

CHAPTER - I
Introduction of HRM

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- 1.1 Concept and Definitions of HRM
- 1.2 Evolution and development of HRM
- 1.3 Nature of HRM
- 1.4 Objectives of HRM
- 1.5 Scope of HRM
- 1.6 Role of HRM
- 1.7 Importance of HRM
- 1.8 Functions of HRM
- 1.9 Role of HR Manager
- 1.10 Challenges of HRM in Indian Economy

CHAPTER – I

Introduction of Human Resource Management

1.1 Concept and Definitions of HRM

✦ Concept of HRM

HRM is concerned with the human beings in an organization. “The management of man” is a very important and challenging job because of the dynamic nature of the people. No two people are similar in mental abilities, tacticians, sentiments, and behaviors; they differ widely also as a group and are subject to many varied influences. People are responsive, they feel, think and act therefore they can not be operated like a machine or shifted and altered like template in a room layout. They therefore need a tactful handing by management personnel.”⁽¹⁾

HRM is the process of managing people of an organization with a human approach. Human resources approach to manpower enables the manager to view the people as an important resource. It is the approach through which organization can utilize the manpower not only for the benefits of the organization but for the growth, development and self satisfaction of the concerned people. Thus, HRM is a system that focuses on human resources development on one hand and effective management of people on the other hand so that people will enjoy human dignity in their employment.

(1) Dr.S.Ganesan, International Journal of Business and Administration Research Review, Vol.1, Issue.6, July - Sep, 2014, ISSN -2348-0653, P. 147.

HRM is involved in providing human dignity to the employees taking into account their capacity, potentially, talents, achievement, motivation, skill, commitment, great abilities, and so on. So, that their personalities are recognized as valuable human beings. If an organization can trust, depend and draw from their bank account on the strength of their capital assets, they can trust, depend and draw more on their committed, talented, dedicated and capable people. This is what the HRM is involved in every business, managerial activity or introduction.

The principal component of an organization is its human resource or 'people at work'. According to Leon C. Megginson from the national point of view Human Resources as, "the knowledge, skills, creative abilities, talents and aptitudes obtained in the population; whereas from the view point of the individual enterprise, they represent the total of inherent abilities, acquired knowledge and skills as exemplified in the talents and aptitudes of its employees."⁽²⁾

Human resource has a paramount importance in the success of any organization because most of the problems in organizational setting are human and social rather than physical, technical or economical failure. In the words of Oliver Sheldon, "No industry can be rendered efficient so long as the basic fact remains unrecognized that it is principally human."⁽³⁾

(2) Leon C. Megginson, Personnel and Human resources Administration, Richard D. Irwin Inc. Homewood, Illinois 1977.

(3) Human Resource Management, Geet S.D., Deshpande A.D. & Mrs. Deshpande Asmita A., NIRALI PRAKASHAN, First Edition, Jan. 2009, P.24.

Human Resources Management is concerned with the “people” dimension in management. Since every organization is made up of people acquiring their services, developing their skills, motivating them to high level of performance and ensuring that they continue to maintain their commitment to the organization are essential to achieve organizational objectives. This is true regardless of the type of organization, government, business, education, health, recreation or social action. Getting and keeping good people is critical to the success of every organization, whether profit or non-profit, public or private.

✚ Definitions of HRM

There are two different definitions. The first definition of HRM is that “It is the process of managing people in organizations in a structured and thorough manner.”⁽⁴⁾ This covers the fields of staffing (hiring people), retention of people, pay and perks setting and management, performance management, change management and taking care of exits from the company to round off the activities. This is the traditional definition of HRM which leads some experts to define it as a modern version of the Personnel Management function that was used earlier.

The second definition of HRM encompasses “The management of people in organizations from a macro perspective. i.e. managing people in the form of a collective relationship between management and employees.”⁽⁵⁾ This approach focuses on the objectives and outcomes of the HRM functions. It means that the HR function in contemporary organizations is concerned with the notions of people enabling, people development and a focus on making the “employment relationship” fulfilling for both the management and employees.

(4) Online – Management Study Guide (<http://www.managementstudyguide.com/>)

Article: Human Resource Management (HRM), P.20.

(5) Ibid

In simple words, Human resource management is management function that helps manager to recruit, select, train and develop organization members. Or HRM is a process of making the efficient and effective use of human resources so that the set goals are achieved.

In general terms, Human Resource Management is “concerned with the people dimension in management. Since every organization is made up of people, acquiring their services, developing their skills, motivating them to high levels of performance and ensuring that they continue to maintain their commitment to the organization are essential for achieving organizational objectives. This is true regardless of the type of organization government business, Education, Health, regression or social action.”⁽⁶⁾

In the words of **Dunn and Stephens**, “The HRM is the process of attracting, holding and motivating all manager line and staff.”⁽⁷⁾

The National Institute of Personnel Management (NIPM) of India has defined human resource as “that part of management which is concerned with people at work and with their relationship within an enterprise. Its aim is to bring together and develop into an effective organization of the men and women who make up an enterprise and having regard for the well-being of the individuals and of working groups, to enable them to make their best contribution to its success.”⁽⁸⁾

(6) Decenzo David A. & Stephen Robbins P., Human Resources Management, John Wiley & Soans Inc. New York, 1994.

(7) Dunn, J.D and Stephens, EC Management of people, Mc Graw Hill Book Company, New York, 1972, P.10.

(8) Human Resource Management: Meaning, Objectives, Scope and Functions by Chand Smriti, Online Article.

1.2 Evolution and developments of HRM

The history of development of HR management in India is comparatively of recent origin. But Kautilya had dealt with some of the important aspects of human resources management in his "Arthashastra," written in 400 B.C. Government in those days adapted the techniques of HRM as suggested by Kautilya. In its modern sense, it has developed only since independence. Though the importance of labour officers was recognised as early as 1929, the appointment of officers to solve labour and welfare problems gained momentum only after the enactment of the Factories Act of 1948. Section 49 of the Act required the appointment of Welfare Officers in companies employing more than 500 workers. At the beginning, Government was concerned only with limited aspects of labour welfare. The earliest labour legislation in India dealt with certain aspects of Indian labourers (Regulation of Recruitment, Forwarding and Employment) sent to various British colonies in 1830. Important phases of evolution of HRM are presented in Exhibit:

Table 1.1 Evolution and Developments of HRM in India

| Period | Development Status | Outlook | Emphasis | Status |
|---------------|----------------------------|---------------------------|---|----------------|
| 1920s - 1930s | Beginning | Pragmatism of capitalists | Statutory, welfare paternalism | Clerical |
| 1940s - 1960s | Struggling for recognition | Technical, legalistic | Introduction of Techniques | Administrative |
| 1970s | Achieving | Professional | Regulatory, conforming, imposition | Managerial |
| 1980s | Sophistication | Legalistic, impersonal | Standards on other functions | Executive |
| 1990s | Promising | Philosophical | Human values, productivity through people | |

(Source: C.S. Venkataratnam and B.K. Srivastava, Personnel Management and Human Resources, TATA Mc-Graw Hill, New Delhi, 1991, p.5.)

RECENT DEVELOPMENTS:

Recent developments in the area of human resources management include treating the employees as economic, social, psychological and spiritual men and women. The important aspects of development of human resources management year wise is shown below:

- In the year 1995, emphasis has been shifted to human resources development (HRD).
- In the year 1998, emphasis on HRD, cultural diversity, teamwork and participative management has been continuing. Further, the emerging areas are total quality in management in HRM, empowering the employees and developing empowered teams and integrating HRM with strategic management as the top management realised that HRM is the core of competencies of the 21st century corporations.
- In the year 1999, second National Commission on Labour was setup to study the labour conditions.
- In the year 2001, emphasis has been on 'smart sizing of the organisations'.
- In the year 2002, emphasis has been shifted to positive attitude of the candidate/employee rather than skill and knowledge.
- In the year 2003, shift from intelligence quotient (IQ) to emotional quotient (EQ).
- In the year 2004, shift from skilled workers to knowledge workers.
- In the year 2005, shift from hierarchical structure to flexible and virtual structures.
- In the year 2006, HRM has become the core of strategic management level.
- In the year 2007, the concept of HRM has been relegated to human capital management.
- In the year 2008, emphasis has been on retention management and development of own human resources by companies through alliances with universities/colleges. In the same year, there was decline in business operations due to global economic recession and crisis.

- In the year 2009, continuation of job cuts, pay costs and lay-offs due to prolonged global recession and crisis.
- In the year 2014, emphasis is shifted to talent management and flexible human resource policies and practices.

1.3 Nature of HRM

HRM is a management function that helps managers to recruit, select, train and develop members for an organization. HRM is concerned with people's dimension in organizations. The following aspects constitute the core of HRM:

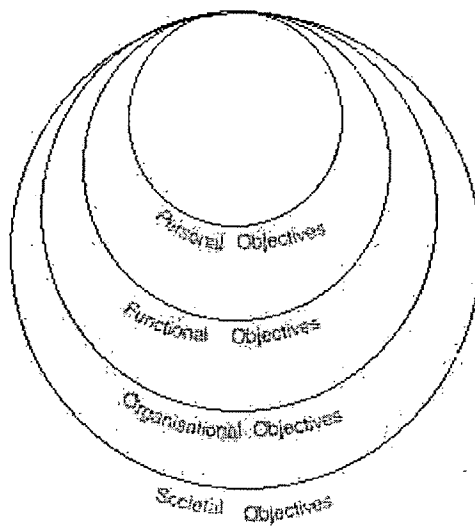
1. HRM Involves the Application of Management Functions and Principles. The functions and principles are applied for acquiring, developing, maintaining and providing remuneration to employees in organization.
2. Decision Relating to Employees must be integrated. Decisions on different aspects of employees must be consistent with other human resource (HR) decisions.
3. Decisions Made Influence the Effectiveness of an Organization. Effectiveness of an organization will result in betterment of services to customers in the form of high quality products supplied at reasonable costs.
4. HRM Functions are not confined to Business Establishments Only but applicable to non-business organizations such as education, health care, recreation and like.

HRM refers to a set of programmes, functions and activities designed and carried out in order to maximize both employee as well as organizational effectiveness.

1.4 Objectives of HRM

The primary objective of HRM is to ensure the availability of competent and willing workforce for an organization. Beyond this, there are other objectives too. Specifically, HRM objectives are four fold: Societal, Organization, Functional and personal.

Figure 1.1 Objectives of HRM



(Source: Human Resource and Personnel Management, Text & Cases, by Aswathappa K., Tata Mc Graw-Hill Publishing Company Ltd., P.8.)

- **Personal Objectives:**

To assist Employees in achieving their personal goals, at least in so far as these goals enhance the individual's contribution to the organization. Personal objectives of employees must be maintained, retained and motivated.

- **Functional Objectives:**

To maintain the contribution of department at an appropriate level organization should fulfill the needs. Resources are wasted when HRM is either more or less sophisticated to suit the organizations demands.

- **Organizational Objectives:**

To recognize the role of HRM in bringing about organizational effectiveness, HRM is not an end in itself but it is only a mean to assist the organization with its primary objectives organization.

- **Societal Objectives:**

To be ethically & socially responsible for the needs and challenges of society while minimizing the negative impact of such demands upon the organization to use their resources for society's benefits in ethical ways may lead to restriction.

- **Other objectives:**

- ✓ Accomplish the basic organizational goals by creating and utilizing an able and motivated workforce.
- ✓ To establish and maintain organizational structure and desirable working relationships among all the members of the organization.
- ✓ Develop co-ordination among individual and group within organization to secure the integration of organization.
- ✓ To create facilities and opportunities for individual or group development so as to match it with the growth of the organization.
- ✓ To attain an effective utilization of human resources in the achievement of organizational goals.

- ✓ To identify and satisfy individual and group needs by providing adequate and equitable wages, incentives, employee benefits and social security and measures for challenging work, prestige, recognition, security, status.
- ✓ To maintain high employees morale and human relations by sustaining and improving the various conditions and facilities.
- ✓ To strengthen and appreciate the human assets continuously by providing training and development programs.
- ✓ To consider and contribute to the minimization of socio-economic evils such as unemployment, under employment, inequalities in the distribution of income and wealth and to improve the welfare of the society by providing employment opportunities to women and disadvantaged sections of the society.
- ✓ To provide an opportunity for expression and voice management.
- ✓ To provide fair, acceptable and efficient leadership.
- ✓ To provide facilities and conditions of work and creation of favorable atmosphere for maintaining stability of employment.
- ✓ To create & utilize an able & motivated work force Establish & maintain sound organizational structure Create facilities attain an effective utilization Identify & satisfy individual & group needs.
- ✓ Maintain high employee morale Training & development Opportunity for expression Provide fair, acceptable and efficient leadership Facilities and conditions.

1.5 Scope of HRM

The scope of HRM is indeed vast. All major activities in the working life of a worker – from the time of his or her entry into an organization until he or she leaves the organization comes under the preview of HRM.

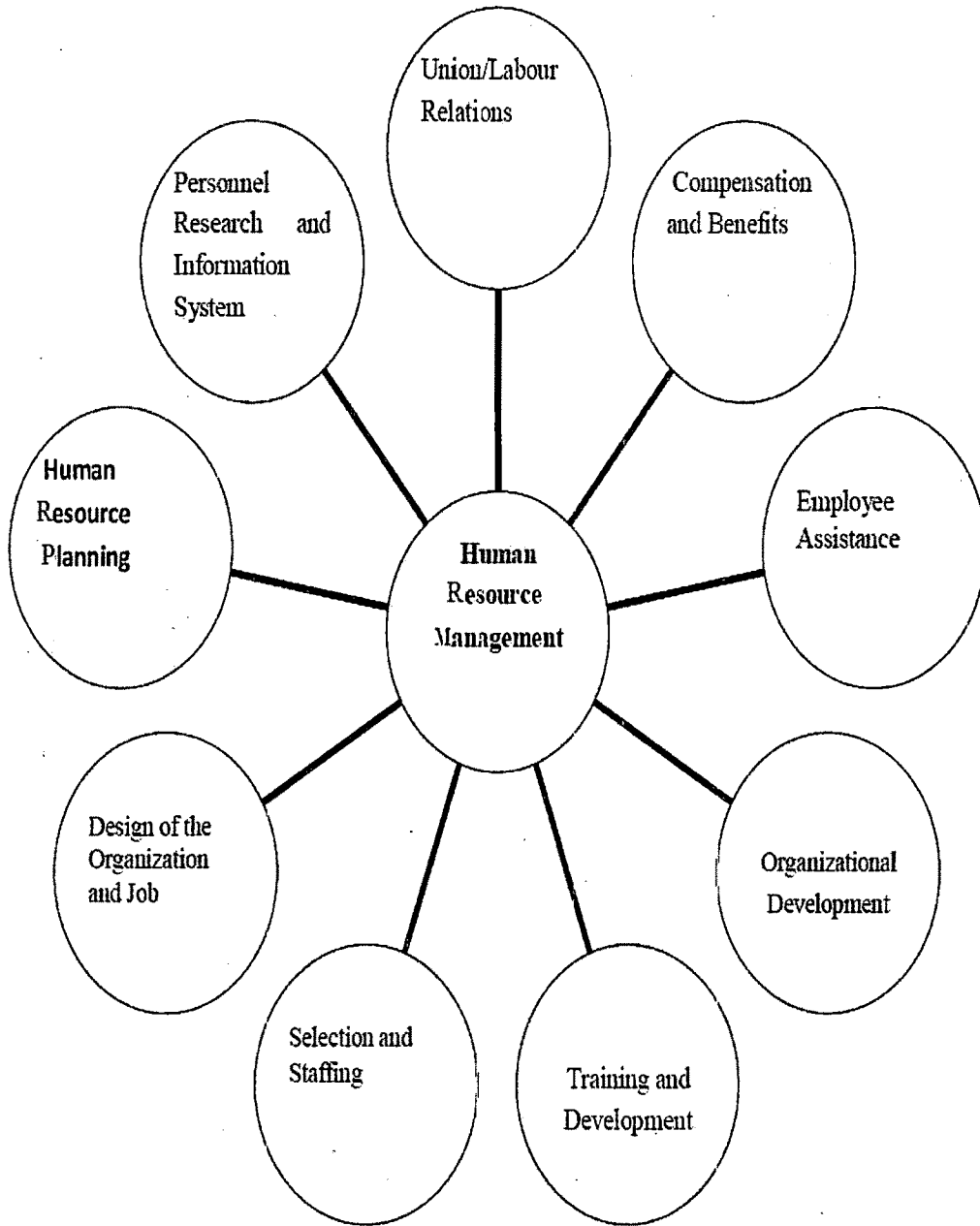
The major HRM activities include HR planning, job analysis, job design, employee hiring, employee and executive remuneration, employee motivation, employee maintenance, industrial relations and prospects of HRM.

The scope of Human Resources Management extends to:

- All the decisions, strategies, factors, principles, operations, practices, functions, activities and methods related to the management of people as employees in any type of organization.
- All the dimensions related to people in their employment relationships and all the dynamics that flow from it.

American Society for Training and Development (ASTD) conducted fairly an exhaustive study in this field and identified nine broad areas of activities of HRM.

Figure 1.2 Scope of HRM



Scope of HRM

(Source: Ms. Sinha Ragini, Civil India Service, Section III, Human Resource Management Online)

These are given below:

- ❖ Human Resource Planning
- ❖ Design of the Organization and Job
- ❖ Selection and Staffing
- ❖ Training and Development
- ❖ Organizational Development
- ❖ Compensation and Benefits
- ❖ Employee Assistance
- ❖ Union/Labour Relations
- ❖ Personnel Research and Information System

a) Human Resource Planning: The objective of HR Planning is to ensure that the organization has the right types of persons at the right time at the right place. It prepares human resources inventory with a view to assess present and future needs, availability and possible shortages in human resource. Moreover, HR Planning forecast demand and supplies and identify sources of selection. HR Planning develops strategies both long-term and short-term, to meet the man-power requirement.

b) Design of Organization and Job: This is the task of laying down organization structure, authority, relationship and responsibilities. This will also mean definition of work contents for each position in the organization. This is done by “job description”. Another important step is “Job specification”. Job specification identifies the attributes of persons who will be most suitable for each job which is defined by job description.

c) Selection and Staffing: This is the process of recruitment and selection of staff. This involves matching people and their expectations with which the job specifications and career path available within the organization.

d) Training and Development: This involves an organized attempt to find out training needs of individuals to meet the knowledge and skill which is needed not only to perform current job but also to fulfill the future needs of the organization.

e) Organizational Development: This is an important aspect whereby “Synergetic effect” is generated in an organization i.e. healthy interpersonal and inter-group relationship within the organization.

f) Compensation and Benefits: This is the area of wages and salaries administration where wages and compensations are fixed scientifically to meet fairness and equity criteria. In addition labour welfare measures are involved which include benefits and services.

g) Employee Assistance: Each employee is unique in character, personality, expectation and temperament. By and large each one of them faces problems everyday. Some are personal some are official. In their case he or she remains worried. Such worries must be removed to make him or her more productive and happy.

h) Union-Labour Relations: Healthy Industrial and Labour relations are very important for enhancing peace and productivity in an organization. This is one of the areas of HRM.

i) Personnel Research and Information System: Knowledge on behavioral science and industrial psychology throws better insight into the workers expectations, aspirations and behavior. Advancement of technology of product and production methods have created working environment which are much different from the past.

Globalization of economy has increased competition many fold. Science of ergonomics gives better ideas of doing a work more conveniently by an employee. Thus, continuous research in HR areas is an unavoidable requirement. It must also take special care for improving exchange of information through effective communication systems on a continuous basis especially on moral and motivation. HRM is a broad concept; personnel management (PM) and Human resource development (HRD) are the parts of HRM.

1.6 Role of HRM

The role of HRM is to plan, develop and administer policies and programs designed to make optimum use of an organizations human resources. It is that part of management which is concerned with the people at work and with their relationship within enterprises.

Current Classification of HR roles:

According to R.L Mathis and J. H. Jackson (2010) several roles can be fulfilled by HR management. The nature and extent of these roles depend on both what upper management wants HR management to do and what competencies the HR staff have demonstrated. Three roles are typically identified for HR.

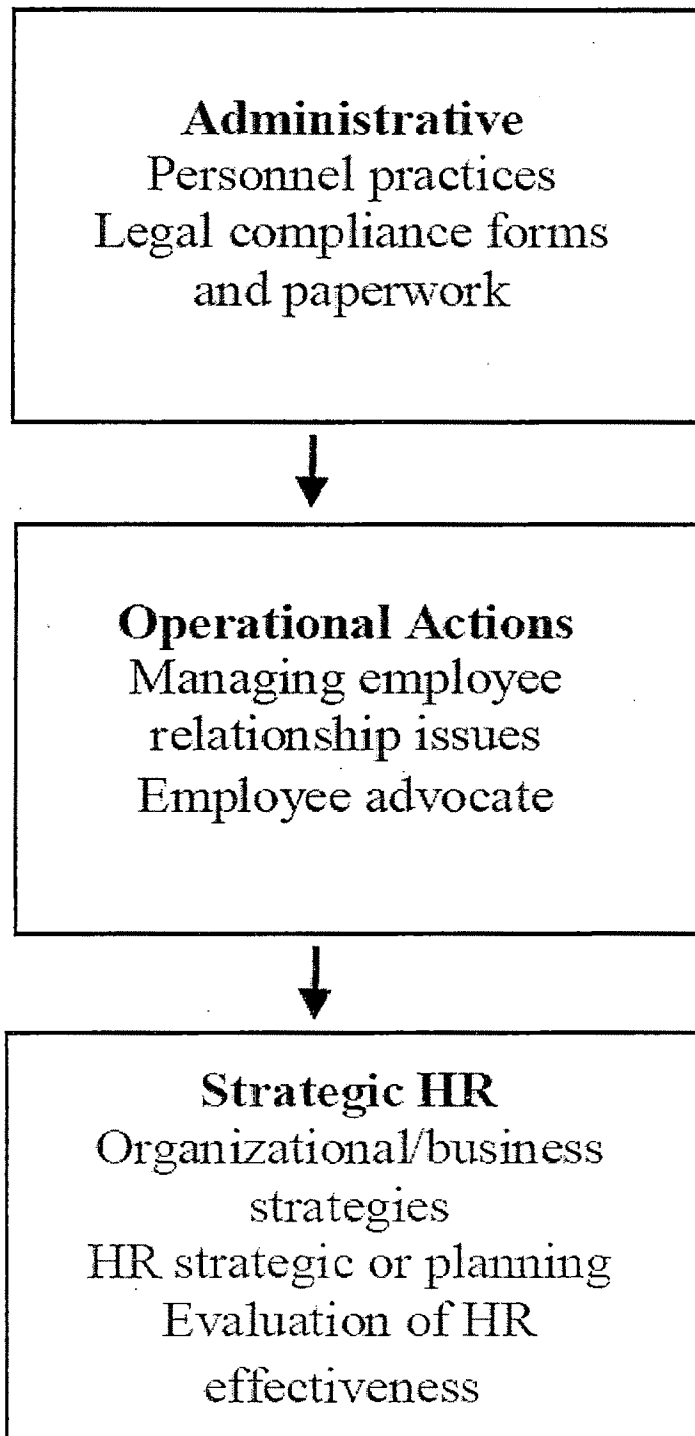
- Administrative
- Operational Actions
- Strategic HR

1. Administrative Role of HR:

The administrative role of HR management has been heavily oriented to administration and recordkeeping including essential legal paperwork and policy implementation. Major changes have happened in the administrative role of HR during the recent years. Two major shifts driving the transformation of the administrative role are: Greater use of technology and Outsourcing.

Technology has been widely used to improve the administrative efficiency of HR and the responsiveness of HR to employees and managers. Moreover; HR functions are becoming available electronically or are being done on the Internet using Web-based technology. Technology is being used in most HR activities, from employment applications and employee benefits enrollments to e-learning using Internet-based resources.

Figure 1.3 Classification of HR Roles



(Source: Mathis R. L. & Jackson J. H. {2010}: Human Resource Management
Thompson / South Western.)

Increasingly, many HR administrative functions are being outsourced to vendors. This outsourcing of HR administrative activities has grown dramatically in HR areas such as employee assistance (counseling), retirement planning, benefits administration, payroll services and outplacement services.

2. Operational and Employee Advocate Role for HR:

HR managers manage most HR activities in line with the strategies and operations that have been identified by management and serves as employee “champion” for employee issues and concerns.

HR often has been viewed as the “employee advocate” in organizations. They act as the voice for employee concerns, and spend considerable time on HR “crisis management,” dealing with employee problems that are both work-related and non work-related. Employee advocacy helps to ensure fair and equitable treatment for employees regardless of personal background or circumstances.

Sometimes the HR’s advocate role may create conflict with operating managers. However, without the HR advocate role, employers could face even more lawsuits and regulatory complaints than they do now.

The operational role requires HR professionals to co-operate with various departmental and operating managers and supervisors in order to identify and implement needed programs and policies in the organization. Operational activities are tactical in nature. Compliance with equal employment opportunity and other laws are ensured, employment applications are processed, current openings are filled through interviews, supervisors are trained, safety problems are resolved and wage and benefit questions are answered. For carrying out these activities HR manager matches HR activities with the strategies of the organization.

3. Strategic Role for HR:

The administrative role traditionally has been the dominant role for HR. A broader transformation in HR is needed so that significantly less HR time and fewer HR staffs are used just for clerical work.

Differences between the operational and strategic roles exist in a number of HR areas. The strategic HR role means that HR professionals are proactive in addressing business realities and focusing on future business needs, such as strategic planning, compensation strategies, the performance of HR and measuring its results. However, in some organizations, HR often does not play a key role in formulating the strategies for the organization as a whole; instead it merely carries them out through HR activities.

Many executives, managers, and HR professionals are increasingly seeing the need for HR management to become a greater strategic contributor to the business success of organizations. HR should be responsible for knowing what the true cost of human capital is for an employer.

For example, it may cost two times key employees' annual salaries to replace them if they leave. Turnover can be controlled through HR activities, and if it is successful in saving the company money with good retention and talent management strategies, those may be important contributions to the bottom line of organizational performance.

The role of HR as a strategic business partner is often described as "having a seat at the table," and contributing to the strategic directions and success of the organization. That means HR is involved in devising strategy in addition of implementing strategy. Part of HR's contribution is to have financial expertise and to produce financial results, not just to boost employee morale or administrative efficiencies. Therefore, a significant concern for chief financial officers (CFOs) is whether HR executives are equipped to help them to plan and meet financial requirements.

The role of HR shifted from a facilitator to a functional peer with competencies in other functions and is acknowledged as an equal partner by others. The HR is motivated to contribute to organizational objectives of profitability and customer satisfaction and is seen as a vehicle for realization of quality development. The department has a responsibility for monitoring employee satisfaction, since it is seen as substitute to customer satisfaction.

According to McKinsey's 7-S framework model HR plays the role of a catalyst for the organization. According to this framework, effective organizational change is a complex relationship between seven S's.

HRM is a total matching process between the three Hard S (Strategy, Structure and Systems) and the four Soft S (Style, Staff, Skills and Super-ordinate Goals). Clearly, all the S's have to complement each other and have to be aligned towards a single corporate vision for the organization to be effective. It has to be realized that most of the S's are determined directly or indirectly by the way Human Resources are managed and therefore, HRM must be a part of the total business strategy.

1.7 Importance of HRM

The importance of human resource management can be discussed by Yodder, Heneman and others, from three standpoints, *viz.*, social, professional and individual enterprise.

1. **Social Significance:** Proper management of personnel enhances their dignity by satisfying their social needs. This is done by: *(i)* maintaining a balance between the jobs available and the jobseekers, according to the qualifications and needs; *(ii)* Providing suitable and most productive employment, which might bring them psychological satisfaction; *(iii)* making maximum utilization of the resources in an effective manner and paying the employee a reasonable compensation in proportion to the contribution made by him; *(iv)* eliminating waste or improper

use of human resource, through conservation of their normal energy and health; and (v) by helping people make their own decisions, that are in their interests.

2. **Professional Significance:** By providing healthy working environment it promotes team work in the employees. This is done by: (i) maintaining the dignity of the employee as a 'human-being'; (ii) providing maximum opportunity for personal development; (iii) providing healthy relationship between different work groups so that work is effectively performed; (iv) improving the employees' working skill and capacity; (v) correcting the errors of wrong postings and proper reallocation of work.
3. **Significance for Individual Enterprise:** It can help the organization in accomplishing its goals by: (i) creating right attitude among the employees through effective motivation; (ii) utilizing effectively the available goals of the enterprise and fulfilling their own social and other psychological needs of recognition, love, affection, belongingness, esteem and self-actualization.

Dynamic and growth – oriented organization do require effective management of people in a fast – changing environment. Organizations flourish only through the efforts and competencies of their human resources. Employee capabilities must continuously be acquired, sharpened, and used.

Any organization will have proper human resource management (i) to improve the capabilities of an individual; (ii) to develop team spirit of an individual and the department; and (iii) to obtain necessary co – operation from the employees to promote organizational effectiveness.

1.8 Functions of HRM

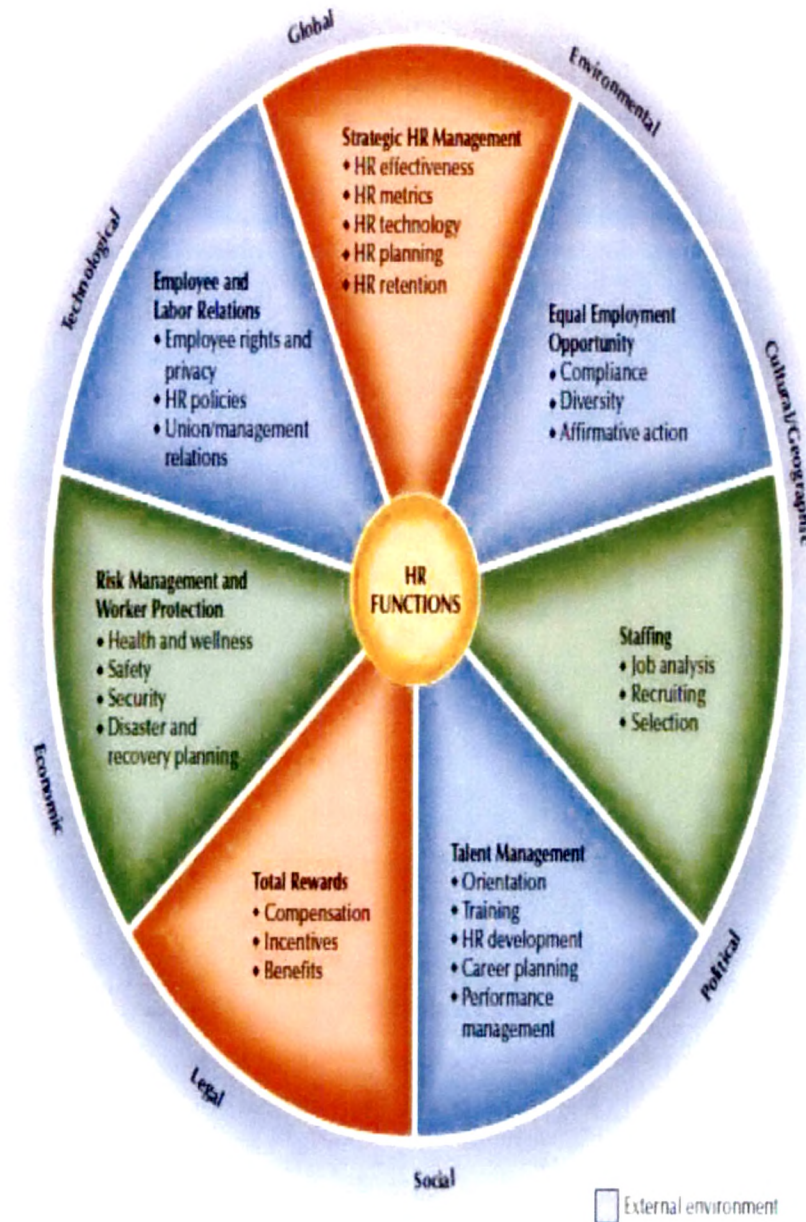
Human Resources management has an important role to play in equipping organizations to meet the challenges of an expanding and increasingly competitive sector. Increase in staff numbers, contractual diversification and changes in demographic profile which compel the HR managers to reconfigure the role and significance of human resources management.

The functions are responsive to current staffing needs, but can be proactive in reshaping organizational objectives. All the functions of HRM are correlated with the core objectives of HRM . For example personal objectives are sought to be realized through functions like remuneration, assessment etc.

HR management can be thought of as seven interlinked functions taking place within organizations, as depicted in Figure below.

Additionally, external forces—legal, economic, technological, global, environmental, cultural/geographic, political, and social—significantly affect how HR functions are designed, managed, and changed.

Figure 1.4 Functions of HRM



Functions of HRM

(Source: Human Resource Management: Essential Perspectives by Mathis Robert L., Jackson John, 2011, Sixth Edition, Thompson / South Western, ISBN-13:978-0-538-48170-0, P.2)

1. **Strategic HR Management**: As a part of maintaining organizational competitiveness, strategic planning for HR effectiveness can be increased through the use of HR metrics and HR technology. Human resource planning (HRP) function determine the number and type of employees needed to accomplish organizational goals.

HRP includes creating venture teams with a balanced skill-mix, recruiting the right people, and voluntary team assignment. This function analyzes and determines personnel needs in order to create effective innovation teams. The basic HRP strategies are staffing and employee development.

2. **Equal Employment Opportunity**: Compliance with equal employment opportunity (EEO) laws and regulations affect all other HR activities.

3. **Staffing**: The aim of staffing is to provide a sufficient supply of qualified individuals to fill jobs in an organization. Job analysis, recruitment and selection are the main functions under staffing.

Workers job design and job analysis laid the foundation for staffing by identifying what diverse people do in their jobs and how they are affected by them. Job analysis is the process of describing the nature of a job and specifying the human requirements such as knowledge, skills and experience needed to perform the job. The end result of job analysis is job description. Job description spells out work duties and activities of employees.

Through HR planning, managers anticipate the future supply of and demand for employees and the nature of workforce issues, including the retention of employees. So HRP precedes the actual selection of people for organization. These factors are used when recruiting applicants for job openings. The selection process is concerned with choosing qualified individuals to fill those jobs. In the selection function, the most qualified applicants are selected for hiring from among the applicants based on the extent to which their abilities and skills are matching with the job.

4. ***Talent Management and Development***: Beginning with the orientation of new employees, talent management and development includes different types of training. Orientation is the first step towards helping a new employee to adjust himself with the new job and the employer. It is a method to acquaint new employees with particular aspects of their new job, including pay and benefit programmes, working hours and company rules and expectations.

Training and Development programs provide useful means of assuring that the employees are capable of performing their jobs at acceptable levels and also more than that.

All the organizations provide training for new and inexperienced employee. In addition, organization often provide both on the job and off the job training programmes for those employees whose jobs are undergoing change.

Likewise, HR development and succession planning of employees and managers both are necessary to prepare for future challenges. Career planning has developed as result of the desire of many employees to grow in their jobs and to advance in their career. Career planning activities include assessing an individual employee's potential for growth and advancement in the organization.

Performance appraisal includes encouraging risk taking, demanding innovation, generating or adopting new tasks, peer evaluation, frequent evaluations and auditing innovation processes.

This function monitors employee performance to ensure that it is at acceptable levels or not. This strategy appraises individual and team performance so that there is a link between individual innovativeness and company profitability. Which tasks should be appraised and who should assess employees' performance are also taken into account.

5. **Total Rewards**: Compensation in the form of pay, incentives and benefits are the rewards given to the employees for performing organizational work. Compensation management is the method for determining how much employees should be paid for performing certain jobs. Compensation affects staffing and in the matter of staffing; people are generally attracted to organizations offering a higher level of pay in exchange of the work performed.

To be competitive, employers develop and refine their basic compensation systems and may use variable pay programs such as incentive rewards, promotion from within the team, recognition rewards, balancing team and individual rewards etc. This function uses rewards to motivate personnel to achieve an organization's goals of productivity, innovation and profitability.

Compensation is also related to employee development in the matter of compensation; it provides an important incentive for motivating employees to higher levels of job performance in the organization.

Benefits are another form of compensation to employees other than direct pay for the work performed. Benefits include both legally required items and those offered at employer's discretion. Benefits are primarily related to the area of employee maintenance as they provide for many basic employee needs.

6. **Risk Management and Worker Protection**: HRM addresses various workplace risks to ensure protection of workers by meeting legal requirements and being more responsive to concern for workplace health and safety along with disaster and recovery planning.

7. **Employee and Labor Relations**: The relationship between managers and their employees must be handled legally and effectively. Employer and employee rights must be addressed. It is important to develop, communicate and update HR policies and procedures so that managers and employees alike know what is expected. In some organizations, union/management relations must be addressed as well.

The term labour relation refers to the interaction with employees who are represented by a trade union. Unions are organization of employees who join together to obtain more voice in decisions affecting wages, benefits, working conditions and other aspects of employment. With regard to labour relations the major function of HR personnel includes negotiating with the unions regarding wages, service conditions and resolving disputes and grievances.

1.9 Role of HR Manager

Human Resources Manager plays a vital role in the modern organization. He plays various strategic roles at different levels in the organization. The roles of the HR Manager include roles of conscience, of a counsellor, a mediator, a company spokesman, a problem solver and a change agent.

- ***The Conscience Role:*** The conscience role is that of a humanitarian who reminds the management of its morals and obligations to its employees.
- ***The Counsellor:*** Employees who are dissatisfied with the present job approach the HR manager for counselling. In addition, employees facing various problems like marital, health, children education/marriage, mental, physical and career also approach the HR managers. The HR Manager counsels and consults the employees and offers suggestions to solve/overcome the problems.
- ***The Mediator:*** As a mediator, the HR manager plays the role of a peace-maker. He settles the disputes between employees and the management. He acts as a liaison and communication link between both of them.
- ***The Spokesman:*** He is a frequent spokesman for or representative of the company.

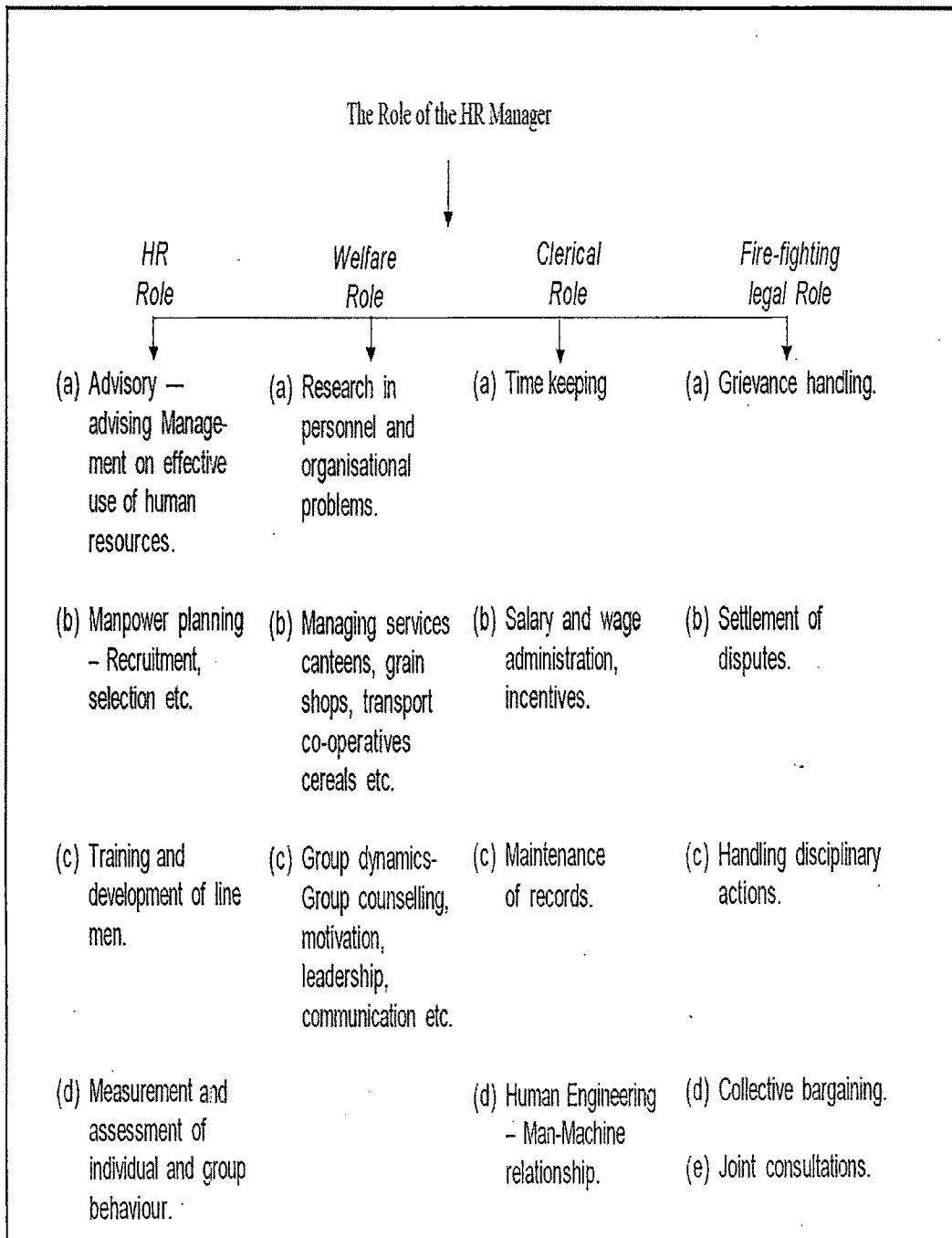
- **The Problem-solver:** He acts as a problem solver with respect to the issues that involve human resources management and overall long range organizational planning.
- **The Change Agent:** He acts as a change agent and introduces changes in various existing programmes.

He also performs various other roles like welfare role, clerical role and fire-fighting role as indicated in figure above.

1. As a Specialist: The HR department has staff relationship with other departments/managers in the total organization. The personnel department is responsible for advising management from the Managing Director to the lowest line supervisor in all areas relating to HR management and industrial relations. HR department also performs various functions of employment, training and development. It represents the management in many of the relationships that affect the organization as a whole. It is also responsible for representing various workers' problems to the management.

HR department generally acts in an advisory capacity; it provides information, offers suggestions and is not responsible for the end results. The HR managers must exercise control each and every aspect very tactfully in order to win the confidence and co-operation of all line managers. They have to persuade line managers to work with staff specialists and not against them. The authority of the HR manager should derive from concrete HR policies and programmes and from the advantages and result of accepted specialised knowledge.

Figure 1.5 The Role of the HR Manager



(Source: Mamoria C.B. & Gankar S.V., PERSONNEL MANAGEMENT (TEXT & CASES), HPH, 21st Revised Edition, P. 16)

2. As a Source of Help: In certain situations (when line managers lack skill or knowledge in dealing with employee problems), experienced HR managers assume line responsibility for HR matters. But it may be resented by the managers who ought to seek staff assistance in meeting their HR responsibilities. They should earn the reputation and confidence of line managers of being a source of help rather than a source of threat to line managers. Staff assistance is likely to be effective when it is wanted rather than imposed.

3. As a Change Agent: HR Manager should work as an enabler and change agent regarding HR areas and he should be familiar with different disciplines like management, technology, sociology, psychology and organizational behaviour as organizational adaptability, viability and development are dependent on human resources development. So, the HR manager should work as a consultant of an organizational development by providing necessary information and infrastructure to the line managers. Thus, the role of HR managers is more concerned with providing information and offering advice to the decision-makers rather than making decisions.

4. As a Controller: Nevertheless, it is still true that effective HR executives advise on policies, help managers in implementing their programmes and provide services, exercise monitoring and control functions sparingly.

1.10 Challenges of HRM in Indian Economy

1. Globalization: - Growing internationalization of business has its impact on HRM in terms of problems of unfamiliar laws, languages, practices, competitions, attitudes, management styles, work ethics and more. HR managers have a challenge to deal with more functions, more heterogeneous functions and more involvement in employee's personal life.

2. Corporate Re-organizations: - Reorganization relates to mergers and acquisitions, joint ventures, take over, internal restructuring of organizations. In these situations, it is difficult to imagine circumstances that pose a greater challenge for HRM than

reorganizations itself. It is a challenge to manage employees' anxiety, uncertainties, insecurities and fears during these dynamic trends.

3. New Organizational forms: - The basic challenge to HRM comes from the changing character of competitions. The competition is not between individual firms but between constellations of firm. Major companies are operating through a complex web of strategic alliances, forgings with local suppliers etc. These relationships give birth to completely new forms of organizational structure, which highly depend upon a regular exchange of people and information. The challenge for HRM is to cope with the implications of these newly networked relations more and more, in place of more comfortable hierarchical relationships that existed within the organizations for ages in the past.

4. Changing Demographics of Workforce: - Changes in workforce are largely reflected by dual career couples, large chunk of young blood between age old superannuating employees, working mothers, more educated and aware workers etc. These dynamic workforces have their own implications for HR managers and from HRM point of view is a true challenge to handle.

5. Changed employee expectations: - With the changes in workforce demographics, employee expectations and attitudes have also transformed. Traditional allurements like job security, house, and remunerations are not much attractive today, rather employees are demanding empowerment and equality with management. Hence it is a challenge for HRM to redesign the profile of workers, and discover new methods of hiring, training, remunerating and motivating employees.

6. New Industrial Relations Approach: - In today's dynamic world, even unions have understood that strikes and militancy have lost their relevance and unions are greatly affected by it. The trade union membership has fallen drastically worldwide and the future of labor movement is in danger. The challenge before HRM is to adopt a proactive industrial relations approach which should enable HR specialist to look into challenges unfolding in the future and to be prepared to convert them into opportunities.

7. Renewed People Focus: - The need of today's world and business is the people's approach. The structure, strategy, systems approach which worked in post war era is no more relevant in today's economic environment which is characterized by over capacities and intense competition. The challenge of HR manager is to focus on people and make them justifiable and sustainable.

8. Managing the Managers: - Managers are unique tribe in any society, they believe they are class apart. They demand decision-making, bossism and operational freedom. However in the post liberalization era, freedom given to managers is grossly misused to get rid of talented and hard working juniors. The challenge of HRM is how to manage this tribe? How to make them realize that the freedom given to them is to enable them make quick decisions in the interest of the organization and not to resort to witch-hunting.

9. Weaker Society interests: - Another challenge for HRM is to protect the interest of weaker sections of society. The dramatic increase of women workers, minorities and other backward communities in the workforce has resulted in the need for organizations to reexamine their policies, practices and values. In the name of global competition, productivity and quality the interests of the society around should not be sacrificed. It is a challenge of today's HR managers to see that these weaker sections are neither denied their rightful jobs nor are discriminated against while in service.

10. Contribution to the success of organizations: - The biggest challenge to an HR manager is to make all employees contribute to the success of the organization in an ethical and socially responsible way. Because society's well being to a large extent depends on its organizations.