

## WEEK ONE

# **The Nature and Context of Human Resource Management (HRM)**

- Defining HRM
- HRM and its relationship to an organisation's external and internal environments
- Roles in HRM

# INTRODUCTION

## Defining HRM

### EMPLOYER

**An employer is a person or institution that hires employees or workers. Employers offer wages to the workers in exchange for the worker's labor power.**

Employers include everything from individuals hiring a babysitter to governments and businesses which hire many thousands of employees. In most western societies governments are the largest single employers, but most of the work force is employed in small and medium businesses in the private sector.

Note that although employees may contribute to the evolution of an enterprise, the employer maintains autonomous control over the productive base of land and capital, and is the entity named in contracts. The employer typically also maintains ownership of intellectual property created by an employee within the scope of employment and as a function thereof. These are known as "works for hire".

Within large organizations the management of employees is often handled by Human Resources departments.

### EMPLOYEE

**An employee contributes labor and expertise to an endeavor. Employees perform the discrete activity of economic production. Of the three factors of production, employees usually provide the labor.**

### The nature of the 'agreement/contract' between a worker and an organisation

Specifically, an employee is any person hired by an employer to do a specific "job". In most modern economies the term employee refers to a specific defined relationship between an individual and a corporation, which differs from those of customer, or client. Most individuals attain the status of employee after a thorough process of interviews with several departments

within a company. If the individual is determined to be a satisfactory fit for the position, he is given an official offer of employment within that company for a defined starting salary and position. This individual then has all the rights and privileges of an employee, which may include medical benefits and vacation days. The relationship between a corporation and its employees is usually handled through the human resources department, which handles the incorporation of new hires, and the disbursement of any benefits which the employee may be entitled, or any grievances that employee may have. An offer of employment, however, does not guarantee employment for any length of time and each party may terminate the relationship at any time. This is referred to as *at will* employment. While the terms accountant, lawyer and photographer might refer to professions, they are not employee titles, which may include Senior Developer, Executive Assistant, or Regional Sales Manager and the like.

There are differing classifications of workers within a company. Some are full-time and permanent and receive a guaranteed salary, while others are hired for short term contracts or work as temps or consultants. These latter differ from permanent employees in that the company where they work is not their employer, but they may work through a temp-agency or consulting firm. In this respect, it is important to distinguish independent contractors from employees, since the two are treated differently both in law and in most taxation systems.

Some companies feel that a happier work force is a better one and thus offer extra benefits to improve team spirit and performance. However, other employers try to increase profits by giving low wages and few benefits. To resist this, employees can organize into labor unions (American English), or trade unions (British English), who represent most of the available work force and must therefore be listened to by the management. This can lead to considerable ill-will and sometimes even violence between the two sides, but it can also lead to a peaceful and prosperous society, especially in countries in which the government plays an active mediator role in collective bargaining. This has helped produce prosperous economies in many countries due to the employees' increased spending power. Collective bargaining has in addition proved to be a powerful conflict resolution tool that has also enabled social dialogue.

# Functions of the Human Resource Department

*A typical Human Resource Department carries out the following functions:*

## 1. Manpower Planning

This involves the planning for the future and finding out how many employees will be needed in the future by the business and what types of skills should they possess.

Manpower planning depends on the following factors

- The number of people leaving the job
- The projected growth in sales of the business
- Technological changes
- Productivity level of the workers

## 2. Job analysis and Job description

HR Department is also involved in designing the Job analysis and Job description for the prospective vacancies.

**A job analysis is the process used to collect information about the duties, responsibilities, necessary skills, outcomes, and work environment of a particular job.**

Job descriptions are written statements that describe the:

- duties,
- responsibilities,
- most important contributions and outcomes needed from a position,
- required qualifications of candidates, and
- reporting relationship and co-workers of a particular job.

## 3. Determining wages and salaries

HR Department is also involved in conducting market surveys and determining the wages and salaries for different positions in an organization. These decisions may be taken in consultation with top management and the Finance department.

## 4. Recruitment and Selection

One of the most important jobs of the HR department is to recruit the best people for the organization. This is of crucial importance as the success of any organization depends on the quality of its workforce.

## 5. Performance Appraisal

Once the employees are recruited, the HR Department has to review their performance on a regular basis through proper performance appraisals.

**Performance appraisal is the process of obtaining, analyzing and recording information about the relative worth of an employee.**

The focus of the performance appraisal is measuring and improving the actual performance of the employee and also the future potential of the employee. Its aim is to measure what an employee does. On the basis of performance appraisal the HR Department will set up an action plan for each employee. If the employees need any training then the department provides that.

## **6. Training and Development**

HR department is constantly keeping a watch over the employees of the organisation. In order to improve the efficiency level of the employees they have to undergo regular trainings and development programmes. All trainings and development needs are carried out by this department. Training might include on the job or off the job training.

## **7. Employee Welfare and Motivation**

Happy employees mean a healthy organization. HR Department conducts various employee welfare activities which might include employees get together, annual staff retreats etc. HR department also reviews organizational policies and its impact on the motivation of the employees.

## **8. Addressing Employees' grievances**

HR department is the link between the workers and the management. Employees' grievances in the work environment are usually entertained and resolved by the HR Department.

## **9. Labour Management Relations**

For the smooth operation of any organization, it is crucial to have good labour management relations. HR department has to ensure that these relations are cordial. In case of any labour-management conflict the HR Department will play a vital role in bringing both management parties to the negotiation table and resolving the issue.

## **10. Implementing organizational policies**

HR Department has to coordinate with line manager and see that the organizational policies are being implemented in a proper manner. Disciplinary action can be initiated against employees who are not following organizational rules and regulations. All these actions are conceived and implemented by the HR department.

## **11. Dismissal and Redundancy**

HR Department has to take firm actions against employees who are not following the organizational code of conduct, rules and regulations. This can result in the dismissal of the employee. Sometimes, an organization may no more require the services of an employee. The employee may be made redundant. HR Department has to see that organizational and government regulations are being followed in this process.

**All these functions contribute towards organisational effectiveness.**

## **Human Resources Department (HRD)**

The Human Resource Department deals with management of people within the organisation. There are a number of responsibilities that come with this title. First of all, the Department is responsible for hiring members of staff; this will involve attracting employees, keeping them in their positions and ensuring that they perform to expectation. Besides, the Human Resource Department also clarifies and sets day to day goals for the organisation.

**HRD "is responsible for organisation of people in the entire Company and plans for future ventures and objectives involving people in the Company". (Handy, 1999).**

# External & Internal Environmental Factors Influencing HR Activities

A successful human resources strategy complements a company's mission and goals -- so what works for an industry giant won't necessarily be suitable for a small business.

The factors influencing HR activities aren't static: To maximize recruitment and retention, and to minimize employee issues, small business managers must continually monitor internal and external environmental factors and adjust HR strategy accordingly. To do that, it's important to know what the internal and external factors can consist of.

## The Internal and External Factors can consist of

- **Competition**

The extent of competition in the industry affects a company's ability to recruit qualified workers. Industry giants find that candidates seek them out. Small businesses typically don't have the same branding power or company reputation, though, and need to actively seek qualified candidates for critical positions. In such a scenario, a human resources department will need to focus on developing recruitment materials and attending job fairs to promote the company and attract applicants. Similarly, HR should develop programs and incentives to retain key employees.

- **Compensation**

Labor supply drives the amount of compensation a business must offer to attract employees. In an oversaturated market, when unemployment is high and many more qualified candidates exist than job opportunities, the amount of compensation provided is less than when a shortage of candidates exists and businesses are competing against multiple other companies to recruit employees. HR must continually evaluate the compensation structure by conducting industry- and location-specific salary surveys to ensure wages remain competitive enough to attract and retain key staff members but low enough that the business remains financially competitive. HR must also ensure that the internal compensation structure is fair -- for example, experienced workers with specialized qualifications should earn more than recent college graduates performing the same tasks.

- **Legislation**

Legislation impacts all HR activities. National legislation typically dictates how long a business must retain personnel records and other employee data, what can be stored, and how. This places obligations on employers to safeguard the confidentiality of employee personal information and to make sure company managers operate within the confines of law. HR professionals must stay abreast of legislation and train managers on their responsibilities.

- **Employee Relations**

Internal policies and procedures impact HR activities. For example, if the company is committed to promoting from within, HR must ensure employees receive appropriate training and development to be ready for promotion when the time comes. HR should monitor the number of employees eligible for retirement and ensure potential replacements or other staff members are trained to avoid a sudden departure of business knowledge. If the company is unionized, HR must engage in collective bargaining with the union on matters of representation. External influences, political factors and organizational culture all influence the amount of grievances and complaints HR must respond to.

## **Roles of the Human Resources Manager**

Human resources are the people that work for an organisation, and Human Resource Management is concerned with how these people are managed. However, the term Human Resource Management (HRM) has come to mean more than this because people are different from the other resources that work for an organisation. People have thoughts and feelings, aspirations and needs.

The term HRM has thus come to refer to an approach, which takes into account both:

1. The needs of the organisation
2. The needs of its people.

## **The Human Resource Manager/Personnel Manager**

1. Frame a clear and easily implementable HR Policies
2. Nurture and develop a motivated HR Team to meet business requirement
3. Develop the collective knowledge of the HR team to handle complex and crisis situation arising due to dynamic and changing business environment
4. Create a complementing skills based team with varied competencies and skills since the team has to be handling the entire gamut of HR responsibilities ranging from HR design to HR delivery. E,g. recruitment specialist, L&D experts etc.
5. Plan and implement an effective HR Plan that is aligned to Business Plan and overall organisation people agenda.
6. Execute manpower planning and budgeting to have a road-map for recruitment assignments
7. 2. Manpower hiring as per the recruitment plan agreed along with the Business heads/department heads
8. 3. Keep ears to the ground and reach out to all employees through communication with employees at regular intervals to gather insights @ workplace and feed them back appropriately to the leadership team of the organisation
9. 4. Plan and execute suitable interventions to keep the employees motivated
10. Act as a business partner and provide dashboards/analytics to business heads/department heads to help them have a pulse of their team
11. Provide employee development and counselling assistance to employees /team members to enhance employee performance and productivity



12. Take adequate measures to retain good employees, ring fence high potential employees
13. Executing “Employee Engagement” initiatives to keep people together and make the workplace exciting, rewarding and engaging
14. Drive an effective Learning and development agenda that impacts the employees and the businesses
15. Evaluate and Improve the current HR Practices to keep with time and external benchmarks
16. Update HR policies in line with the business and organisation requirement
17. Keeping and updated Employee Handbook with all relevant details and information
18. Design, update and share SOPs of all HR processes
19. Conduct periodical employee surveys to collate insights @ workplace and in turn design employee interventions accordingly to address concern areas
20. Support and counsel business managers to effectively manage teams to ensure higher employee productivity
21. Have an updated repository of Job descriptions for all roles in the organisation along with measurable performance indicators for each role
22. Maintain employee records and files i order for ease of reference (both On-line and physical copies of the records)
23. Communicate with employees and business heads for better alignment
24. Be astute to handle dynamics at the workplace and help employees to overcome crisis situation

**The above list is an exhaustive list and is more focused on a Business HR Managers’ responsibility areas.**

## Role of Line Managers

**A line manager heads a revenue-generating department in the organization and is responsible for achieving the organization's main objectives by executing functions such as policy making, target setting, and decision making.**

Any research that is done focusing on people within organisations almost invariably concludes that the employee-line manager relationship is crucial. There is no doubt that employees with effective, engaging line managers value them hugely, and that their development focus is a key reason why they are perceived to be good managers.

### The role of Line Managers in HR

The primary reason human resources and line managers should work together is because both parties have a vested interest in ensuring the company achieves success. Through working together, line management becomes more proficient in tactical human resources functions. This frees up time for human resources professionals to devote more time to strategic HR management.

#### Areas where HR and Line Managers can collaborate are:

**Department Staffing.** The human resource department's main function is to support the workforce needs of the organization. HR and line managers should communicate regularly and frequently to determine the skills and qualifications required for seamless operation of department functions. Whenever there's a vacancy in a line manager's department, an HR recruiter or employment specialist and the line manager review the job description for accuracy and completeness. During the recruitment and selection process, HR advises line managers on how to identify qualified candidates and existing department staff capabilities.

**Workforce Strategy.** Strategic planning between HR and line managers involves reviewing projections concerning future business demands to determine whether to train current employees to prepare them for promotion or to recruit candidates with higher level skills to augment the current employee knowledge base. By working together on immediate and future staffing needs, HR and line management benefit from reduced cost per hire and turnover. In addition, the organization benefits from appropriate succession planning and adequate staffing.

**Performance Management.** Training and development is an HR function that prepares line managers for a number of leadership tasks. One such task is conducting employee performance appraisals. Human resources trainers develop learning objectives based on line managers' understanding of the organization's coaching philosophy. Leadership training topics include how to provide employees with constructive feedback and how to conduct fair and unbiased

assessments of employee performance. HR and line managers should therefore work together to ensure the organization maintains a consistent approach to performance management. Inconsistencies within an organization's performance management system negatively impact employee job satisfaction, which is another reason HR and line managers should work collaboratively.

**Conflict Resolution.** Workplace conflict is inevitable whenever department employees represent different cultures, work styles and personalities. When conflicts arise, line managers typically seek the advice of HR in resolving issues between employees or issues between employees and their managers. If there is already dissension between HR and line management, it can be difficult for human resources to determine what underlies the conflict and how to resolve it. A positive working relationship between HR and line management facilitates easier handling of workplace investigations and mediating differences between staff. When HR and line management work together, it's easier for HR to investigate workplace issues because the human resource staff may have greater confidence that line managers document their employment actions and decisions appropriately and according to company policy.

## **Roles in HRM**

**The HR role can be divided up as follows:**

1. Administration
2. Analysis and reporting
3. Employment contracts, conditions and disputes
4. Industrial relations
5. Intra-company communication
6. Legal compliance
7. Personal support re: individual employees
8. Recruitment
9. Risk management
10. Rules and culture
11. Staff assessment, job design, performance, remuneration
12. Strategic role in the business
13. Termination of employment
14. Training

### **Administration**

- Administration and day to day operations (eg wage and salary administration) —a critical function that has to be right.

## **Analysis and reporting**

- Records and statistics — relevant information on the provision of labour and other HR aspects. Correct and up-to-date information is important in making good decisions.
- Benchmarking exemplary/good employee performance — business needs to know what are the goals
- Benchmarking business re employee management — HR should test its own performance.
- Forecasting and predicting re staff and business issues — being ahead of competitors leads to success.

## **Employment contracts, conditions and disputes**

- The terms of employment.
- Negotiation re: contracts with employees and others providing labor.
- Answering employment entitlement queries — a day-to-day requirement
- Salary packaging
- Entitlements, advice and guidance

## **Industrial relations**

- Negotiating and liaising with unions
- Dispute resolution — industrial action — collective action — the management of these events with the least damage to the business
- Dispute resolution — individuals' issues and problems
- Answering industrial relations queries from management and employees

## **Intra-company communication**

- Liaison between staff and management — an important function in a well-run business
- Staying in touch with staff and hearing staff — a generally positive exercise that often rests with HR
- Staff surveys

## **Legal compliance**

- Legal compliance — very broad requirement — HR focus is obviously re: the supply of labour and employment issues
- Personal support role for individual employees — the extent of this depends on the degree of involvement that the particular business considers appropriate
- Career planning
- Balancing work and personal lives re: employees
- Retirement planning

## **Recruitment**

- Recruitment and induction — a very important function for the success of the business and the employees of the business

## **Risk management**

- Risk Management culture — a business must be alert to risks
- Risk management re: the business and employees — specific work should be done to minimize risk and maximize productivity
- Promoting productivity — the positive side of risk management
- Managing absenteeism — major loss to business unless well-managed
- Workers compensation — managing at the worksite end and also liaising with insurers and senior management

## **Rules and culture**

- Policies and procedures cut across all areas of employee involvement — they should be consistently reviewed
- Creating a culture of OHS
- Occupational Health and Safety and procedures — both a legal and good governance imperative
- OHS reporting and training — necessary elements of the total picture

## **Staff assessment, job design, performance, remuneration**

- Staff assessment (promotion, demotion, re-direction) — has to be done well with staff support
- Counseling and managing performance
- Job design and structure
- Salary levels and salary packaging
- Altering contracts to reflect changing role of employees

## **Strategic role in the business**

- Strategic role — advising top level management — a broad brief — variable depending on how the business perceives the role of HR
- Management development , succession planning, leadership development, organisational design
- Organisational development and redesign
- Planning on various levels — workforce, departmental, unit, individual — a variable often determined by how the individual professional approaches the HR role
- Strategic planning - integrating HR role into the company's business.

## **Termination of employment**

- Managing termination of employment at all stages, from the commencement of employment to its end.
- Retrenchments — both the collective issues and individuals' issues.
- Post-employment responsibilities re employees — issues such as references must be managed properly

## **Training**

- Spreading the knowledge on 'people management' — delegating and/or handing over certain people management matters to line managers who deal directly with staff
- Training and innovative ways of using training to keep good people — keeping staff up to speed in their own areas and generally in the business environment in which they operate.

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