should serve as a link between human resource management and the overall strategic plan of an organization.
- It is the sub-system of organizational planning.
- HR planning is a complicated process especially in large organizations. It requires specialized knowledge and expertise.
- Thomas Patten: “Human Resources Planning can be defined as the process by which an organization ensures that it has the right number of people, at the right place, at the right time doing things for which they are economically most useful.”
- In conclusion, HRP requires detailed analysis of the present and future requirements to ensure that the organization has the right number of people available.

Characteristics of HRP

1. Component of corporate planning: HRP is one of the element of overall corporate planning. Corporate planning is formulated by focusing predetermined objective of the org. HRP is prepared on the basis of corporate planning of the org.
2. Focus on goal: HRP is goal oriented. Every organization establishes for a specific objectives. For this purpose it is necessary to manage resources including manpower for effective implementation of plan.
3. Continuous process: HRP is the continuous process up to functioning and existence of the org.
4. Dynamic process: Human resource planning is influenced by environmental changes, hence, manager must be consider changing environment of labor market and other factors affecting manpower management.
5. Future oriented: planning is looking ahead process. So HRP also based on forecasting of future manpower requirement. It struggle right number of people at the right place at the right time. so that organizational activities can run in smooth way without any kind of disturbance in future.

6. Component of acquisition:
7. Based on time frame: HR planning is prepared for short time to meet short term objectives and prepared for long time to meet long term objectives.
8. Focus on quantitative and qualitative:
quantitative-forecast right number of manpower at the right time
qualitative- it facilitates to estimates manpower having right skills, efficiency and knowledge.
9. Emphasize on productivity: it focus on best utilization of human resource by using full of skill, efficiency and knowledge. The proper utilization of manpower helps for effective utilization of other physical resources.
10. Equally applicable: equally applicable to all types of organizations (profit-nonprofit, government-private, NGO-INGO etc).

Importance of HRP

1. Foundation of HR function: HRP provide essential information for designing and implementing HR functions. Like recruitment, selection, transfer, promotion, layoff, training etc.
2. Reduce uncertainty: there are many environmental factors which may create uncertainty in business operation. Like globalization, diversity of jobs, lack of skill manpower, change in technology, legal provision etc. HRP helps to review and forecast manpower requirement in the organization.
3. HR acquisition: HRP is the primary part of acquisition functions. It facilitates the manager to estimate manpower requirement, helps for recruitment and selection of capable persons and also facilitates for socialization and development of working efficiency of employees.
4. HR development: HRP create awareness for HR development. Like employees training, development and career development.
5. Human resources utilization: HRP facilitates to develop a sense of belonging among the workforce and encourages to do the given job. It focus on motivation, performance appraisal, reward management, compensation management for effective utilization of manpower.

5. Human resources maintenance: HRP provides guidelines for maintaining good relation with employees and providing better working environment in the org. like health, safety and comfort of employee and also initiate to maintain good relation, employee discipline, welfare and effective communication.
6. Cost minimization: HRP emphasizes for best use of human and other resources of the organization. The effective use of manpower facilitates for the best use of physical resources of the organization. It ultimately helps to minimize cost and maintain quality of products and services.
7. Helpful to cope with change: HRP influence managers to take necessary measures like effective communication, participation of employees in planning and decision making, negotiation for genuine issues, training and development of employees so that employee can accept the change.
9. Maximize productivity: HRP focus on the utilization of human resources by using their skill, efficiency and knowledge. The proper utilization of manpower helps for effective utilization of other resources. It minimize wastage and maximizes quality and quantity of product.
10. Environmental adaptation: business activities of an organization are affected by changing both external and internal environment. The change in the human resources system is essential to adjust its activities according to changing environment of business.

HR Planning Process

1. **Determination of organizational goals and plans**

- It is the pre-step of HRP process
- Every organization is established for the achievement of specific objectives.
- For achievement of predetermined objectives it is necessary to formulate strategic plans.
- There is inter-relation between strategic plan and human resources planning
- Strategic plan is prepared by focusing objectives of the org. and it is the basis of preparation of HR plan

2. **Assessment of (evaluation) current human resource situation:**

- This step concern with getting information about employees involved in different departments.
- Employees information can be obtained through human resources inventory and HR information system
- HR inventory= age, education, work experience, training, skill composition, ability, knowledge etc. of employee
- HRIS= it provide data and facts related with employees in different departments. Like personal data, skill information, position information, compensation, performance, reward, punishment information etc.
- What stock of HR does the organization have in terms of their quantity and quality?

3. Forecasting human resources demand:

- It is concern with projection of HR requirement for short and long period
- The important part of HRP process is to make estimation of quantity and quality of employees required for future jobs.
 - Quantity: forecasting right number of manpower at the right time.
 - Quality: estimating manpower having right skills, efficiency and knowledge.
- Forecasting qualitative and quantitative method like Managerial Judgment, Survey method, Delphi technique, Statistical methods, Financial statement analysis etc.

4. Forecasting human resource supply:

- It is concern with projection of HR availability.
- It can be studies in two dimension such as internal and external supply of human resource.
- Internal supply involves employees and jobs currently available in the organization based on the inventory of skilled manpower.
- External supply involves human resource who are currently not involved in any organization as employees.
- The sources involve colleges, university, training institutions, vocational institutions, employment exchange and labor market of inside and outside the country.

5. Matching HR demand and supply:

- It is the process to make gap analysis to reconcile the forecast of human resource demand and supply
- It helps to identify shortage and surplus of employees and jobs.
- If shortage: need to prepare program to search out required workforce.
- If surplus : if possibility of surplus in future, it is necessary to prepare plan for providing retirement to extra workforce.
- HR manager can be use different program like employee downsizing, restructuring, reengineering etc.

6. Preparation action plan:

- After analyzing the gap between demand and supply, HR managers need to prepare action plan to make arrangement of shortage and surplus of manpower. There are two types of action plans: i.e.
 - Internal action plan: it involves job design, job assignment, training etc.
 - External action plan: it involves searching for outside sources consisting of labor market through agreement with other agencies.

7. Provision of evaluation and adjustment:

- There must be the provision of evaluation of feedback of actual performance achieved to know about the effectiveness of implementation of action plan.
- It helps to identify the deviation between actual achievement of work and standard work defined in plan.
- It helps to adjustment of actual HR objectives achieved with planned objective