Chapter II

Significance of HRM in Productivity
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Human resource is the basic input in any development process. Human resource management has not yet been given the top priority in our country. Time has now arrived to give it utmost importance and consider the human input as a primary asset and not as a secondary factor.

Peter Drucker had said, to be productive and efficient, the enterprise needs the ability, initiative and co-operation of every member more than any other system of production. The main aim of any productive enterprise is to raise productivity. This can be achieved by having the right man at the right job and giving him the right motivation in the organisation.

As society's challenges have become more complex, organisations have responded with increased
sophistication. One area of advancement has been the management of human resources. It is this human resource which is of paramount importance in the success of any organisation, since, most of the problems in organisational settings are 'human' and 'social' rather than physical, technical or economic. Failure to recognise this fact causes immense loss to the nation, enterprise and the individual.

In the words of Oliver Sheldon 'no industry can be rendered efficient so long as the basic fact remains unrecognised that it is principally human. It is not a complex of matters, but a complex of humanity. It fulfils its functions not by virtue of some interpersonal force, but by human energy. Its body is not an intricate maze of mechanical devices but a magnified nervous system.'

The principal component of an organisation is its 'human resources' or 'people at work'. Human resources have been defined 'from the national point

of view as the knowledge, skills, creative abilities, talents and aptitudes obtained in the population; whereas from the view point of the individual they represent the total inherent abilities, acquired knowledge and skills as exemplified in the talents and aptitudes of its employees.\textsuperscript{2}

The importance of human resource management can be viewed from three stand points, viz., social, professional and individual enterprise.\textsuperscript{3}

Social significance

Proper management of personnel enhances their dignity by satisfying their social needs. The organisation does it by: i) maintaining a balance between the jobs available and the job seekers according to the qualifications and needs, ii) providing suitable and most productive employment, which might bring them psychological satisfaction, iii) making maximum utilisation of the resources in an effective manner and

\textsuperscript{2}Megginson, Leon, C., Personnel and Human Resource Administration, Richard D. Irwin Co., Illionois, 1977, p 4

\textsuperscript{3}Yoder, Dale, Personnel Management and Industrial Relations, Prentice Hall of India, New Delhi, 1972, p 8
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.

**Professional significance**

By providing a healthy environment, the organisation promotes team work in the employees. This, it does by i) maintaining the dignity of the employee as a human being, ii) providing maximum opportunities for personal development, iii) providing healthy relationship between different work groups so that coordinated work is effectively performed, iv) improving the employee's working skill and capacity, v) correcting the errors of wrong placements and proper reallocation of work.

**Significance for individual enterprise**

It can help the organisation in accomplishing its goals by i) creating the right attitude among the employees through effective motivation, ii) utilising effectively the available human resources and iii) securing willing co-operation of the employees for
achieving goals of the enterprise and fulfilling their own social and other psychological needs of recognition, love, affection, belongingness, esteem and self actualisation.

Human resource management encompasses those activities designed to provide for and co-ordinate the human resources of the organisation. The human resources of an organisation represent one of its larger investments. Human resource management is a modern term for what has traditionally been referred to as personnel administration.

Edwin Flippo states, 'Personnel management is the planning, organising, directing and controlling of the procurement, development, compensation, integration, maintenance and separation of human resources to the end that individual, organisational and societal objectives are accomplished.'

According to French Wendell, 'Personnel management is the recruitment, selection, development,

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utilisation of and accommodation to human resources by organisations. The human resources of an organisation consist of all individuals, regardless of their role who are engaged in any of the organisational activities.\(^5\)

Lawrence Appley, former President of the American Management Association, has perhaps given the best possible definition of personnel management. According to him, 'It is a function of guiding human resources into a dynamic organisation that attains its objectives with a high degree of morale and to the satisfaction of those concerned. It is concerned with getting results through people.' Thus the development and utilisation of human resources are not by any means an auxiliary activity, but a central element in the operation of a business.

The function of HR management can be classified broadly into three heads, viz., 1) managerial function, 2) operative function and 3) integrating function.

1. Managerial function

Management may be thought of as the process of allocating organisation's inputs (human and economic resources) by planning, organising, directing and controlling for the purpose of producing outputs (goods and services) desired by its customers so that organisational objectives are accomplished. In the process, work is performed with and through organisation personnel. In the ever changing business environment, management is thus nothing but the personnel administration. It is the development of the people and not the direction of things; managing people is the heart and essence of being a manager.

2. Operative function

The operative function of HR management is concerned with the activities specifically dealing with procuring, developing, compensating and maintaining an efficient work force. These functions are also known as service functions. The procurement function is concerned with the obtaining of the proper kind and number of personnel necessary to accomplish an organisation's goals. It specifically deals with such subjects as the determination of manpower requirements, their
recruitment, selection and placement, induction, follow-up, transfers, discharge and separation etc.

The development function is concerned with the personal development of employees by increasing their skill through training so that job performance is properly achieved. Drafting and directing Training Programme for all levels of employees, for their training on the job, arranging office and vestibule training, holding Seminars and Conferences, providing for educational and vocational counselling and appraising employee potential and performance are the essence of development function.

The compensating function is concerned with securing adequate and equitable remuneration to personnel for their contribution to the attainment of organisational objectives.

3. Integrating function

After the employee has been recruited, his skill and ability developed and monetary compensation determined, the most important, yet difficult of the personnel management system is to bring about an 'integration' of human resources with the organisation, and to cope
up with inevitable conflicts that may mar 'integration'. It is concerned with an attempt to effect a reasonable reconciliation of individual, societal and organisations' interests. This process that brings about a reasonable integration of human resources and the organisational objectives, is termed as 'human relations'. The goal is to lead to productive and creative collaboration towards mutual objectives.

Maintenance function deals with sustaining and improving the conditions that have been established. Specific problems of maintaining the physical conditions of employees (health and safety measures) and employees' service programmes are the responsibility of the personnel department.

In an organisation, all managers are periodically involved in some human resource functions or other. For example, almost all managers, at one time or another are involved in training and developing and evaluating their employees. In small organisations, most of the personnel functions are performed by the owner or operating managers. Large organisations usually have a human resource or personnel department, responsible for directing the human resource functions. Such a depart-
ment is normally staffed by one or more human resource specialists. These specialists are trained in one or more areas of human resource management.

The Expanding role of Human Resource Management

Human resource management has expanded and moved beyond mere administration of the traditional activities of employment, labour relations, compensation and benefit. One reason for this expanded role is that the organisational environment has become more complex. The deluge of government regulations and laws has placed a tremendous burden on human resource managers.

In addition, important change have occurred and are still occurring in the compensation of the workforce. The increasing role of women in the workforce has an impact on human resource managers in numerous ways. For example, child care and spouse relocation.

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cation assistance programs have resulted from this trend.

The ageing of the workforce is another factor that is having a significant impact on human resource management. Human Resource Managers have to cope up with ways of better utilising older employees. Some of the possibilities include job sharing, part-time work, the use of retirees in community relations and in-house training.

Computerization had also an impact on the human resources management. Computers are now being used to maintain easily accessible employee data, valuable in areas like job placement and labour utilisation.

Now-a-days HRD has given place to a new role in influencing the political and cultural systems of the organisation. Its role is not only limited to Recruitment, Training and Development of people, but also to monitor the career progress through periodic appraisals. One can visualise the following areas in the political system in an organisation which have to be managed by HRD people.
- Managing succession politics,
- Managing the reward system,
- Managing appraisal politics,
- Distribution of power,
- Balancing power across groups and
- Influencing the key people.

It will be the primary responsibility of the HRD people to develop the right kind of values and norms to be followed by the Organisation. This is called 'Managing the cultural system'.

The following may be thus identified as the important factors of HRM in an organisation which aid in upgrading productivity:

- Human resource planning,
- Training and development,
- Labour - Management relationships and
- Labour welfare measures.

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Human resource planning (HRP)

Human resource planning, also referred to as manpower planning or personnel planning, has been defined as the process of getting the right number of qualified people into right job at the right time. But in another way, HRP is the system of matching the supply of people - internally (existing employees) and externally (those to be hired or searched for) - with the openings the organisation expects to have over a given time frame. 8

Basically all organisations engage in Human resource planning either formally or informally. Poor human resource planning also causes substantial problems in the short term. The necessity for HRP is due to the significant lead time that normally exists between the recognition of the need to fulfil a job and the securing of a qualified person to fill that need.

Human Resource Planning and Productivity

Human Resource Planning is essential because of frequent labour turnover which is unavoidable and

8 C.F. Russ, Jr., Manpower Planning System, Part-I, Personnel, January 1982, p 41
even beneficial because it arises from factors which are socially and economically sound such as voluntary quits, discharges, marriages, promotions or factors such as seasonal and cycling fluctuations in business which cause constant ebb and flow in the work force in many organisations.

The nature of the present workforce in relation to its changing needs also necessitates the recruitment of new labour. To meet the challenge of new and changing technology, employees need to be trained or new blood injected into the organisation. Manpower planning is also needed in order to identify areas of surplus personnel. If there is surplus, it can be redeployed and if there is shortage, it may be made good. The role of manpower planning is to incorporate the planning and control of manpower resources into the total company planning. Achievement of this objective leads to a reduction in staff cost not only through overall improvement in productivity but also through possibility of giving training, recruitment and other personnel decisions a clearer direction.

The concept of manpower planning has got great emphasis in overcoming the challenge of change; only
through the process of adequate and timely manpower planning, an organisation can be assured of the availability of the right people at the right time in required quantities. Given this condition of availability of skilled workforce (through judicial manpower planning) and also the technology, an organisation can easily look for an increased labour productivity.

Training and Development

The primary concern of an organisation is its viability and hence its efficiency. There is continuous environmental pressure for efficiency and if the organisation does not respond to this pressure it may find itself rapidly losing whatever share of the market it has. Employee training therefore imparts knowledge to employees in order that they contribute to the organisation's efficiency, and be able to cope with the pressure of the changing environment.

B.M. Bass\(^9\) identified three factors which could necessitate training activity as under:

1. Technological advances

There has been a tremendous development in industrial technology. To keep pace with advanced industrialization, the average organisation is likely to be increasingly mechanised or automated. Mechanization and automation of the plant are necessary for the organisation's survival; hence it has to train its employees for more skilled positions. New skills are required to operate new machinery, or familiarity with new processes and production techniques has to be introduced.

2. Organisational complexity

With increasing mechanization, automation and development in technology, many organisations have emerged as complex organisations that produce a wide range of products. Even medium-sized organisations have expanded their businesses; expansion has led to a growth in the number of employees and layers of hierarchial levels and variety of complex organisation structures and control mechanisms.

3. Human relations

Training in human relations was found necessary for tackling human problems. The growing complexity
of organisations has led to various human problems, like alienation and inter-personal and inter-group problems.

Impact of Training on Productivity

Trained manpower is the biggest asset to an organisation. Developmental training plays an important role for mobilising the available human resources and enhancing them towards attainment of the goals of the organisation.

If the training is not moving hand in hand with the changes in structure, technology and the task of the organisation, the training process may not lead to any improvement in productivity. Training incorporates the latest developments in science and technology so as to increase productivity depending on the changing environment prevailing in the organisation.

Training personnel should develop vision, identity the advanced technological changes and organise programmes accordingly to match with the organisational requirements. Unless this is done in time, obsolescence in manpower would set in which may severely affect productivity.
Training enables the employees to be more confident of accomplishing the work, builds up interest, makes them to think about creative ideas which may lead to innovation. All these development will certainly add to the productivity of the organisation. The productivity programmes, specially carried out, bring about a change in the attitude of people which in turn tones up their efforts towards the achievement of goals.

**Labour Welfare Measures and Productivity**

Welfare has been described as a total concept. It is a desirable state of existence involving the physical, mental, moral and emotional wellbeing of individuals. All these four elements together constitute, the structure of welfare on which its totality is based.

The word labour means any productive activity. Thus, in a broader sense, the phrase labour welfare means the adoption of measures to promote the physical, social, psychological and general wellbeing of the working population which enhances productivity.

The concept of labour welfare originated in the desire to have a humanitarian approach to ameliorate the sufferings of the working class. Later it became
an utilitarian philosophy which worked as a motivating force for labour and for those who were interested in it.

The objectives of labour welfare are partly humanitarian, partly economic and partly civic. It is humanitarian as it provides certain facilities and amenities of life to the workers which they themselves cannot provide. It is economic because it improves the efficiency of the workers and keep the workers contented and minimises the chances of conflict. It is civic because it is a means to promote a sense of responsibility and dignity among the workers and to make them better citizens.

In short, labour services should enable workers to live a richer and more satisfactory life and should

- contribute to the productivity of labour and efficiency of the enterprise,
- raise the standard of living of workers, by indirectly reducing the burden on their purse,
be based on an intelligent prediction of their future needs of industrial work and be so designed as to offer a cushion to absorb the shock of industrialisation and urbanisation on workers and

- be administratively viable and essentially developmental in outlook.

Statutory Welfare and Non-statutory Welfare

Welfare facilities provided in the modern context is of two types - Statutory and Non-statutory. Though statutory welfare ensures a bare minimum of facilities and reasonably good working conditions, employers are free to provide, or not to provide, non-statutory welfare facilities. However, practically all organisations provide non-statutory welfare measures in varying degrees.

Organisations are involved in providing extensive welfare measures because the welfare measures must ensure personal safety to the employees and provide them with the equipment and atmosphere needed to draw a fair day's wage without any feeling of guilt. The Statutory welfare measures enacted by the act obligates organisations to provide certain facilities, to ensure
a fair deal to employees in various aspects of the job. **Statutory welfare** comprises those provisions whose observance is binding on employers by law. These relate to certain essential working conditions and standards of health.

Non-statutory welfare measures on the other hand are concerned with those activities which are undertaken voluntarily by employers, e.g. housing, education, recreation, transportation and co-operatives. Though the variety of non-statutory welfare activities is large, their effectiveness in achieving productivity is not so far well established.

A proper organisation and administration of statutory and non-statutory welfare activities can play a vital role in promoting better working conditions and living standards for industrial workers and also increasing their productivity. Non-statutory welfare activities are oriented in many organisations from a different perspective. The purpose is to make such activities more meaningful for organisational productivity. Thus, increased productivity is one of the objectives of non-statutory welfare measures in Indian industries.
Labour Management Relationship and its effect on Productivity

In all economic organisations, there is human and organisational subsystem comprising individual employees and workgroups with several network of relationship. 'Industrial relations' deal with the particular subsystem. It represents a hierarchy of skills, values, rules, power and motivational patterns which, when considered against the environment and other subsystems create industrial relations.

Industrial relations constitute one of the most delicate and complex problems of modern industrial society. With growing prosperity and rising wages, workers have gained higher living wage, more education, sophistication and generally greater mobility. Career patterns have changed, as growing proportions have been compelled to leave the farms and become wage and salary earners under factory conditions. Large number of men and women and children have concentrated in a few urban areas, under mass ignorance drenched in poverty and possessing conflicting ideologies.

The working organisations have become larger and shifted from individual to corporate ownership.
Employers have their unions and employees, bargaining association to give a tough fight to each other and establish their powers. The government has been playing a growing role in industrial relation in part by becoming the employer for millions of workers.

Besides, rapid changes have taken place in the techniques and methods of production. Technological advances have eliminated long established jobs. There is a growing demand for better ways, better working conditions, better welfare and better and brighter job opportunities. Non-fulfilment of these demands of the workers have brought industrial unrest.

The creation and maintenance of good industrial relations between workers and the management is the very basis on which the development of an industrial democracy depends. Healthy and orderly industrial relations in an enterprise generate attitudes which pro-create progress and stabilise democratic institutions. Stable industrial relations means a situation when requirements of management and the work force are discussed between them in a spirit of mutual trust and confidence without causing friction.
Industrial relations are multi-dimensional and are influenced by three set of factors:

1) Institutional factors - State policy, labour laws, labour unions, collective agreements, employers organisation, social institutions, etc.

2) Economic factors - forms of economic organisation, composition of labour force and sources of supply and demand in the labour market and

3) Technological factors - technology, modernisation, rationalisation, etc.

It must be borne in mind that there are three actors in the drama of industrial relations, viz., employees, management and government, possessing distinctive but opposing goals, values and power, which apart from being generated within the industrial relations sub-system itself, are subject to environmental effects from the ecological, economic, technological, legal and social sub-systems of the wider society. The process of interaction between the actors, for example, arbitrary exercise of managerial power, or government intervention in company personnel policies or even unconstitutional trade union practice, etc. may
set up a chain of action and reaction, the final solution of which would be influenced again by the environmental effects, e.g. social pressure or public opinion and of course, the power variable between the actors, and the casualty would be efficiency, effectiveness and ultimately productivity.

Industrial relation is imperative for industrial progress. An increase in productivity and production is the ultimate solution for holding price line and for improving the level of living of people. A healthy industrial relation is the very basis for such development. It would facilitate optimum utilisation of resources and the consequent increase in wealth and reduction in costs and prices. Thus, industrial relations system in organisations should aim at promoting healthy relations between the management and the labour.

'Increased productivity can be achieved only if there is harmony and co-operation between management and labour... The worker is not merely a cog in the wheel of production; he is primarily a human being endowed with the same image and the will to work and a tremendous potential to grow as any other human being'. - N.D.Tiwari, Former Union Minister for Industry.
Thus the organisational health today is inextricably linked to effective human resource management factors, viz., careful human resource planning, proper recruitment and selection, effective training and development, adequate labour welfare and good labour-management relationships.

In times of severe competitor-rivalry, it is this human resource which permits the optimum utilisation of other resources in a business, thereby providing adequate economic leverage. Within the organisation, effective HRM provides a means to satisfy the growing expectations of employees, in a manner that results in a motivated and committed work force. High productivity is a natural consequence.¹⁰

Human resource Management in BHEL, Trichy

Productivity through people is one of the main attributes that characterises high achieving countries and companies. The Japanese economic miracle stands testimony to the importance of human element in

¹⁰Harsh K.Jha and Bharat Wakhlu, Productivity through Data based HRM, Indian Management, May 1988, p 14
production; yet in India management of human resources has not received sufficient attention. Excess manpower in many units, lack of scientifically developed manpower norms, high absenteeism, multiple unionism and unsatisfactory industrial relations have hampered productivity. In BHEL, some attempts have been made to foster a new work ethos and the results have been amusing. The following is the experience of BHEL in upgrading Human Resources for raising industrial productivity.

The first experiment in developing new worker-management relationship was undertaken at Bharat Heavy Electricals Limited, Trichy. There was no single strong union; a number of splinter group existed. BHEL, Trichy decided to set up a works committee of workers and management representatives as a forum for better communication and understanding of each other's points of view. Elections were held. Initial doubts were expressed about the feasibility and usefulness of such an arrangement. It was considered that such a forum would not last for more than six months. This was in 1966. Even today, this forum is still in existence and is serving as a very effective instrument in bringing about better understanding between workers and management in BHEL.
In fact, BHEL, Trichy were able to bring about a total integration of its activities with the larger interest of the community in Trichy. Several steps were taken to improve the living conditions and to provide amenities to not only the BHEL employees but to the local community as well. BHEL assisted in the setting up of many educational institutions and in the provision of infrastructural facilities. This spirit of caring for the people in surrounding areas yielded rich dividends. BHEL, Trichy has had a record of peaceful and harmonious worker management relations for many years.

Subsequently, worker participation in the management at the corporate level was also ensured. BHEL organised a bi-partite committee consisting of leaders of the national trade unions and worker representatives from all of the plants on the one side and the entire top management on the other. This committee did not function as a mere negotiating machinery but went into the total management problems in BHEL, and analysed the problems that arose at every stage. The improvement in BHEL would not have been possible, if BHEL had not got more out of their human resources. BHEL had to
initiate steps which changed the complexion of human resources management in the company.

Concepts like job rotation, inter-unit transfers, re-training on the job, job enhancement on the job-development etc. have been introduced with success in the study units. Once BHEL started looking at their human resources as productivity assets, they discovered that they had excellent engineering and project management capabilities.

The success story of effective human resource management in upgrading productivity has been presented in detail in this study.

Human Resource Development in BHEL

The Human Resource Development Institute owes its existence to BHEL's first corporate plan of 1974. It came into being in 1976 to fulfil the corporate objectives, viz., to ensure continuous development of the competent managerial personnel and make the best use of both the human and material resources, and was given the name MDI (Management Development Institute). It was renamed as HRDC in 1986 in view of its wider role in the total development of human
resources. The institute has since played a significant role in developing managerial resources by conducting 380 programmes in which 7602 persons have participated so far.

Programmes conducted by HRDC can normally be categorised under functional, organisational, behavioural and skill development areas. HRDC has organised tailor-made programmes for functional groups such as finance, marketing, materials, maintenance, personnel and training. The Human Resource Development Centre has organised national level workshops in collaboration with the Bureau of Public Enterprises in the past in which other public sector enterprises have also been invited.

Human resource development is the process of helping people to acquire competence. In BHEL, HRD is a process by which the employees are helped in a continuous and planned way to

- acquire or sharpen capabilities required to perform various functions associated with their present or expected future roles.
- develop their general capabilities as individuals and discover and exploit their inner potential
for their own and/or organisational development purposes.

- develop an organisation culture in which supervisor - subordinate relationships, team work and collaboration among sub-units are strong and contribute to the professional wellbeing, motivation and pride of employees.

The HRD is a total system comprising of the following subsystems, which impinge upon productivity:

- Human resource planning
- Training and development
- Labour-management relationships
- Quality of work life.

The impact of these factors on productivity with reference to BHEL, Trichy have been discussed in detail in the following chapters.