Chapter - 2

REVIEW

OF

LITERATURE
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In this chapter an evaluation of various studies conducted in the field of Human Resource Accounting and its disclosure is done. The main findings of the various studies done are discussed.


Today, the methods which create value for companies have undergone a sea change. In the new globalized economy, when companies have edge to edge competition, the intangibles like strategies, brands, market leadership, management policies, etc., play a major role in creating value for a company. Very few intangibles are covered under the mandatory rules and regulations of accounting all over the world. Despite these regulatory limitations, an increasing number of companies are voluntarily opting to include information in their list of intangibles in the notes to their annual accounts or as an appendix in a narrative form. The narrative reporting on intangibles has not yet been regularized by various accounting authorities, but to have competitive edge in the market, a number of companies are voluntarily disclosing information on intangibles in their business review section along with the mandatory information on intangibles in the financial accounts. This study examined and compared the various disclosure practices of intangibles of the top one hundred Indian, US, and Japanese companies for a period of five years, i.e., 2001-2005. The study examined the type and extent of information on intangibles being disclosed by the companies with the help of a disclosure Index. The index of disclosure of intangibles used in this paper consisted of an extensive list of 180 items, including both mandatory as well as voluntary disclosure items. This study reveals that the countries under study, i.e., India, US, and Japan, have shown a
significant improvement in their overall disclosure scores over the five year period. The Japanese companies have shown the maximum improvement of 59 per cent in the overall disclosure scores over five year period, followed by US (42 %) and Indian companies (31%). Secondly, ‘IPRS and goodwill and other intangibles’ group showed maximum increase in five years by the sample companies of all the three countries under study. On the basis of the results, it can be suggested that Indian companies need to improve their disclosure practices in the areas of ‘strategy and competition’ and ‘market and customer’. Secondly, the accounting authorities should endeavour to regularize the narrative reporting on intangibles. A number of organizations are working to improve disclosure of non-financial items. Some of them are International Accounting Standard Board (IASB), Financial Accounting Standard Board (FASB), Organisation for Economic Cooperation and Development (OECD), and European Commission (EC).

This paper focuses on human resource accounting disclosure practices of specified Indian companies. The analysis of the HRA information disclosure in annual reports of different companies shows that very few Indian companies follow proper HRA practices and most of the companies are only having the disclosure of very few specified attributes of HRA. High attention is given on only cost part of employees and very less attention is given to the HRA attributes which is related to the measurement of employee’s real value which make them asset far the company. Paper shows the relationship between change in intangible asset value, investment, profit and change in employee cost during the given period. Paper also shows the relationship between Changes in the values of investments as per annual reports of different Indian companies during 2007-2008 and total of attributes ranking of the same companies as per analysis. However the human resources are still to get place in balance sheets of the companies, hence human resource valuation activities should be taken in account which can improve the efficiency of human resource in the changing business scenario.
Infosys was the first company to value its employees in India. The software company did the first valuation in fiscal year 1995-96 using Lev & Schwartz model. The value of its 1,172 employees was Rs 1.86 billion. The company has always considered employee as critical to organization success and therefore the introduction of human resource accounting will further help the organization to focus on it workers. Murphy, the managing director of Infosys has supported HRA saying that "Comparing this figure over the years will tell us whether the value of our human resources is appreciating or not. For a knowledge intensive company like ours, that is vital information."

Infosys technologies limited use Lev and Schwartz to value the company's human resources. The value of employee is taken as the present value of the future earning of workers. In computing the present value of employees the following assumption are made.

1. Employee compensation comprises of indirect and direct benefit and includes income earned in India and abroad.

2. Incremental earning based on age or group

3. Discount rate/cost of capital of 12.18% and 13.32% the previous year.

Mir Mohammed Nurul Absar et al. (2010) in their study on Impact of Human Resources Practices on Job Satisfaction - Evidence from Manufacturing Firms in Bangladesh aimed at exploring the impact of HR practices on job satisfaction in the context of Bangladesh. A total of 60 responses from 20 manufacturing firms were collected and analyzed objectively. It was found that HR practices have significant association with job satisfaction (JS). In addition, human resource planning (HRP), and training and development (TND) were found to have positive impact on job satisfaction (JS). It was also found that TND has the greatest impact on JS.
Academicians, researchers, policy-makers, practitioners, students, local and foreign entrepreneurs of Bangladesh and other similar countries could benefit from this paper by exploring the association between HR practices and job satisfaction.

The analysis results show the highest positive value of correlation between HRP and JS which clarifies that the authorities of selected industrial enterprises are required to focus on HRP for getting fabulous employees' job satisfaction followed by TND; PA; and COM. It is also found that HRP and TND have significant impact on JS.

This study suggested following policy implications - Organizations should offer extensive training and development programs for the employees, it should go for thorough HR planning. Organizations should carefully conduct recruitment and selection process and introduce proper performance appraisal systems. Organizations should offer at least reasonable compensation to the employees and maintain healthy industrial relations based on mutual trust and confidence of the employers and employees.

Organizations should develop good working condition. This facilitates employees to do their work effectively. Organizations should induce employees to perform well. This can be achieved by providing reward, motivations, and other benefits etc. Employees should be trained to adopt new technology and or develop their career. Organizations should provide unbiased promotion. That is promotion should be provided based on the qualification of employees and /or experience.

Proper working environment should be designed. In that the organization should provide adequate facilities employees to do their works such as appropriate equipment, work breaks, and work sharing.

Organizations should implement equal employment opportunities for male and female and minority and old worker. It should design working
procedure including hours work, over time payment and hour’s payment and
design good grievance procedure, disciplinary procedure and separation
procedure etc.

A Study of Human Resource Accounting Practices in Indian
Industries - The future of human resource accounting in India and the rest
of the nations may be linked to the balanced score card. In today business
application human resource accounting suffer due to the fact that it is not
grounded in business strategy. When balance score card is linked to human
resource accounting this problem would be solved (Kaplan & Roll, 1972). In
addition the measures developed within human resource accounting will be
utilized by the balanced score card particularly in the area of learning and
growth perspective which deal with measures such as skill sets, employees
satisfaction, employees retention etc.

One of the shortcomings from use of balance score card is the
missing link between non-financial indicators and financial measures such
as cash flow and earnings. The use of human resource accounting will help
to transform non-financial measures to financial ones thus linking them to
financial reporting system.

To make human resource accounting more meaningful and to
facilitate it inclusion in financial statement, personnel cost should be
classified into two categories namely capital expenditure and revenue
expenditure. Capital expenditure will include costs such as acquisition,
retention, development, up-gradation or update and hiring cost (recruitment
and training). Revenue expenditure will include salaries, wages,
commission, bonus, allowance, efficiency maintenance cost and short term
motivation (Cascio, 1998).

Capital expenditures should be capitalized and recorded in the
balance sheet as intangible assets and amortized over the useful life of
human asset. This armotisation should be recorded as expenses in the income statement. Revenue expenditure should be charged against revenue in the income statement. This will be the only way that human resource cost is represented in the financial statements i.e. the income statement and the balance sheet rather than a separate report in the annual statement.

Md. Amirul Islam et al. (2013) in their study titled “Human Resource Accounting: Recognition and Disclosure of Accounting Methods & Techniques” found that -

HRA is the process of identifying, measuring data about human resources and communicating this information to interested parties the major objects of the study is to highlight the major characteristics of HRA along with the practical benefits and difficulties in implementations. The major benefits of such accounting are that it develops effective managerial decision making, quality of management, prevents misuse of human resources, increases human asset productivity, improves morale, job satisfaction and creativity, etc.

This study concluded that - Human resources are the energies, skills and knowledge of people which are applied to the production of goods or rendering useful services. It is the method of identifying and measuring data about human resources and communicating the information to interested persons. While valuing human resources, economic value models standard cost method, non monetary measures etc. As per accounting standards disclosure of human resource accounting information follows historical cost approach to human asset valuation but this fails to show current cost. This is why economic value approach is more relevant. Still true cost of capital for discounting the net cash flows related to human assets is also difficult to find out. As a result replacement cost valuation method and non monetary behavioral approach might be suitable for hair valuation of human resources
of an organization. Our Companies Act 1994 does not provide for valuation of human resources. As result disclosure of such information has become voluntary to our business management. There is need to prescribe the specific provisions for valuing human resources and disclosing the details of investment in human assets in the form of training and development expenses, salaries and other allowances etc through annual reports.

The main constraints of the study were - uncertainty of human resources creates uncertainty in valuation of human resources. Nature of amortization is another difficulty; valuation of human resources, their accounting treatments is also difficult as there is no specific IAS/IFRS for such treatment.

D. P. Rao et al. (2013) in their research article titled “A Study on Human Resource Accounting Methods and Practices in India” studied HRA practices and methods used by Indian company’s and found that - It is highly complicated in the today’s market to find well knowledge, coached, and highly motivated people. Human resource is one of the most important back office operations of any organization or business. Their skills, creativity, ability human cannot be replaced by machines. We can lose efficiency in work if no qualitative people. At all levels and areas of the business or firm human efficiency is required with machine efficiency. Human can work without machine but machine can’t. Hence, industry like advertising and direct marketing for instance human talent is more valuable among other else. No machine can ever come up with a unique advertising idea without the human input. Thus companies must learn to recognize and appreciate the value of their employees. It is worth and capital investments. That is why firms also need to search people those are on capital investment along with capital (money) while many entrepreneurs are focused on securing capital they have to make sure they have the right management team and employer in place if they want to attract investor create value and maximum wealth.
Solid management team in what sets a company apart with venture capitalists. The article highlights the significance of Human resource valuation and methods to measures human assets value. The article describes views of the authors and finds out the organizations those have tried to implement human resource accounting. The article depicts the advantages of human resource valuation. The authors suggested five major benefits of HRA as follows -

The five major benefits of HRA are

1. Cost of developing human resources: HRA will give the cost of developing human resources in the business. This will enable the management to ascertain the cost of labor turnover also.

2. Proper investment: It can be seen whether the business has made proper investment in human resources in terms of money or not. If the investment is in excess, efforts should be made to control it.

3. Planning and executing personal policies: It will help the management in planning and executing personal policies. The management also makes use of its help in taking decisions regarding transfers, promotions, training, retirement and retrenchment of human resources.

4. Improving employee efficiency: It helps in improving the efficiency of employees. The employees come to know of the cost incurred on them and the return given by them in the form of output, and so on, which will motivate them to increase their worth.

5. Calculate Return on Investment (ROI): The return on investment can realistically be calculated only when the investment on human resources also is taken into account. The ROI is may be good because there is an investment on human beings.
Finally they concluded that - Overall, even valuing human resources appear to be important to Indian organizations, most organizations do not value their human resources and plans to implement valuation of human resources are at a very early stage. Despite the interest in valuation there will be little or moderate progress in the area over the next five to ten years. In order to show greater progress, more needs to be done at both the theoretical and practical level. More search into valuation methods and models, and the practical implication of these, is needed together with the engagement of both human resource and accounting professionals in the debate on valuation and its implementation in practice.

S. Dutta (2008) in her research paper titled HR Accounting – “A Strategic Use of Lev & Schwartz Model” found that - Human is the core factor and which is required to be recognized prior to any other ‘M’s But till now an urgent need based modification is required while identifying and measuring data about human resources. In this paper my objective is to identify the extensive use of Lev & Schwartz model of Human resource accounting, in spite of several criticized from various sides regarding its applicability. Furthermore, it also portrays the applicability in wide variety of organization of such model (some public sector units and IT based sector). Human is the buzzword in the modern knowledge based society. It is the most vital input on which the success & failure of the organization very much depend upon. Starting from the classical economist to modern human capital economist such development in considered to be a continuous process.

Critically appraising the Lev & Schwartz model the author highlighted following five points about Lev Schwartz Model

1. It is essentially an input measure. It ignores the output i.e. productivity of employees.

2. Service state of each individual employee is not considered.
3. The training expenses incurred by the company on its employees are not considered.

4. The attrition rate in organization is also ignored.

5. Factors responsible for higher earning potentiality of each individual employee like seniority, bargaining capacity, skill, experience etc. which may cause differential salary structure are also ignored.

In conclusion the authors said that - The conceptual thinking about valuation human resources is still in a developing stage. No model of HR accounting is accepted by the accounting bodies all over the world. However, still we find some application of Lev & Schwartz model is most public sector units and IT based sectors. In knowledge based sectors where human resources are considered to be the key elements for monitoring the business activities to attend their goals successfully, may not overlooked this side. Hence, considering the great significance of HRA proper initiation should be taken by the government along with that other professional & accounting bodies both at the national & international levels for the measurement & reporting of such valuable assets.

N. Sharma et al. (2014) “A Comparative Study of Human Resource Disclosure and Reporting Practices of Selected Public and Private Sector Banks in India” - HRA is the process of identifying and measuring data about human resources and communicating this information to interested parties. Human Resource disclosure is the process of identifying and reporting the Investments made in the Human Resources of an Organization that are presently not accounted for in the conventional accounting practices. In simple terms, it is an extension of the Accounting Principles of matching the costs and revenues and of organizing data to communicate relevant information. The Quantification of the value of Human Resources helps the management to cope up with the changes in its
quantum and quality so that equilibrium can be achieved in between the required resources and the proves Human Resource Accounting provides useful information to the management, financial analysts and employees as stated below:-

1. Human Resource Accounting helps the management in Employment and utilization of Human Resources.

2. It helps in deciding transfers, promotion, training and retrenchment of human resources.

3. It provides a basis for the planning of physical assets vis-a-vis human resources.

4. It helps in evaluating the expenditure incurred for imparting further education and training of employees in terms of the benefits derived by the firm.

5. It helps to identify the causes of high labor turnover at various levels and taking preventive measures to contain it.

6. It helps in locating the real cause for low return on investment, like improper or under-utilization of physical assets or human resources or both

7. It helps in understanding and assessing the inner strength of an organization and helps the management to steer the company well through the most averse and unfavorable circumstances.

8. It provides valuable information for persons interested in making long term investments in the firm.

9. It helps the employees in improving their performance and bargaining power. It makes each employee understand his contribution towards
the betterment of the firm vis-a-vis the expenditure incurred by the firm on him.


Human Resources (HR) are the energies, skills, talents and knowledge of people which are, or which potentially can be applied to the production of goods or rendering useful services. HRA is the process of identifying and measuring data about human resources and communicating this information to interested parties. Human Resource disclosure is the process of identifying and reporting the Investments made in the Human Resources of an Organization that are presently not accounted for in the conventional accounting practices. For the purpose of the study ten banks had been selected, out of which five banks were from the public sector and five banks were from the private sector. Banks were selected on the basis of judgment sampling approach. All ten banks were listed in Bombay Stock Exchange or National Stock Exchange. Human resource disclosure practices were adopted in all the selected banks and banks was aware to the HR practices. Results reveals that public sector banks were disclosed more information related to the human resource practices than the private sector banks. Public sector banks were also disclosed some quality information of human capital related information.

The main findings of this research paper are- (1) Public sector banks have disclosed more information of human resource related information than the private sector banks. (2) In public sector banks disclosure of Punjab national bank is highest disclosed the human resource reporting items.

The main conclusions of this study were – In private sector ICICI Bank and Axis Bank have equally disclosed the human resource related
information and Employees/workers fund information not provides any banks public as well as private sector banks.

S. Kesavan & P. F. Dyana (2013) “Disclosure of Human Resource Accounting (HRA) in Selected Indian Companies- An Empirical Analysis” - This study reveals that to ensure growth and development of any organization, the efficiency of people must be accounted in the right perspective. Normally the expenses for procurement, development and maintenance of human resources are treated as revenue expenditure. In the contemporary days some of the Indian companies have realized the real value of human resource and these expenses are incurred for the future benefit and should be capitalized and reflected in the balance sheet. Hence an attempt is made to analyze the Human Resource accounting disclosure in Selected Indian companies 20 companies were selected for the study out of that, only 6 companies (3 Public and 3 Private sector companies) were following Human Resource Accounting and Independent 't' test was used to find the difference in the disclosure of human resource variables in selected Indian companies.

Raunak Narayan (2010) “Human resource accounting: A new paradigm in the era of globalization” - In this paper the author has elaborately discussed about the objectives and process of HRA in the Indian context. The basic objective of the paper is to study the Human Resources Accounting practices, to identify the issues and challenges, to examine these issues and challenges and lastly, to give suggestions based on the findings of the study.

He concluded that this is an era of globalization and cost cuts, therefore, HRA would give an organization a correct vision towards the way forward. In the ultimate analysis it must be said that the concept of HRA has been appreciated by the accounting profession and by and large its
usefulness has also been acclaimed in the literature but unfortunately, its application has not flourished throughout the world. The International Accounting Standards Board (IASB), and the Accounting Standards Board (ASB), have not been able to formulate any specific accounting standards on measurement and reporting of cost and value of HR of an organization. Hence, considering the paramount importance of HRA, proper initiation should be taken by the Government as well as Professional Boards at the National and International levels in respect of formulation of specific accounting standard and suitable valuation models on the measurement and reporting of the value of HR.

Syed Abdulla Al Mamun (2009) “Human Resource Accounting (HRA) Disclosure of Bangladeshi Companies and its Association with Corporate Characteristics” - This study reports the relationship between corporate characteristics and Human Resource Disclosure (HRAD) level in fifty five randomly selected companies of Bangladesh. The relationships were determined using a HRAD Index (HRADI) under a number of hypotheses. The results of the study show that companies averagely disclose 25% of the total HRAD items. In this study, HRAD has been found significantly related with the size of the company, category of the company (financial or non-financial) and profitability. However, HDAD had no influence on the age of companies.

Y. M. Dalvadi (2010) in his research paper entitled – “Human Resource Accounting Practices in Selected Companies in India” taken four companies two-two each from public sector as well private sector companies for the study. The two companies from public sector companies were BHEL and SAIL and two from private sector were Infosys and ACC. Total 14 disclosure variables were taken for study. He found that the companies according to their disclosure ranking were as follows Infosys,
BHEL, SAIL and ACC respectively. One Sample t test was conducted to test the hypothesis. And found that there is significant difference between the average disclosures of selected companies, and reject the null hypothesis.

Further he suggested that -

4. ACC Ltd. Should provides more information regarding its Human Resource. ACC Ltd. Should include value of HR, Value of HR per Employee, GroupWise Distribution, Gender wise Distribution, Turnover per Employee etc. in its annual report.

5. There is no clarification regarding Human Valuation Model used and discount rate applied by ACC Ltd. in its annual report. So, company should disclose clearly for the better understanding.

6. BHEL and SAIL Ltd. should also report for Value of HR, Value of HR per Employee, Age and Gender Wise distribution in its annual report.

In suggestion to government he said that -

1. The measurement is subjective as methods for this purpose, so government should suggest specific model that is acceptable to all companies.

2. The government should make mandatory to value and discloses HR related information in its annual report.

3. To motivate companies for HRA, government should provide incentives like Subsidy, Tax exemption.

organizations and to identify the correlations of five different variables to the level of disclosure of human resource in annual report. Findings show that the most common terms used by organizations in Malaysia to disclosure human resource in the annual report are “Employee”, follow by “Staff”, “Labor”, “Human”, “People”, “Workforce”, “Workers” and “Recruit. In the analysis on the level of disclosure, the results show the overall extent of human resource disclosure was higher in labor intensive industries.

In this study the researchers applied multiple regression analysis and tried to predict the value of level of annual disclosure of human resources variable on the basis of independent variables like size of the organization, type of industry, listing status, HR disclosure in mission statement and financial performance. The overall model was found to be significant and all the independent variables except two namely type of industry and listing status were found to be significant contributor in prediction of annual disclosure of human resource variable.

Toulson and Dewe P. (2004) revealed that measuring human resource is perceived as important firstly because the measurement reflects the strategic and competitive importance of human resources, and secondly, because in order to earn credibility of a company, human resource must be expressed in financial terms.

John, Edward & Gary (2001) in their research article titled “Human Resource Accounting: A Critical Assessment” stated that this disclosure was first developed to help management to make decision. The two most prominent classes of decision makers who are most likely to use the accounting information are the investor in securities (external) and managers making resource allocation decision within the firm (internal). The investors can benefit from human resource data as they reflect the current state of business organization and their growth possibilities. On the other
hand, this can inform managers on the cost of specific personnel behaviors, such as training and turnover, thus encouraging better assessment and development of people.

Failure to measure and report the value of human resource, however, may cause managers to ignore the impact of their decision on employees. According to Managers may make decisions which in effect liquidate a company human resource by suspending the human resource investment in order to increase the short term profit while the organization will definitely suffer in the long run.

James, Henry and Gertrude (1976) indicated a few benefits of recording human resource. As the world is moving into the service economy, whereby humans have become the key element, failure to measure their value and account for human cost will reduce the effectiveness of the organization. Capitalizing human resource would assist in restoring individual relationships between management and the employees in a complex organization. If a manager realizes there are future benefits, he or she may spend more time developing employees. While human resource disclosure internally helps the top management make decisions regarding the adequacy of human resources, it has an impact on the decisions of the investors, clients and potential staff of the organization. Without proper valuation and accounting of human resources, the management might not be able to recognize the negative effects of certain programs, aimed at improving profit in the short run. If not recognized on time, this might lead to the fall in productivity levels, high turnover rate and low morale among existing employees.

Ulrich, Geller, & Desouza, G (1984) in their research paper “A Strategy, Human Resource Databases: OASIS” called attention to the positive correlation between human resource disclosure practices and
business performance. It was supported by Yeung and Ulrich (1990), confirming that the manner of alignment between human resource and business strategy has an impact on organizational performance. Research evidence by companies, and examined selected high performing companies, both showed that financial outcomes of human resource investment has significant positive correlation between an increase in the companies competence share and added value. Research carried out in the United States and United Kingdom with selected listed companies showed similar results which further confirmed that human resource measurement and reporting can lead to improved profitability and competitiveness of a company. In Malaysia, there is yet evidence of research particularly on Human resource disclosure. The closest research related to Human resource disclosure is literature on general intellectual capital disclosure and corporate social disclosure with limited published works. Studies conducted in the research area of Intellectual Capital Disclosure include the recording of human capital, structural capital and customer capital.

Abdul and Fauziah (2007) in their paper titled “Intellectual Capital Management: A Study of Malaysian Public Listed Companies” revealed that they have conducted one of the first empirical tests in Malaysia involving public listed companies in services and manufacturing in relation to intellectual capital. The findings showed that there was no significant differences in the degree to which companies from different industries (manufacturing and service industries), type (local based or foreign affiliated) and size of the companies in the disclosure of intellectual capital information in the annual reports.

Concerning corporate social disclosure which includes details of physical environment, energy, human resources, product and community involvement matters, research studies were conducted by Pang (1982), Ho
Pang (1982) found in his study that the highest disclosure of corporate social disclosure was related to human resource theme followed by community involvement and environmental theme. Ho (1990) found more or less similar themes: human resource, community involvement, product improvement, energy and environment in his research study whereas Mohamed Zain (1999) found in his study of 100 leading Malaysian companies that the highest disclosure was in the human resource theme followed by product and community involvement.

Shireenjit & Zuaini (1998) studied the general level of corporate social responsibility disclosure by corporations listed on the KLSE (now known as BURSA Malaysia). Their study examined 159 annual reports of companies in 1994 and the findings revealed that it was clear that the overall social responsibility reporting status in Malaysia was extremely low (3.9%), and with similar disclosure themes. From the study by Hasnah et al (2004) on Corporate Social disclosure, the highest overall theme was the human resource theme and the industry that made the most disclosure was the trading and service industry.

F. Rahmanizadeh and R. Mahesh (2014), “Human Resource Accounting: Disclosure of Indian Companies” found that Human resource accounting (HRA) is a new and developing branch of accounting. It should be widely concerned by human beings with the development of modern accounting. The human resource accounting studies the human resource cost plus confirming, calculating, recording and reporting of information of the value etc. It provides the information of the human resource accounting. This paper is intended to make examine the disclosure practice of mandatory and voluntary items in the annual reports of Indian
companies during period under study. The disclosure index method was used for measuring the level of disclosure of the annual reports. We found that though the level of disclosure of human resource accounting was not so high, this was appreciable that selected companies were adopting more or less human resource accounting practice and public sector was following better human resource accounting disclosure practices than private sector.

For the analysis they have taken two-two company each from public sector and private sectors. The public sector companies were BHEL and ONGC and Private sector companies were Infosys and Reliance. The findings were -

Oil and Natural Gas Corporation Limited provided the information of Human Resource .the future earnings have been discounted at 8%, 8%, 7%, 7%, and 8% in the year 2006; 2007, 2007-2008, 2008-2009, and 20010-2011.ONGC provide information like income, value added, no of employee, age wise distribution, group wise distribution, gender wise distribution, but turnover per employee, wasn't disclosed.

BHEL provide the information like income, value added ,No. of employee, Age wise distribution, group wise distribution, gender wise distribution turnover per employee cost but it did not used valuation model for HRA in the year 2006-07 to 2010-11, BHEL provide the information regarding particular of employees under the provision of section 217 (2A) of the companies rules 1975.

· BHEL had started providing information related to HRA in its Annual report from the financial year 1974-75 by using Lev and Schwartz model. It is the first company in India who provided HRA. BHEL also started considering efficiency factor for the purpose of Human Resource Valuation from the year 1980-81. · BHEL divides total employees of the organization according to group wise, category wise and also as per physically challenged employee. The company followed the 12% as discount rate.
Company provide the information regarding particular of employee under section 217(2A) of the companies Act, 1956 with companies rules 1975. BHEL was reporting information like total No of Employee, Value Added, Employee Remuneration and Benefit, Value Added per Employee, Turnover per Employee. It also calculated the different ratio related to Human Resource.

INFOSYS provide additional information of the firm intangible assets score sheet, HRA and Value-Added statement. INFOSYS provide the information regarding particular of employees under the provision of section 217(2A) of the companies Rules 1975. INFOSYS used the Lev & Schwartz model. The future earnings have been discounted at 14.97%, 13.32%, 12.18%, 10.16% in the year 2006-07, 2007-08, 2008-09 and 2009-10. INFOSYS provide the information like income, value added, No. of Employees, Age wise distribution, group wise distribution of employee, Net worth, EPS, Economic Value Added, Value of Human Resource, Value of Human Resource per employee and also present the ratio like Value Added/Human Resource value, Return on Human Resource Value in percentage but in 2010-11 INFOSYS was not provide additional information regarding HRA. INFOSYS was withdrawing Disclosure Practices of HRA.

Reliance Industries limited provided the information regarding, No of Employee and employee cost, earning per share and total assets. Company had not reported the discount rate, value added, EVA, value added per Employee value model and also turnover per employee.

Finally they concluded that - Human Resource Accounting measures the cost and value of human resources to an organization and presents the information in a significant manner in the financial statements to communicate their value with changes over the period and results obtained from their utilization to the different stakeholders. It mainly caters to the information need of the HR professionals, senior managers and investors for
making effective decisions. Different schools of thought in the domain of accounting have developed different methodologies for the valuation of HR, and suggested different approaches for treating the most valuable asset of the organization. But there was no unanimity on the part of the accounting professionals. However, presently the concept of HRA is being used by the HR professionals as an approach to human capital management. It is also found in the concerned literature that HRA can be used as an effective tool for strategic Human Resource Management (HRM). Despite the difficulties associated with HRA, in India, some giant public sector companies as well as private sector enterprises of international repute have been continuing their HRA practices.

Alam I. & Deb S. K. (2010) in their research paper titled “Human Resource Accounting Disclosure (HRAD) In Bangladesh: Multifactor Regression Analysis – A Decisive Tool of Quality Assessment” investigated influence of various factors on human resource accounting disclosure in Bangladesh. A regression model has been used to analyze the data of 58 sample companies listed either with Dhaka Stock Exchange or Chittagong Stock Exchange in 2009. This paper reveals that none of the companies disclose all the human resource accounting information items. From the study it has been found that the level of human resource reporting of listed companies of Bangladesh is very poor.

This paper examines quality of voluntary HRAD taking a sample of 58 firms from different industry groups in Bangladesh as categorized by DSE and CSE. Conducting index items survey, we found that in Bangladesh, market capitalization position, profitability, category of corporation and multinational affiliation and concentrated ownership have significant influence on human resource disclosure is that it can ensure major benefit to the society through ensuring greater transparency and higher productivity. This study initiates to reveal the relationship between corporate attitudes and
HRAD of listed companies in Bangladesh. Its results show that company size significantly associated with HRAD. The possible reason for the result could be that large companies in DSE and CSE are motivated to disclose more HRA information in their annual report to uphold their market value. In addition, the results also find the financial companies are disclosing HRA information than non-financial companies and company's profitability positively influences companies to report the information in their annual report. It indicates highly regulated financial companies are disclosing more HRADI than non-financial companies. Hence, regulating structure in Bangladesh is enhancing the disclosure practice in the area of HRA. The study also does not find any relationship between the age of the company and HRAD. Nevertheless, the study is not free from limitations that future work may address. A one-year sample study (2009) is considerably insufficient to make inference regarding quality of voluntary HRAD. The mean disclosure value 25% shows that listed companies in Bangladesh disclose only one fourth of the selected HRA disclosure items. So, further research can be done focusing on the reasons of reluctant attitude of listed companies in Bangladesh to disclose the HRA information. Moreover, the scope of the research may be extended by increasing the sample size and cross-industry examination.

Absar M.M.N., Azim M. T., Balasundaram N., Akhter S. (2010) in their paper “Impact of Human Resources Practices on Job Satisfaction: Evidence from Manufacturing Firms in Bangladesh” aimed their study exploring the impact of HR practices on job satisfaction in the context of Bangladesh. A total of 60 responses from 20 manufacturing firms were collected and analyzed objectively. It was found that HR practices have significant association with job satisfaction (JS). In addition, human resource planning (HRP), and training and development (TND) were found to have positive impact on job satisfaction (JS). It was also found that TND has the
greatest impact on JS. Academicians, researchers, policy-makers, practitioners, students, local and foreign entrepreneurs of Bangladesh and other similar countries could benefit from this paper by exploring the association between HR practices and job satisfaction.

From the correlation matrix, the highest positive value of correlation between Human Resource Practice (HRP) and job satisfaction clarifies that the authorities of selected industrial enterprises are required to focus on HRP for getting fabulous employees’ job satisfaction followed by training and development (TND); PA; and COM. It is also found that HRP and TND have significant impact on JS. The present study only collected perceptual data. The study did not collect data regarding size of the firms, the volume of the production, and the turnovers.

Dave Ulrich (1997); Measuring Human Resources: An Overview of Practice and a Prescription for Results

In this article Dave Ulrich poses a question - Do HR practices make a difference in business results? By reviewing emerging research which shows the impact of HR on business results; by showing how HR practices relate to a business’ balance scorecard through productivity, people, and process indicators; and by showing how to audit HR practices, professionals, and departments, concluded that answer is a resounding “yes.” One of the most common weaknesses of HR professionals is fear of quantitative, measurable results. Such fears may come from lack of knowledge or experience with empirical assessments of HR work. It is clearly time to replace fear with resolve. HR measurement is complex, difficult, and at times confusing, but it can and must be done. When HR professionals start with a clear understanding of business goals (often measured in financial terms), they can turn those business goals into measurable HR practices. Such efforts focus attention on what HR practices, professionals, and departments
must deliver to the business. Conceptualizing, defining, and operationalizing these deliverables are critical steps toward HR measurement. At the beginning of the article, a hypothetical case was posed in which HR professionals were involved in executive staff meetings. As marketing, finance, technology, and other functional areas engage in dialogue using data and evidence, HR professionals can and should be able to talk explicitly about how they add value to business results.


Linking HR and Business Results - The 1980s: Initial Studies on HR–Business Results The relationship between HR practices and business results is built on a rather simple premise: better deployment and use of HR practices should correlate with higher business results. While many early strategy HR writers assumed this relationship, relatively little evidence existed to actually test it; in the 1980s a number of such test efforts were made (Devanna, Fombrun, Tichy, 1981; Dyer, 1984, 1985; Fombrun, Tichy, Devanna, 1984).


Susan Nkomo, (1986, 1987) examined the correlation between how much firms invested in HR planning processes and business results. She found no correlation; investment in HR planning did not correlate with business performance.

Dave Lewin and his colleagues (1988–1989) published similar results from their large scale survey of HR practices and financial results sponsored
by the Department of Commerce (Delaney, Lewin, & Ichniowski, 1989; Delaney, Lewin & Ichniowski, 1988). Both of these studies were based on cross-sectional survey data.


Two large-scale surveys involving many organizations were conducted to find such relationships: Survey 1—between strategy and HR, and Survey 2—between HR and financial performance.

In Survey 1, Randall Schuler and Susan Jackson collected data from a large cross section of firms and showed how under different strategic conditions, HR practices would vary (Jackson, Schuler, & Rivero, 1989; Schuler & Jackson, 1987; Schuler, 1987). This work presented empirical evidence of the strategy-HR alignment, but did not then link this alignment to business results.

In Survey 2, Arthur Yeung, Wayne Brockbank, Dale Lake, and David Ulrich found that HR practices not only varied by strategy, but that the alignment of HR and strategy had an impact on business performance (Ulrich, Brockbank, Yeung, & Lake, 1993; Yeung & Ulrich, 1990). Among other findings, they discovered that under environmental conditions of low change, attention to HR practices had little impact on business results, but under environmental conditions of high change, executive attention to HR practices had a large impact on business results. The conclusion from these studies, carried out and repeated in the 1980s, is equivocal. HR practices seem to matter; logic says it is so; survey findings confirm it. Direct relationships between investment and attention to HR practices are often fuzzy, however, and vary according to the population sampled and the measures used.

This study comprehensively evaluated the links between systems of High Performance Work Practices and firm performance. Results based on a national sample of nearly one thousand firms indicate that these practices have an economically and statistically significant impact on both intermediate employee outcomes (turnover and productivity) and short- and long-term measures of corporate financial performance. Support for predictions that the impact of High Performance Work Practices on firm performance is in part contingent on their interrelationships and links with competitive strategy was limited. The impact of human resource management (HRM) policies and practices on firm performance is an important topic in the fields of human resource management, industrial relations, and industrial and organizational psychology (Boudreau, 1991; Jones & Wright, 1992; Kleiner, 1990). An increasing body of work contains the argument that the use of High Performance Work Practices, including comprehensive employee recruitment and selection procedures, incentive compensation and performance management systems, and extensive employee involvement and training, can improve the knowledge, skills, and abilities of a firm’s current and potential employees, increase their motivation, reduce shirking, and enhance retention of quality employees while encouraging nonperformers to leave the firm (Jones & Wright, 1992; U.S. Department of Labor, 1993).


Rioux et al. in their report concluded that - When it comes to business, the world is indeed becoming a smaller place. More and more
companies are operating across geographic and cultural boundaries. While most organizations have adapted to the global reality in their operations, many are lagging behind in developing the human resource policies, structures, and services that support globalization. The human resource function faces many challenges during the globalization process, including creating a global mind-set within the HR group, creating practices that will be consistently applied in different locations/offices while also maintaining the various local cultures and practices, and communicating a consistent corporate culture across the entire organization. To meet these challenges, organizations need to consider the HR function not as just an administrative service but as a strategic business partner. Companies should involve the human resources department in developing and implementing both business and people strategies. This type of partnership is necessary if an organization wants to change potentially inaccurate perceptions of HR and reiterate the HR function’s purpose and importance throughout all its global environment. Organizations will also discover that HR can be invaluable in facilitating the development of a unifying corporate culture and finding and cultivating much needed leadership talent around the world. The process of globalizing resources, both human and otherwise, is challenging for any company. Organizations should realize that their global HR function can help them utilize their existing human talent from across multiple geographic and cultural boundaries. International organizations need to assist and incorporate their HR function to meet the challenges they face if they want to create a truly global workforce.

The Impact of HRM Practices on Organizational Performance: A General Model and A Test For Uruguay

The information used stems from the “Survey on Labor Relations and HRM Practices” (SLR), performed in 2007 to a sample of 274 medium and large enterprises, representative of the universe of 1172 firms with 50 and
more workers that belong to Industry; Construction; Commerce; and Services. The sample was selected through a stratified (economic sector and size) sampling model. The data relate to a wide range of HRM practices, many of which are also referred to 1999-2001, and other operational characteristics of the firm, its main sales market and the current and past institutional setting of labor relations. Data were collected using the CRANET questionnaire through personal interviews. The answers provided by the respondents allow for defining binary indicators that state if a HRM practice is used or not by the firm or else categorical variables that differentiate between the intensity with which a practice is used within a 5-value likert scale (where 1 corresponds to the absence of the HRM activity and 5 to its permanent use). Given the subjective nature of the survey, it was decided not to differentiate between degrees of intensity that correspond to the two top/bottom strata (that may introduce distortions into the analysis as shown by Fowler, 2009 and by Kanouze and Elliot, 2010). Hence, the original variables become categorical with 3 possible values instead of 5. The resulting indicators reflect the degree of usage of 130 individual HRM practices. In many cases, however, the same HRM activity gives rise to four different individual practices, one for each type of employee – managers; technicians and professionals; administrative staff; and blue-collar workers. Practices are classified in 7 subsets that match particular dimensions of management – hiring (recruitment sources, selection profile sought, selection methods); training (with different goals); performance evaluation (aimed at distinct objectives); pay (wage setting mechanisms, regular benefits linked to diverse aspects and contingent extraordinary premia); communication flows and channels (collective and/or individual, involving employees in different occupations and referred to distinct topics); formalization/organizational culture (the existence of unwritten/written statements on eight organizational aspects); and organizational characteristics of HRM (the existence and type of HR department; the qualification and roles of HR managers; and the degree of outsourcing of
practices). Practices are further re-defined by jointly considering those with a shared character (e.g., recruitment through advertisements in newspapers or web pages, public pools or among unsolicited workers give rise to a unique HRM activity) and also by ignoring differences by type of worker. The definite set involves 71 HRM practices. Factor Analysis is performed over different sets of practices controlling for sample design effects to avoid the introduction of biases (Fazio et al., 2008). Significant factors (that are therefore kept) are those with an associated eigenvalue that is not below 1. These factors are afterwards transformed into orthogonal constructs using the Varimax method. The use of the redefined set of HRM activities together with those single practices for which the previously estimated loadings differ substantially, leads to the identification of 15 significant constructs that account for 84% of the total variance and that are generally consistent with those obtained using the original set of practices, although with an enlarged prevalence of bundles that involve HRM activities of both an efficiency and strategic nature

The evidence presented supports the existence of complementarities among HRM activities that involve not only the use of a particular practice with various purposes and/or for workers in diverse occupations, but also different dimensions of management. Bundled HRM activities are able to magnify the impact of single HRM practices on the economic performance of Uruguayan firms as measured through their comparative level of productivity. However, the significant effects that stem from single HRM practices would in principle be inconsistent with a strict interpretation of the theoretical predictions of the configurational approach and definitively suggest that the universalistic approach of best practices is not applicable. Even though the prevailing profile of management in Uruguay is more efficiency than strategy oriented according to the existent empirical literature, our results show that their impact on performance is generally materialized only when combined with practices that are commitment-related. Strategic
HR activities, in contrast, are found to be of relevance by themselves, both in bundles or individually. Future work should include interactions and complementarities with organizational strategy, their respective interactions with union behavior and their impact on productivity, as well replicating the analyses for other organizational performance measures – quality and gross profits.


Although the empirical research on HRM in Uruguay is still very scant, it has nonetheless brought forth the existence of several regularities. A first worthy finding refers to the apparent progressive professionalization of HRM practices among medium and large firms that took place along the last two decades, the drivers of such trend not being yet clearly identified (Font, 2010; Labadie, 2005).

Rodríguez-Gustá, A. L., G. J. Labadie, L. Font, R. Prego and G. Cedrola (2003) -

The heterogeneity of HRM practices reported in Font (2010) for 2007 is in sharp contrast to the ‘simple management profile’ that prevailed in the 1990s, even among the largest companies, characterized by employer - employees relations aimed at short-run goals; infrequently observed formal systems of performance-evaluation; and administrative/bureaucratic HR departments (Labadie, 2005; Rodríguez-Gustá et al., 2003).

According to these studies, the most widespread practices, both currently and in the past, are related to recruitment and training, as opposed to the use of monetary premia based on individual/team performance or sophisticated performance evaluation systems. However, the patterns differ among firms depending on several features, such as family, national or
corporate ownership; size; sales market; and economic sector; while it also
depends on the firm having or not a HR department. A higher degree of
formality and professionalism of HRM is found among large corporations,
non-family owned firms that have a formal HR division, operating in the
service sector and/or oriented to the international market (Rodriguez-Gustá
et al. 2003; Font, 2010).

The relationship between economic/organizational performance
and HRM has been explored by Font (2010) and other using two distinct
methodologies. Measured as the self-ranking relative to its competitors in
terms of profitability; labor productivity; and quality of the products/services,
firm performance is examined in relation to individual HRM practices
(recruitment; training; performance evaluation; and monetary payments).
Font further considers several additional features that are grouped using
factor analysis to build indicators of ‘best practices’ and despite the general
conclusion points at professional HRM being matched to an improved firm
economic/organizational performance, the four configurations obtained
cannot be unambiguously ordered in terms of ‘best practices’, except for
firms in the cluster denoted as ‘low-profile’. Previously, Labadie (2005) had
hypothesized that the linkages between HRM practices and performance are
influenced by the overall institutional framework of labor relations and
particularly by the role played by HR departments in relation to trade unions.
The additional insights provided in Font (2010) also point in that direction
while they further suggest that the structure of bargaining and its continuity
in time have also a major incidence.