CHAPTER No. 1

LITERATURE REVIEW.
Human Resource Management (HRM) emerged on the scene in 1980s in countries like UK, USA and Japan. Many contradictions and ambiguities inherent in the discourse about HRM exist. Keenoy concludes that HRM could be regarded as a collective noun for multitude of concepts and methods devised (post 1979) to manage and control employment relationships. This merely reflects how the term is widely and indiscriminately deployed.

The post modernist critique of management has made the point that all definitions and conceptualization of management approaches are socially constructed. Much of the confusion arises and persists because people using the term frequently do so while ignoring the key distinction that was made by Guest Storey in 1987 that is HRM on one hand is a generic term simply denoting any approach to employment management and on the other, HRM as one specific and arguably minority form of approach to employment management. There is a range of alternative ways to manage employment relationship. Some of these ways are distinctive and some are indistinctive and piecemeal.

One relatively distinctive approach among this range has been termed HRM. To describe an approach one must be able to identify certain characteristic features. HRM as much as any managerial...
approach has proceeded from fairly basic set of interlinked propositions.

HRM is a fairly distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of highly committed and capable workforce using an array of cultural, structural and personnel techniques.

It is characterization of one line of thinking. It is necessary to spell out 'what this definition does not mean. It does not mean that all changes since 1979 are of this character. It also does not mean that workers exposed to HRM policies are necessarily committed to it. It does not mean that all approaches to employment within the HRM mode which are in practice necessarily get every element in place.

This does not mean that one should stop talking about HRM. Some kind of label to indicate the set of characteristics that are going to be described would seem to be necessary.

HRM in the particular sense appeared on the scene as a historically situated phenomenon. It was response to new level and type of competition which had eroded confidence in traditional formula. To some extent it can also be regarded as an attempted articulation of an alternative to the industrial relations (IR) model of labour management which aimed to secure compliance through temporary truces based on negotiated settlements. Thus HRM is an amalgam of description, prescription and logical deduction. It
describes the beliefs and assumptions of certain 'leading edge' practitioners. The first element is assumptions and beliefs. The most fundamental of this is the idea that, essentially, it is the human resource among all the factors of production which really makes the difference. It is human capability and commitment which in final analysis distinguishes successful organization from the rest. It follows logically from this premise that the human resource ought to be treated with great care. It is a special resource requiring and deserving managerial time and attention. It is to be nurtured as valued asset and not as incidental cost. Further belief is that the aim is not merely to seek compliance with rules and regulations from employees but to strive for the much more ambitious objective of commitment. Thus first belief about competitive advantage, might lead in turn to the proposition that an HR director must have a place on board in order to influence company policy formulation at the highest level. Assumption is that HR policies should be based on competitive environment, business strategy and HRM strategy. HR policies should not be only derived from corporate plans but should be built in to plan. If HR is considered so critical to organization, it cannot be left to operational specialist but line managers should be involved in it for effective delivery of HRM policies, conducting team meetings, briefings, holding appraisal interviews, target setting, encouraging quality circles and managing performance related pays.
The practical element to this is that much of the drive for HRM came not from personnel specialists but from line and general managers. HRM policies were pushed through despite reluctance from personnel specialists. Personnel were clinging to idea and rational that they were privileged mediators between labour and management, and they could gauge the feasibility of new initiatives. To this extent at least, emergence of HRM can be seen as ultimately associated with an upsurge in managerial confidence, for example initiatives like TQM, KM have tended to arise outside of personnel functions. In later case the drive has come from IT specialists to such an extent that commentators have had to cajole personnel specialists to find their place and role within this movement.

The key elements of new alternative approach are:

- **Beliefs and Assumptions**
  1. It is HR which gives competitive edge.
  2. While selecting the staff, aim should not be mere compliance with rules, but employee commitment.
  3. Employees should be carefully selected and developed.

- **Strategic Qualities**
  1. Because of above factors HR decisions are of strategic importance.
2. Top management involvement is necessary.
3. HR policies should be integrated into business strategy.

- **Critical role of a manager**
  1. As HR practice is critical to core activities of business, it is important that it be left to personnel specialists.
  2. Line managers need to be involved as both deliverers and drivers of HR policies.
  3. Greater attention is paid to management of managers.

- **Key Factors**
  1. Managing culture is more important than managing procedures and systems.
  2. Integrated action on selection, communication, training reward and development is a must.
  3. Restructuring and job redesigning is necessary to develop responsibility and empowerment.

There is a further strand to the idea of critical role for managers. A great deal of HR activity and energy is directed at managers themselves rather than shop floor employees. A disproportionate amount of training and development activity and resource is consumed by management development. It can be target
setting or career planning. The complete array of HRM is seen in its fullest form in the management of managers.

Another factor of HRM relates to the implementation. A notable element at least in the early years, was a shift of emphasis away from personnel procedures and rules as the basis of good practice, in favour of a new accent on the management of ‘culture’. This trend was remarkable just a few years ago. The idea of paying attention to something as intangible as organisational culture and yet not spending time by the senior management to manage it, would have seemed implausible. Since then, such an aspiration seems to have found a critical place in virtually every senior executive’s agenda. So central is this that the twin ideas of ‘managing cultural change’ and moving towards HRM have often appeared to coincide and become one and the same project.

Corporate cultural management has generated much excitement because it is perceived to offer a key to the unlocking of consensus, flexibility and commitment. These are self evidently prized objectives. ‘Consensus’ suggest the achievement of a common set of values and beliefs. Managing organizational culture is a complex venture. It means altering fundamentally the whole set of ways in which things are routinely done and possibly seeking a shift in patterns of attitude, beliefs and values.
It is to be noted that HRM has both hard and soft dimensions. Hard aspect relates it to the business focused and calculative aspects of managing "Headcounts" in as rational a way as any other factor of production. It emphasizes detached and coolly rational planning. Soft face of HRM traces its roots to the human relations school and emphasizes communication, training, motivation, development, culture, values and involvement. It suggests that competitive advantage can be gained by avoiding short term cost cutting in favour of long-term focus on building and sustaining capability and commitment. Given the controversies, some observers are tempted to dismiss the phenomenon as a 'mere rhetoric' rather than recognize its more serious status.

The central conclusion of fortune magazine's survey of 'The World's most Admired Companies' summarizes the expressed views of CEOs and states that the ability to attract and hold on to talented employees is the single most reliable predictor of overall excellence.

The Hay group is a major U.S.A. based global consultancy. Its declaration is 'People before Strategy'. They point out that global competition, customer focus and the need for speed and flexibility have transformed the business equations but to get the results, one must still depend on people to carry the day. One must select talented individuals, develop, motivate and reward them, and provide
them with organizational culture and work processes that will allow them to succeed.

It is worth reiterating the point that HRM is an important phenomenon in its own right even at the conceptual rhetorical level. Even when the precise label 'HRM' is not used, the underlying narrative is often quite clear.

**Controversy about the Practice**

Early debate about HRM was conducted largely in absence of any data about actual practice. In recent years much more information from surveys and case studies has become available. Data available is of two types. First relates to the extent of use of certain practices, and another is about evidence about the impact and outcomes resulting from its implementation.

In general, studies show that there is fairly extensive use of individual elements of HR practices such as employee involvement, careful attention to selection, communication e.t.c. (Storey 1992, Cully et al 1999, Millward et al 2000). The extent however to which these practices are linked together into a meaningful strategic whole is much more contentious.

The work place employee relations survey (Cully et al 1999) offers some representative information about extent of use of a
number of HR practices and contains some information about the strategic location of HR. The survey found that two third of all managers said that the workplace had formal strategic plan that included issue of employee development. A further indication of how human resource matters are incorporated into wide business plans is the involvement of employee relations manager in business planning. Individualizing aspects of HRM practices was found in the extent of performance appraisal. Formal appraisals were reported in 79% of all workplace. Two third of appraisals were of non managerial category. Though Torrington (1999) claims that personnel function was involved in strategy to a significant extent, data shows involvement in areas like HR planning, recruitment, selection, training and development. However few personnel specialists claimed strategic involvement in quality issues and work design. The kind of strategic involvement claimed was that of developing strategy with line managers and not developing strategy alone.

Similarly Gennard and Kelly (1994) on the basis of interviews conducted of personnel directors suggested that one third of those interviewed recognized a difference between HRM and personnel management and their organizations have adopted either whole or in part an HRM approach. They claimed that HRM when compared with personnel entails more integrated involvement with the formulation of business strategy, greater co-ordination in the approach to devising
people policies, is more proactive and there is higher priority for
people management policies than in the past.

Gennard and Kelly concluded that many personnel specialists
who were not using HR label were actually pursuing policies similar to
those who were using labels in order to conceptualize the kind of
changes taking place.

Moreover, reliance on personnel directors as a source of
information about changes to HR practice and its strategic standing is
also somewhat unreliable. As it is argued, many of the significant
changes to employment management have originated from outside
the specialist function.

Using an in depth qualitative research method for a study of 15
main stream British organizations, Storey (1992) found that the way
in which managers were seeking to manage labour were indeed
undergoing extensive and significant change. Change was evident in
a number of ways. The drive was coming from the sources and along
paths which were not conventionally regarded as a part of industrial
relations proper. There had been little sign of outright ‘Industrial
Relations Reforms’ of the old kind rather, the recasting had come
about as a result of redesign in production system, organizational
restructuring, quality initiatives and cultural campaigns. Many new
initiatives were occurring with established trade unions. HR and IR
were operating relatively separately. There was dualism in the unfolding pattern of employment management.

This point was validated in the subsequent analysis of the work place industrial relations survey (WIRS) which confirmed that there was in fact, greater likelihood of HR initiatives to be found in organizations with unions than in non union settings.

There is a growing body of research which seeks to examine the impact, if any, of HRM policies and practices on organizational outcomes. In general, available studies appear to reveal impressive evidence of robust impact and outcomes. Classic studies in US include Becker and Gerhart (1996), Huselid et al (1997), Ichniowski (1997). In Britain major studies include those by Patterson et al (1997) and Guest (1997). Debate has tended to polarize between competing merits of best practice model and best fit model that is universalistic and contingency and the third is configurational perspective. In fact there are three theories of linkage between HRM and performance.

In the UK researchers at the university of Sheffield Institute of work psychology have in the interim report, reported that (Patterson et al- 1997) when compared with a range of other factors (investment in R and D, Focus on quality, and on business strategy) which one might be expecting to impact upon company performance. A concentration on people management practices has by far the most
powerful impact. In addition it should also be noted that WERS team found that ‘Work place with high number of ‘new’ management practices and employee involvement schemes were substantially more likely to report high productivity growth. (Cully and ‘o’Reilly-1998)

Number of studies and surveys has been conducted on HRM like by Lengnick Hall (1988), Guest (1997) and Huselid (1997) but such survey based approaches do not reveal the whole picture. They provide little understanding of the actual process involved. This cannot be the reason to dismiss them entirely.

Another kind of outcome, apart from profit and productivity, is the impact of HRM policies and practices on workers’ responses. Using data from annual survey conducted by Institute of Personnel and Development (IPD), Guest (1999) points to the surprisingly positive nature of workers’ verdict on HRM. A large proportion of the UK workforce has been on the receiving end of the kind of practices commonly associated with HRM. Irony is that they like them. The more HR practices they seem to be experiencing in the employment, the more satisfied they seem to be.

The mesmerizing spell of the one best way formula of HR practices has influenced not only statistical testers but also influenced validity of idea of HRM. In consequence, the failure of HRM to ‘diffuse’ across economies sometimes interpreted as proof of failure
of concept in totality. The arrival of recession of early 1990s also came at a time when academics were trying to figure out the meaningfulness of the new concept. Unsurprisingly, the counter indicators such as large layoffs at that time and the publicity given to number of zero hour contract cases gave a cause for caution. But there are equal dangers in missing the significance of the growth sectors of various economies in our concern to remain alert to the low paid, low skilled and exploitative segments. Thus, in India, for example, huge growth has occurred in computer and electronic industry. Many Multi National Corporations (MNCs) have been attracted. Multibillion IT industry is paying its programmers ten times the average Indian income and is using the employment practices which look like HR models.

Clearly HRM is not panacea: no set of employment policies ever will be. But it is an idea worthy of examination.

Models of HRM

With the development of industry and economy and ever changing aspirations of the work force at all levels and the ever demanding expectations of the managements, following various models of HRM evolved in different industrialized countries. HRM is a new way of thinking about how people should be managed as
employees in the workplace. HRM is not one theory but an evolving set of competing theories. HRM is a tradition of thought on managing people and is most commonly traced back to seminal works written by American Academics in early 1980s. These theories developed are divided into hard or soft HRM.

**North American and British models of HRM.**

**Soft Approach to HRM**

HRM was launched as a course in 1981 at Harvard Business School. It was the first new course in Harvard’s core curriculum to be introduced for nearly twenty years. In 1985 Richard Walton published an article in the Harvard Business Review called ‘From Control to Commitment in the work place’ which popularized the soft HRM, as a distinctive approach to managing human resource. His argument was that effective HRM depends not on strategies for controlling employees but on strategies for winning employees commitment. The Harvard model, first put forward in 1984 by Michael Beer et al in the book ‘Managing Human Assets’ takes a soft HRM perspective similar to that of Walton and was devised primarily to inform general managers of improved ways of managing people. The model recommends that general managers must hold greater responsibility
for HRM. How to get general managers more involved in HRM has been a major preoccupation for organizations in 1980s and 1990s.

The Harvard model proposes that many of the diverse personnel and labor relation activities can be dealt with less than four HR categories like employee influence, HR flow, reward system, and work system.

**Employee influence**

It is the question of how much responsibility, authority, and power is voluntarily delegated by management and to whom. If management shares their influence, to what extent does this create compatibility of interest between management and employees? Influence should be compatible with management’s purpose and priorities.

**HR Flow**

It concerns managing the flow of people into, through and out of the organization, which simply means making decisions on recruitment, selection, promotion, and termination of employment and related issues like job security, career development, advancement and fair treatment. Managers and personnel specialists must work
together to ensure that the organization has an appropriate flow of people to meet the organisational requirements.

**Reward system**

It regulates how employees are extrinsically and intrinsically rewarded for their work. Extrinsic rewards are tangible pay and other benefits and intrinsic rewards are related to work itself such as sense of purpose, achievement, self esteem etc. Harvard mode recommends involvement of employees in the designing of reward system but final decisions besides considering employee needs must be consistent with the overall business strategy, management philosophy and HRM policies.

**Work systems**

These are the ways in which people; information, activities, and technology are arranged at all levels of the organization so that work can be performed efficiently and effectively. Policies in these four areas must be designed and applied in a coherent manner as HRM is less likely to be effective where policies are disjointed, made up of odd combinations of past practices and are ad hoc responses to
outside pressures. Bear at al claim that, of the four issues, employee influence is the central feature of HR system.

A further recommendation of the Harvard model is that, when making HRM policy decisions, managers must consider four Cs. Commitment, Competence, Compatibility, and Cost effectiveness. It means that managers should see as to what extent policies they implement will enhance commitment of people towards organization, attract, retain and develop people with the needed competence. It also should see to what extent it sustains compatibility between management and employees and is cost effective in terms of wages, employee turnover and risk of employee’s dissatisfaction. They propose that HRM is closely connected with both external environment and internal organization. Their model of territory of HRM shows that stake holder’s interest and situational factors are interlinked with HRM policy choices, which in turn leads to HR outcomes. The Harvard model is soft HRM because it concentrates attention on outcomes for people, especially their well being and organizational commitment. It does not rank business performance. Organizational effectiveness is represented in Harvard model not only as a critical long term consequence of HR out comes but also along side considers equally important consequence of individual and societal well being. An organisation putting this model in to practice would aim to ensure that its employees were involved in their work
and able to participate in decision making. HRM policies should be developed to meet employee's needs for influence but have to be within the limitations of having to be consistent with the overall business strategy and management philosophy.

A second soft HRM model came from David Guest in 1987. He argued that HRM in UK should be about designing policies and practices to achieve strategic integration in planning, implementation, high employee commitment to organization, high work force flexibility and adaptability and high quality workforce.

Strategic integration means ensuring that the organizations business plans are implemented through appropriately designed HR policies and practices. Companies have been criticized for treating HRM and strategy separately. Therefore they fail to combine HRM with business strategy. He proposed that these four HRM outcomes will lead to the desirable organizational outcome like high performance, cost effectiveness etc. However he warned that these outcomes will be achieved only if an organization has coherent strategy of HRM policies fully integrated into business strategy and supported by all levels of line management.

Comparing between Guest's model and Harvard model, it is seen that Guest has seven categories instead of four as in the Harvard model. Four categories are broadly same in both the models. Guest's three additional categories are Policy formulation and
management of change, employee appraisal, training, and development and the third is communication system.

Policy formulation and management of change means establishing HR policy to explicitly identify the nature of change required in a business and manage the process of change.

Employee appraisal, training and development involve both formally and informally evaluating performance and the need for training and development. For this the policies must be in place to ensure that timely and appropriate training and employee developments occur.

Communication systems are various processes that organizations use to encourage two way flow of information between management and employees. Guest’s model has bee criticized for presenting an ideal and assuming unrealistic conditions for practicing HRM. Guest himself reported later in 1997, that whilst considerably more research data on HRM in organization had been gathered, the link between adoption of HRM policies and high performance remains somewhat elusive.

He described progress in UK towards HRM as being somewhat slow. He wrote that the British trade unions have started to become more positive about HRM and may work openly with managements. However, many senior managers still retain a short term perspective of their business. The result is that HR initiatives
appear to employees as management fads rather than a genuine long term commitment to the organization and its people.

Both the models give strong recognition to the needs of employees as while running an organization both are committed to employees needs.

The Michigan Model, Fomburn ET al

Hard Approach to HRM

In 1984 Fomburn, Tichy and Devanna published 'strategic Human Resource management. The book proposed another model for HRM known as Michigan model. One of the proponents was from Michigan Graduate school of business Administration. Idea was generated in partnership with two American researchers from Whanten and Columbia .from U.S A.

The British academic John Storey, describes this model as' Hard'.

HRM as it emphasizes treating employees as a means to achieve organizations strategy, is a resource that is used in a calculative and purely rational manner. Hard HRM focuses on using people as a resource and as means towards the competitive success of the organization. It assumes that increasing productivity will continue to
be management’s principal reason for improving HRM, but is not certainly the only one. Formburn et al argue that conditions of external environment like competition and market uncertainty necessitates ‘Strategic HRM’ that is HRM designed to achieve the goals of an organization.

The Michigan model observes that different business strategies and related organization structures can have contrasting styles of HRM in activities such as selection; rewards, appraisal, and development, as in case of single product and multi product strategy. Styles are bound to be different. Employee development would be more complex and systematic in multi product strategy. Employees would be accustomed to divisional transfers. Individual development would be cross divisional and cross subsidiary.

Model argues that within the HRM there is a human resource cycle affecting individual and organizational performance as it considers performance as a function of all human resource components. It describes the four functions of this cycle as follows:-

1. Selecting people who are best able to perform the jobs defined by the structure.
2. Appraising performance to facilitate equitable distribution of rewards,
3. Motivating employees by linking rewards to high level of performance.
4. Developing employees to enhance current performance at work.

Michigan model is hard model because it is based on strategic control, organisation structure and systems for managing people. It acknowledges the importance of motivating and rewarding people, but concentrates on managing human assets to achieve strategic goals.

Subsequent empirical research has not produced evidence of organizations systematically and consistently practicing 'Hard HRM', although study by Truss et al 1997 of large organizations found that employees were maintained by tight strategic direction towards organizational goals. Company's top management would aim to manage organization rationally and achieve a 'Fit' between organizations strategy, structure and HRM system.

Apart from hard and soft approach to HRM, there is also industrial relations perspective to HRM.

Kochan, Katz and Mckeraie in their 1994 book 'The transformation of American Industrial Relations' gave the frame work which was based on analyzing trends in labour relations in the U.S. and the scenarios that extrapolate from them, the different possible future outcomes for U.S. business. It assumes that there is greater potential for innovation in HRM in the twenty first century, although
the transformation of labour relations is not something that has happened yet either in UK or USA.

John Storey proposed that HRM can be understood in different ways.

1. First it can be viewed as another word for personnel management breathing new life in to old ideas.

2. Second it can signal a more integrated use of personnel management policies and practices.

3. Third use of HRM is to signal a more business oriented and integrated approach to the management of labor.

4. The levers of HRM are pulled in integration with one another so that system is in line with business strategy.

Story noted the Harvard model as being exemplary of this approach but criticized it for being too general in contrast to a fourth proposition of Richard Walton which argues that HRM is a unique and distinct approach to employee commitment via policies of mutuality.

Story has developed a 25 point checklist covering various dimensions like beliefs and assumptions, strategic aspects and key levers to find difference between personnel, Industrial and HRM. It highlights an idealized view of the range of opinion Story encountered in his research interviews with managers. He conducted case research on fifteen British organizations and found that HRM was
being applied piecemeal by managers rather than adopted as coherent approach. His points of difference provide a stereotypical but helpful means for describing different perspectives on HRM, personnel Management (PM), and Industrial Relations (IR). His ideal description is a clear picture of traditional PM supportive of the coexistence of managements and unions. The twenty five points can be used as framework to assess an organizations approach to HRM. To date most British companies have tended to concentrate on one or two areas of HR policy and practices, rather than integrating a range of initiatives.

**The influence of Japanese management practices on British Practices**

It is said that HR initiatives are integrated to greater extent, both with each other and business strategy, in Japanese management organizations than in British managed organizations.

Oliver and Wilkinson after an interpretation of an HRM in the UK, chiefly relating to manufacturing industry called it Japanisation of British industry, by which, they mean an evolving process during 1980s and 1990s of emulation of Japanese manufacturing methods and increasing Japanese direct investment in western economies. Japanese economy grew suddenly from two percent of worlds GDP
in 1967 to ten percent in 1987. It prompted many countries to examine the causes of Japanese success. Comparative study in different countries showed remarkable differences in productivity and quality and also distinct methods of manufacturing and people management. Developed western countries can adopt these methods but only where an organization is able to control and work within a wider supportive environment.

The European Environment of HRM

The model of European environment of HRM was first produced in 1991 by Chris Brewster and Francois Bournois which emphasized cultural, legal and market context of human resource strategy and practice. They maintain that European model of HRM is partly a response to dissatisfaction with American HRM.

In the Brewster and Bournois model, HR strategy is only partly subservient to corporate strategy because HRM is influenced by behavior and performance from both inside and outside the organization. The organization and its human resource strategies interact with the environment and at the same time are part of it. The model shows that HRM policy and practices are not exclusively an organizations choice but are also influenced by the wider
management. What was happening in Europe was a complex mix of continuation of traditional personnel management and change towards HRM.

All the models of HRM recommended change in the way that human resources are managed although they differ in their estimates of its likelihood. Most see change as desirable but difficult to obtain on large scale.

Guests model of soft HRM prescribed how management and employees should organize their work and behave in their jobs to achieve high organizational performance. However even after ten years he could not provide substantial evidence of its working in reality although, he remains highly committed to the possibility of a link between investment in HRM and companies profitability.

Storeys model focuses on change by revealing differences of approach between HRM and traditional management. Story presents HRM as having the potential eventually to supersede personnel management though he expresses strong doubt about the empirical evidence for extensive change having occurred in U.K during the 1980s.

The Michigan model of strategic HRM is closest to traditional personnel management in non union settings.

Common elements are unitarism, the need for management to adopt strategic approach and ensuring that organizations achieve
new social goals. All assume that management's interest is the most legitimate ones in the running of the business. All predict that HRM innovations will be in the long term social interest of employees, employers and the nation.

**HRM in UK**

The term HRM came to prominence in the UK during the 1980s, especially in the second half of the decade. It aroused interest in academic community as it offered a potentially distinctive approach to replace the traditional system of British Industrial Relations which was under heavy attack from the government. And for industry it was an approach to management that seems to fit comfortably with the spirit of times. Though in 1990 initial euphoria disappeared but research data started pouring in, which helped in assessing impact of HRM in U.K.
Following table broadly shows the development of HRM in U.K.

**UK PM / HRM time line**

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1800</td>
<td>Paternalistic approach, concerned about welfare of workforce. Health and education was considered as part of their responsibility. But Employee welfare was looked upon as primary concern of outside Institutions like church, charity etc.</td>
</tr>
<tr>
<td>Year 1900-1938</td>
<td>Formation of personnel management as professional body. Introduction of systematic record keeping and management of HR</td>
</tr>
<tr>
<td>Year 1935 – 1945</td>
<td>Intervention by national Government in regulating employment and schemes for sustaining and improving morale at workplace. Restrictions over trade union activities.</td>
</tr>
</tbody>
</table>
| Year 1960-1978 | PM led by skilled industrial relations negotiators.  
|              | Period of trade union militancy and Industrial relations.  
| Year 1979-1989 | Introduction and development of HR management as an ideology And a prescription for managing the employment relationships.  
|              | Government legislation curtailing the freedom and powers of trade unions. |
| Year 1990-1999 | In 1994, Institute of PM and Institute Of Training and development (ITD) merged to form the Institute of Personnel & Development (IPD). |

**Table No. 1 Development of HRM in UK**

Initially many people in industry and commerce were skeptical about rhetoric and language of HRM. They were unenthusiastic about the term HRM. The 1990 'Work place Industrial Relations Survey' (WIRS) found that less than one percent of workplace managers responsible for management of human resource had adopted the title
of Human Resource Manager. (Quest and Hoque 1993). However at
the corporate center in larger organizations, the picture changed little.
Marginson et al (1993) in company level industrial relations survey
found that nine percent used the human resource title and in some
other surveys this figure came to twenty percent.

It seems that connotations of manipulations and the view that
human resources are like other resources to be utilized or dispensed
with as appropriate, did not appeal to the values of those responsible
for managing people at work. Thus even the Journal of Institute of
Personnel Management and Development reflected this by changing
the title of it's publication from 'Not to Human Resource Management
but to People Management'.

There's something of a paradox in the antipathy to the term HRM
since it appeared to reflect a recognition that management of human
resource should be closely integrated with business concerns which
has been precisely advocated for many years by the professionals in
the field.

The endless debate about the nature of human resource
management seemed to indicate that it is concerned with a set of
policies and practices designed to achieve strategic integration, high
employee commitment to the organization, a high degree of work
force flexibility and a high quality workforce. (Guest 1997). The
policies and practices cover all aspects of personnel management,
the key being how they are conceived and applied and the goals they are designed to achieve.

The status of HRM can be assessed with reference to what extent polices and practices achieve high integration, commitment, quality and flexibility so that result will be effective performance outcome.

**STRATEGIC INTEGRATION**

HRM is a part of business, so HRM strategy and business strategy must integrate with each other and also personnel policies in themselves must be consistent and comprehensive in focus. The policies should get well integrated into the values of the organization. Further it also implies that the policy goals of commitment, flexibility and quality are all pursued in a complementary way.

Brewster’s (1994) evidence from the Cranfield, Price Waterhouse survey, which explores HRM policy and practice in most European countries, found that the HR function is represented at board level in 49% of organisations (industries employing more than 200 were studied) in majority of cases the personnel function claims to be involved in strategy involvement. Second survey (Marginson et al 1993) found that there was main board level personnel director in 30% of companies although more use the title director however third survey (Mille ward et al 1992) noted small decline in board
representation by personnel specialists in second half of 1980's. Second survey confirmed that personnel issue are often considered in key strategic decisions (more than 75% of the cases) but this does not necessarily mean the involvement of personnel specialists.

Not unexpectedly, there was some disagreement between finance and personnel directors about the amount of personnel department's influence. Second survey (Marginson et al 1993) also revealed that personnel influence was markedly greater where there was main board personnel director. However this was more likely about foreign owned companies than U.K owned companies.

Along side these surveys concerning the role of personnel department and personnel issues in strategy formulation and implementation, case study analysis raises doubts about how sensible it is to try to analyze strategic decisions. The detailed case studies by Pettigrew and his colleagues of the better known UK companies (Henry and Pettigrew 1992 and Pettigrew and Whipp-1991) and work by Tyson (1995) reveal that the strategy process is complex, emergent, flexible and pragmatic.

In most cases there is no clear point where HRM strategy is written, presented and agreed as a formal basis for action. This at least was the pattern among typical U.K owned companies.

As Marginson et al highlight with the second survey data, it was possible to have a more consistent HRM strategy but foreign
owned companies operating in U.K. were more likely to achieve this than the British owned.

The implication of the work by Tyson on successful firms is that they can do very nicely without a formal strategic approach to HRM. Further more such firms are driven by rather short term financial market consideration, making flexibility a virtue.

But at the same time American research has sought to demonstrate a link between strategic fit and performance. It has tried to show that following the strategic prescriptions offered (By Miles and Snow 1984) to link between business strategy and HRM; strategy will result in superior performance. (Huselid 1995)

There is some evidence in one U.K study (Fox and McLeay 1992) which forms a positive link between a strategic approach to HRM and firms performance. Thus like foreign firms there must be some consistency in strategic approach to HRM in U.K companies.

There is less evidence about the pattern of consistency among HRM policies. The evidence of Huselid and others in U.S.A suggest that there is link between use of more high performance HRM practices and company performance. However there is some dispute about which variables should be included in the list of practices.

The 1990 third WIR survey painted rather gloomy picture about the use of HRM practices. The focus of the survey was on employee relations issue rather than full range of HRM. Nevertheless,
it found no establishment that claims to have adopted a full range of employee relation practices included in the survey.

In more detailed analysis, Millward (1994) confirms that there has been some growth in the use of HRM practices but cautions against any assumption that there has been a wide spread adoption of full range of them. There was also some evidence that establishments which had a strategic approach to an integrated set of practices reported better human resource and employee relation outcome. There are problems in general surveys of this sort in determining what it means to be using practices such as quality circles or tests in selection. So they might indicate an increase in interest in HRM practices but do not in them show effective integration.

INTEGRATION OF LINE MANAGERS AND HRM

This sort of integration is necessary while managing of employees on day to day basis. Managers must accept values underpinning HRM, and support HRM policies and practices. Though such integration is difficult to access, case study evidence presented by Pettigrew and his colleagues and by Storey (1992) indicates that large number of line manager do seem to be taking human resource issues seriously. On the other hand in contexts such as company
take overs, human resource issues still seem to be neglected until after the occurring of the event. Tyson's work is more encouraging in the sense that the human resource contribution appears to be valued in the successful companies.

There is also evidence from surveys by Poole and Mansfield (1993) as the institute of management members, indicating that views about employee relations and about how to manage the work force have been modified and have come some what closer to the values associated with HRM over the decade of the 1980's.

It is evident from above that there was some indication that human resource issues were widely considered in strategic decision making. However, in many organisations there was no clear and consistent strategy. The judgment of the UK firms seems to be that flexibility and speed of reaction to a rapidly changing external environment is the key to success. Purcell's (1989) conclusion at the end of 1980 that HRM is the second or third order of strategic issue was holding well in many cases.

Similarly there was moderate increase in the use of human resource practices but no rush to adopt a complete set of practices. Line managers, though were aware of it, there was little evidence they were committed to any set of values associated with HRM.

But there were exceptions found in foreign owned firms and there was steady accumulation of evidence, though none was
convincing on its own but began to combine into a consistent picture, suggesting that more strategic, a fuller range of HRM practices and better valuing of HRM issues may be associated with more successful performance of the firms.

QUALITY

The next element in the model of HRM is quality. The ‘Quality Movement’ has been a part of the work since for almost as long as HRM and contains variety of elements. Two of these are, ‘just in time working’ and ‘process controls are task and production focused’. But they reflect a return to the era of Taylorism and intensification of work, by passing HRM.

However there is another softer dimension of quality which suggests that it is achieved through people and in which HRM is central. This perspective has three main elements:

- The first is the quality of work force, which is the function of the selection, training and development policies.
- Second is the quality of management of the work force, which is likely to be more deeply embedded in the culture and in particular reward systems for managers.
- Third is the quality of HRM policies, practice and the reputation that the firm gains for its management of the work force.
There is always an overriding concern for the quality of the work undertaken, of the goods and services provided and therefore satisfaction of consumer requirement. Arguably, quality of customer service will be partly a function of quality of management of human resources.

HRM is closely linked to the issues of quality of employees, management of the quality system and wider organisation system. Giles and Williams (1991) have suggested that quality provides a chance in lifetime for personnel managers.

The input is through training for improving the quality of workforce. In recent years training issues have figured quite high on national agenda also. General standards are being raised through national system of technical qualifications and competencies. Throughout 80's various lead bodies have devised standards of progressive qualification which have been slowly adopted. There has been indication of increased expenditure on training and development. Of course financial implications of training need to be considered. Japanese companies report low training expenditure because training is built in the job of the supervisor or superior.

In U.K there was growing concern for the need to create an environment in which training and learning can flourish. The chief manifestation of this is the concept of 'The Learning Organisation'.
While this is an appealing idea, such evidence as was available showed that the concept of learning organisation was more rhetoric than reality.

Another strong link between HRM and quality comes through Total Quality Management (TQM). It involves a change in the organization culture and in the mind set if it is to succeed. One major change is from external to internal control and commitment to quality.

One of the key waves in which these links in HRM is the need for a shift in the underlined values from an approach based on control of a compliant work force by management to a work force exercising self control and committed to organisational values and high quality.

A key element in the success of quality and HRM incentive will therefore be the commitment of senior and middle management to a style of managing that reflects this approach.

Paper published by Wilkinson (1992) shows that typical UK view of TQM is as a top management controlled initiative driven by business concerns based around greater consumer focus. In this view, the need to improve the human resource dimension is given relatively low status. Employee involvement is limited and the emphasis on trust, commitment and self control is neglected. So after initial enthusiasm managers are disappointed about lack of progress and employees are disappointed about the lack of real involvement. The human resource dimension and the related cultural change is
not being considered sufficiently and the commitment of management is short term and partial, even those companies, that explicitly claim to be pursuing cultural change linked to TQM run into difficulties. So the route to culture change is adopted through training. Success of TQM requires a long term HRM strategy.

In U.K. by 1992-94 a picture immerged in which importance of considering issues such as training and quality of management of human resources seriously was acknowledged. ‘The People Are Our Most Important Asset’ cliché was frequently displayed in company reports. Yet the practice shows that in most cases steps towards this become bureaucratized and channeled in to formal training without the cultural change to support it. Wide cultural change is necessary if quality initiatives are to have a lasting impact. The HRM dimensions of quality must be part of strategic integration to ensure that a high quality workforce has the positive impact on the performance. But up to 1994 this has too rarely been the case.

**FLEXIBILITY**

The third human resource outcome is a highly flexible workforce. During 1980’s the subject of flexibility became a topic of considerable debate; partly shaped by the influential Institute of Manpower studies model (Atkinson – 1984). Based on this, it is
possible to identify various types of flexibilities which could be combined to form a part of a coherent strategy that became known as flexible firm.

Four main types of flexibilities are usually identified.

- The first is flexibility of work time in particular, the use of part time workers.
- Second is contract flexibility, the opportunity to employ people on very short term or fixed term contracts or even to employ significant numbers of temporary workers.
- The third aspect is flexibility of rewards, increasing proportion of variable pay and also examining the possibility of broadening the concept of reward and deferring some aspects of rewards.
- Fourth is functional flexibility. This implies that designing jobs or groups of jobs in such a way as to make full use of human resources. It might imply broadening and deepening the range of activities required of an employee.

... All aspects of flexibility are relevant to personnel management; but the functional flexibility is relevant to HRM.

This reflects a difference of priority between those who want to improve efficiency by increasing proportion of labor and labor cost, which are variable and not fixed, and those who are more interested
in making full use of existing resources. Two approaches are not incompatible. Atkinson has advocated a way to reconcile them i.e. to create a flexible firm by separating out core from peripheral workforce. Sometimes it is difficult to locate a boundary between core and periphery and core may not feel comfortable in an environment where they work alongside temporary or fixed term contract staff. It may alter their perceived psychological contract and hence their commitment to organization.

In the late 1980's Hakim found that very few firms had deliberately adopted a strategy of workforce flexibility and wherever it was being pursued, it was opportunistically rather than strategically. Hunter and his colleagues (1993) reported that they were unable to demonstrate a growth in adoption of an integrated, carefully developed strategy on flexibility designed to fit with direction of business.

Surveys show that some European countries, rather than U.K, still make use of part time and temporary workers. The Cranfield-Pricewaterhouse surveys have consistently shown that the UK was well behind some of its European partners in its practice of some forms of flexibility.

Trends in flexible working as summarized by Beatson (1995) report that proportion of part time jobs, (defined as those involving 30 hours a week or less) rose from 19 % of all jobs in 1978
to 28 percent in 1994. In fact growth in part time working was greater in the 1970’s than in the 1980’s.

Increase had occurred mainly in limited range of service jobs, particularly in retailing, hotel and catering figures were high. While in manufacturing there was no real evidence of any increase in part time working during 1980’s and early 1990. About three quarter of the growth in 1980’s can be accounted for by structural changes in employment. There has been little overall growth in things like term contracts, temporary work, home or telephonic working or other such approaches.

There appears to have been an increase in sub contracting, outsourcing and use of contract staff. There has also been some growth in the use of flexi time, annualized hours, and overtime working remained as popular as ever. Growth also took place in the use of incentives schemes, including profit sharing and employee share ownership.

There is very little comprehensive evidence about the growth of functional flexibility. But there were indirect sources of evidence. Early 1980’s saw a series of flexibility agreements which resulted in a short term boost in productivity (Marsden and Thomson 1990). Since then there has been very few publicized agreements and company policies to break down remaining demarcations between classes of
jobs. The whole concept of process reengineering is an extension of this approach.

Watson and Fothergill (1993) had explored employee relations to aspects of flexible working. They found that most part time workers chose flexible working for variety of reasons related to their life styles. They distinguished between the voluntary part timers, the largest categories, and involuntary part timers who would rather prefer full time work as they needed money.

Using evidence from the 1994 labour force survey, it appears that only 13% were part timers because they could not find full time employment, implying that trends reflected more than a company strategy as supply of work force was plentiful.

The logical point to reach in pursuit of functional flexibility is reflected in Bridge’s (1995) notion of job shift. Here idea was that multi skilled people work in flexible project teams. Their employment is built around the project.

Temporary work is rather different. 43% said they were engaged in temporary work because they could not find permanent work. The statistics also show that the growth in self employment has been driven largely by a desire of people to have more freedom and autonomy. Only 13% said they have become self employed as a result of becoming unemployed.
Thus it shows that firms were not pursuing an aggressive policy of flexibility which they imposed on reluctant workforce. Thus though there were some moves to increase various types of flexibilities, this never reflected as a coherent company strategy. It reflected a desire to increase efficiency by cutting cost in an opportunistic and piecemeal way or just as a fashion.

In all but few cases changes have been relatively limited. So it cannot be concluded that increase in part time working, fixed term contracts and self employment represented a dramatic shift in employment practices. It also shows that kind of functional flexibility most closely associated with model of HRM that gives weightage to full utilisation of human resources had not received priority that the advocates of HRM believe, it deserves.

ORGANISATIONAL COMMITMENT

The final HR outcome is evidence of increasing commitment to the organisation among employees. The logic is that investment in high employee quality will only be repaid by long tenure among workers. This can be achieved if employees display high commitment to the organisation. But in an environment where the fashion is to promote flexibility of contracts and to reduce security, it may be noted
that the expectation associated with the traditional, psychological contract were being transgressed.

Even in a comparative study in electronics industry done by Guest and Deve (1991) reported that typical employee response was to display low commitment to both company and union. There was very little evidence about the changes in levels of commitment among UK workers. Fletcher and Williams (1992) also in one of the surveys reported relatively low levels of commitment in nine organizations.

An evaluation of an explicit attempt to enhance organizational commitment through employee involvement in British railways, based on careful longitudinal analysis using control groups, revealed no significant change in commitment (Guest and Peccei 1995). One implication of this is that after the initial entry phase into an organization, organizational commitment is relatively stable.

On the other hand, Moris et al (1993), using management samples, suggest that HRM policy and practice can modify organisational commitment and among that career prospects are particularly influential. The typical routes to improve organizational commitment are, either by changing corporate culture or by increasing the employee involvement.

A variety of initiatives to increase employee involvement were introduced in U.K during 1980's. Various forms of financial
participation were encouraged by the government. Widely reported is two way communication and flow of information. Marchin Oton et al in 1993 conducted evaluation of number of such initiatives. They stemmed from desire by managers to further their careers by prompting currently fashionable idea and demonstrating their ability to innovate at leading edge of current thinking.

The particular form of employee involvement adopted, seemed to reflect the latest fad amongst managers. The whole process by managers was driven less by deep interest in employee involvement but by a desire for own career advancement. Not surprisingly such initiatives quickly faded either when the ploy succeeded and the manager moved on or when fashion changed and a new fad arrived.

Changes in organisational culture are even difficult to assess. There was some indication from cases like British Airways or Rover, that culture change can lead to more committed workforce, and in these cases, the type of HRM intended to promote quality, flexibility and commitment has been both, an objective of change and the part of the process of change.

At managerial levels we can expect to see a reduction in organisational commitment as ideas about contract become wide spread and individuals are expected to display more self reliance in managing their own careers, rather than rely on the company to provide the traditional career path. In this context it is the most
effective and resilient workers who will transfer commitment to their own personal careers rather than to the company. So answer lies in providing a new psychological contract in which experience in the company provides the individual with development opportunity, challenging work and their by with greater career marketability.

Thus to improve organisational commitment important factor is wider economic climate. The typical strategy of increasing competitiveness by cutting back on staff cost, endangers a sense of security and is unlikely to encourage a sense of trust and commitment in a company. It requires long term action demonstrating reciprocal commitment by organisations before employees display increased levels of commitment. Till mid 1995 many initiatives have focused on limited view of commitment tied to a financial inducement.

Till 1994 concern for efficiency has overridden concern for effectiveness and full utilisation. There was a little sign of strategic intent to seek a more integrated approach to effective management of the workforce. So there was a little evidence that HRM had a positive impact on performance. Again evidence is hard to come by because it is difficult to establish cause and effect. Ferinenetcaf (1995), by collecting data concluded that there is no consistent evidence that measures that are more associated with HRM are in turn associated with superior outcomes. Guest and Hoque (1995) based on study of Greenfield sites concluded that those with clear strategy and high
uphold of HRM practices report better HRM outcome such as commitment and quality and better industrial relations.

Thus during 1990’s progress in HRM in the UK was very slow. Companies had approached the issue tentatively and had not adopted it wholeheartedly. But still movement was positive. One important point was, there was change in the attitude of trade unions which had become open and even positive about HRM as long as they had a part to play in its introduction and operation. Survey shows that unionized work places are more likely to have adopted certain types of HRM. Thus HRM to be successful senior mangers must have long term perceptive and consistent strategy. Otherwise it will become only fad and fashion.

**HRM in USA**

Personnel as a function can be traced back to a period before the year 1900 (Jacoby 1985). Growth took place in 1930 and 1940s because of war time shortages. Importance of HRM functions increased due to union threat and need to adjust to being unionized. As union management relations matured other functions of management received attention.
During 1970s things changed. New laws dealing with equal employment opportunities, Safety etc, forced radical changes in HR profession which in turn changed the status and budget for HR. In late 1970s as economic climate got depressed, top managements began to view HR policies as critical for reducing cost, increasing organisational flexibility and even ensuring survival. Industrial relations, personnel and organization development policies became increasingly closely coordinated (Kochen and Cappelli 1984).

In some cases this meant using hard ball tactics to keep unions out of non union worksites to extract deep economic concessions at locations where unions already exited. Regardless of strategy, managements aim was to increase efficiency and soften the effects of rigid work rules developed for earlier technology.

In general policy towards unions was subsidiary to broader interest. Thus HRM in most companies was primarily concerned with managers and other white collar employees and not about the declining numbers of blue collar workers.

Many of the new initiatives came from top management as it demonstrated greater interest in HR policies. The status and perhaps the clout of the newly named HR departments seemed to grow. Consequently, according to Wall Street Journal article (27th April 1983) former personnel workers received at least 30% higher pay if the company used trendy “Human Resource” title.
In the meanwhile managements got divided on the issue of whether to support 'High Commitment' policy or the 'Lean and Mean' policy.

HIGH COMMITMENT POLICIES

Beginning of 1980’s there was much discussion on high commitment policy but was more talked than practiced. Policies were designed to develop trained employees to identify with their organisation, which were prepared and trusted to exercise high orders of discretion (Lawter 1986). In return for this came commitment from the companies to provide employment security and opportunity to develop satisfying career.

Key components of this strategy included participation, employment security, career flexibility, individual job rights and performance based compensation.

Some argued that these policies could be effective only if linked together in a cluster of policies which were consistent with each other and with company’s strategy and technology.

High commitment policies require heavy investment in human capital. At the same they gave management flexibility to move employees from one job to another. Disadvantage was that the
emphasis on employment security tended to convert employment cost into fixed costs reducing the management’s flexibility.

Some of the early leaders in the development of this policy like IBM and Hewlett Packard were non-unionised. However general motors new division and the Xerox showed that equally innovative plans could be adopted in genuine collaboration with unions. There is nothing basically inconsistent between high commitment HR policy and collective bargaining. Chances of non-union firms backsliding from their good intention are much reduced if they are unionized.

**Mean and Lean Policies.**

High commitment policies were considered by some thinkers and corporate as wave of the future and some considered it as a passing fad. But this so called wave of the future resulted in management’s emphasis on cutting costs than developing human resources (Harrison 1994).

American corporations had gone through a series of hostile takeovers and leveraged buyouts. These organizations had emerged with high debt levels and a desperate need for cash flow. As major US companies began posting lackluster profits board of directors demanded from the CEOs either to show better results or get fired. CEO of many prominent corporate like IBM, GM, American
Express was even fired thus sending out the message that cost cutting comes before Human Resource Development. Firms after firms had sought to become mean and Lean through continual restructuring and down sizing. GM reduced its employment by over 200,000 and IBM by 1, 75,000. Total employment in major ‘Fortune 500’ companies dropped by 30 percent. Managerial positions, which once were viewed as sacrosanct, also became just as much at risk as blue collar jobs. In many cases career employees were replaced with contingent employees. In the process labour, even managerial, was made a variable cost. Thus downsizing resulted in heavy cuts in fringe activities, including HRM. Thus during this period disinvestment in HR predominated high commitment.

**Employee Involvement and Participation (EIP)**

It was a part of high commitment strategy that even lean and mean companies experimented with various forms of participation with the hope that it will increase employee satisfaction and commitment as well as organisational effectiveness but informal participation, as style of consultative management was in use for a long time. During 1990s there was increase in formal participation schemes like Quality Circles, Work Teams which enjoyed autonomy, TQM and Employee Management committees. The first three
proliferated more widely in USA than in UK (Mill ward et al 1992 with Osterman 1994)

According to a 1992 survey, at least half the workforce participated in teams in 41 % of the establishments. According to research most Employee Involvement (EI) schemes in USA succeeded in achieving better results. They increased satisfaction, productivity, quality, and union management relations. But both, in UK and USA these schemes were short lived .They succumbed to factors like, opposition by unions, top management’s distrust about EI, and very high expectations from the boards, and resulting burnouts. Thus EI was not totally inconsistent with lean and mean policy. Workers were told in effect to cut cost or lose jobs. Main purpose of the team was to permit elimination of a layer of supervisors.

Work Schedules and Careers.

Many workers are concerned with at what time they work rather than in participating at work. This is evident by the considerable interest in the new approach to work scheduling, such as compressed work week, flextime, and job sharing, as well as part-time work and telecommunicating, the opportunity to work at home via computers has become more popular. Some companies have
even eliminated sales offices, and asked sales persons to do clerical work at home.

For some workers it represented a changing life style which downgrades work as a source of satisfaction. But for some men and women it gave opportunity to combine work with family life. Work schedule became a major issue for some women’s group. The demand is from women competing with men for managerial careers. Neo feminists became interested not just in equality on jobs but chance to bring up family without undue harm to careers.

There were also open career systems. These included freedom to move back and forth from full to part time to zero time work to respond to family demands and by protecting status as permanent employee. It also involved the right to a phased retirement.

In open career system individuals are given considerable freedom to manage their careers. Its features are realistic job previews, (Procedure in which job applicants are frankly told a jobs disadvantage) a chance to bid on jobs and training opportunities, and the freedom to accept or decline transfers. Assisting employees to make wise career choices requires assessment centre to evaluate skills, as well as more opportunities for counseling.
Although demand for career flexibility came chiefly from women's movement, men too showed interest mainly professionals and managers.

Thus flexible career systems were consistent with the philosophy of participation and high commitment. Flexibility may be hard for organisations to provide. Such systems are accompanied by reduced job security. Lean and mean provides another form of flexibility but it is at the discretion of management and not the employees.

**Job Security and Contingent Employment**

Objective of high commitment, just like Japanese style, was to provide life time employment and thus in 1980 job security became a major union objective. For ex; when long time unionised employees in US Auto and Steel industry became redundant, still continued to enjoy income which was guaranteed and equivalent to pre redundancy period till retirement. To support this company like GM had to commit more than US $ 5 billion over the years.

Maintaining lifetime employment particularly in the face of vagaries of market was difficult for the business. An increasingly common solution to do this in the traditional Japanese way was by absorbing peak work load through over time, subcontracting
and hiring contingent employees who work on a part time, temporary or on call basis as well as 'Agency Temporaries'. In slack times these firms protected their core employees by eliminating over time and dismissing peripheral workers. In mean and lean firms the number of contingent employees has grown considerably and subcontracting has also increased considerably. The kind of work contracted varied from care taking; maintenance, and management consultancy. Some people like the independence of being subcontractors, working mothers prefer flexible timing. choice of whether to be fulltimer or part timer is not that of employers but of employees. Thus the growing distinction between core and other employees accentuated what the economist call 'segmented labor market' which creates serious social dilemmas. The relative job security enjoyed by core employees merely accentuates the insecurity suffered by rest. A Severally disadvantaged secondary labour force, consisting of proportionately higher racial minorities was the ugly black side of high commitment policy.

**Down sizing and out Placement**

In depressed conditions where core employees become surplus high commitment firms search for temporary
assignments for surplus workers, provide them with special training and subsidies their transfers to other plants. If conditions worsen further, companies accelerate attrition through lavish voluntary retirement schemes. In effect workers are bribed to quit.

As mean and lean policy became popular, company like IBM avoided involuntary layoffs for many years by providing incentives for voluntary resignations. But as cost cutting pressures increased firms went through several rounds of involuntary layoffs with progressively reduced severance pay.

Earlier people used to be sacked; now they are out placed. A whole new art of firing people has been developed. Besides considering expenses which incurred to induce older employees to accept early retirement, some companies finance training for new occupations, subsidies job finding trips, continue employees pay and give them time off to look for new jobs. Out placement counselors listen to out placed workers traumas, assist in writing application, coach interview skills and generally help in job search. These HR policies are not uniformly followed. Large percentages of employers do little or nothing to cushion the shock of layoffs.
Labour Relations

In the process the labour unions were no longer relevant. Since 1955 union's density in private sector declined from 35 % to 10 % by 1995. Private enterprises had taken special efforts to keep the unions away by adopting high commitment policies.

Role of unions in HRM has considerably reduced. Forty years ago it was union movement which took initiative in proposing new HR ideas and managements reacted. Today managements have an upper hand in developing the ideas. In deed, the women's groups and the government may have more influence than the unions. Amongst the issues derived from women's agenda are comparable worth, flexi time, child care, elder care and the freedom to move in and out of the labour force.

Role of Government and Law

At one time there was sharp contrast between HR policies in U.S.A and Continental Europe. Continental practices were tightly regulated by law but US practices were comparatively unfettered.

This began to change with Roosevelt's new deal during 1933-41, when laws were passed which protected unionisation and established minimum wages. It also introduced tax supported
unemployment and old age (superannuation) benefits. But aside from union – management’s collective bargaining, HR practices remained relatively unregulated.

Beginning of 1960, series of major laws were enacted regarding occupational safety, employer funded superannuation funds, discrimination, and equal employment. In 1980 President Regan was elected on a platform that called for deregulation. His administration was marked by a considerable slackening in rigour with which executive branch enforced the laws. To an extent same policy was followed by George Bush. No old legislations were weakened and new laws were enacted strengthening previous laws. Cumulative effect of all this was substantial. Less was achieved in first Clinton years .Congress passed only one significant law making it compulsory for employers to provide a minimum of 12 weeks maternity leave without the need for making payment. Republican congress, elected in 1994, launched an attack on all forms of government regulations. But more attention was given to environmental issues than HRM. The legal push came not only from federal congress but state legislators have been passing laws on similar topics. State courts were actively expanding employee rights and creating new body of common laws. Net effect was broader intervention of government in HR practices from hiring to discharge.
These legal developments have considerably affected HR decision making processes, which have become more formal, time consuming and bound by paper work. All these helped to link HR function more closely with the corporate legal departments.

**Equal Employment**

Series of state and federal laws had to be enacted to ban discrimination on the basis of ethnic origin, religion, gender, age, and physical disability. As laws and their interpretations is complex, companies had to hire lawyers and experts. Laws are enforced in stringent ways. Settling the suits filled against companies has cost companies substantial sums of money.

Equal employment regulations cover most aspects of employment like hiring, promotion, redundancies, compensation, and even training opportunities. If any employment practices which operates to exclude minorities and cannot show it to be related to job performance, then such practice is prohibited. This means that if selection practices such as recruitment procedure, tests, interview etc. screen out proportionally more individuals from any one ethnic or gender category, then the ‘business necessity’ of these procedures must be validated. That means the job applicants test score must be statistically correlated with the relevant aspects of work performance.
These requirements forced radical changes in the procedures used to select, evaluate and promote employee at all levels. There have been important new technical, psychometrically validated developments in testing and performance evaluation. ‘Work Sample’ tests have been introduced which test the specific skills required for the job in question. Performance appraisal procedures have also been overhauled to reflect actual behavior rather than attitudes or traits. Promotional ladders have been redesigned to ensure that women are not held down by ‘Glass Ceiling’. Efforts were also made to recruit minorities.

As a consequence of these measures considerable increase took place in employment of women and ethnic minorities.

By this time organisations learned to live under equal employment rules and yet preserved degree of flexibility. Thus equal employment for women and minorities became less important an issue than it was in 1970. The political clout of minority groups also had declined considerably. By 1990, HR managers started talking more about ‘accommodating to cultural diversity’ than about quotas or equal employment. In mid 1995 major undecided questions were promotions to the aged, disabled, homosexuals and opportunities for women to combine maternity and career. In 1995 several major candidates for Republican presidential nomination came out for the elimination of all forms of preferences for ethnic minorities or women.
Senator Dole reversed his previous position supporting affirmative action. However big business gave higher priority to other forms of deregulations.

**Comparable Worth**

This issue received attention in mid 1980s. Women group had argued that jobs which were performed primarily by women should be paid wages equal to those of male jobs of comparable worth even if the jobs are not closely similar. Meeting their demand required a massive job evaluation schemes in which requirements of every job would be compared to every other. This proposal met resistance. Though progress was made in lower courts, higher courts hesitated to get involved in wage determination process. So no progress was made in the matter.

**Age Discrimination**

Age Discrimination on the grounds of age (over 40) is illegal. In recent years, companies have learnt to avoid making obviously discriminatory statements. In stead, companies document performance, provide periodic performance appraisals and give
opportunity to improve performance before firing them and as a result number of cases won by plaintiffs has declined.

**Disability**

Many mental and physically disabled people are unemployed. In 1990 Americans with disabilities Act strengthened previous legislation designed to protect disadvantaged minority. The new law prohibits employees from discrimination in hiring disabled persons, provided that with reasonable accommodation they can perform the essential functions of the jobs. The term ‘Reasonable Accommodation’ led to litigation. For example, variations in the way a job is done may be required, special equipments may have to be designed and provided without causing undue hardship to employer. In determining undue hardship, the cost of the accommodation must be balanced against the employer’s size. Large organizations can spend money. They can show flexibility and imagination. But small employers object to the costs involved.
**Individual Job Rights**

There is a growing concern for individual job rights. Some rights have been obtained through legislations or court decisions or by virtue of union contracts. Rights may relate to:

- Who can have access to medical reports?
- Right of an employer to search a locker or an employee’s desk.
- Freedom of dress and hair style,
- Right of smoking on the job.
- Whether testing for polygraphs, AIDS or for genetic defects violate individual privacy.
- Whether Aids, alcoholism, Drug Addiction and Obesity leads to occupational handicaps to which employer must make reasonable accommodation.
- If family photographs can be placed on the desks.
- Whether exhibiting objectionable photographs leads to sexual harassment of women.

These are very recent issues. They were not on traditional union agenda. They have stemmed largely from change in social values. Same is the case with drug testing. But the question here is what employer is expected to do. Should he report to police or discharge the employee or spend on his cure depending on a single
test. Questions have also been raised as to why employee should be penalised for off the job drug use as long as it is not affecting his performance. Unions have been ambivalent on the drug testing issue fearing to be seen as supporting drug use. They have insisted on procedural safeguards and also insist that drug users receive treatment rather than discipline. Today majority of companies use one form of drug testing or the other. It may be mentioned here that the use of 'Polygraph is now illegal.

With union endorsement, bills were introduced in to congress and state legislatures which would restrict electronic monitoring in the offices as it puts employees under stress. Standards about individual rights are unclear and are rapidly changing. Until recently right to smoke on the job was generally recognised and non smokers had to generally accommodate. Now limitations on smoking have spread widely. Occupational safety and health administration has declared tobacco smoke at a work place as a hazard. Employees have won damages from employers for injuries to health caused by being forced to work in smoke filled places. Increasing number of companies ban smoking on the job. Few employers even forbid employees to smoke off the job on the ground that this increases health cost. Counter attacking, tobacco companies have lobbied for laws providing for "SMOKERS BILL OF RIGHTS". All such issues invite the legislature or the courts to set general standards, although
neither management, nor civil libertarians may be happy. Managements have less freedom in these areas

**Sexual Harassment**

In October 1991, MS Anita Hills deposed before the senate committee that she had been sexually harassed by her former boss, a Supreme Court nominee. Eventually her charges were confirmed. In the face of this case, many women from all walks of life confirmed that they too had been subjected to harassment but had been too embarrassed to admit it.

40 years ago, Hanky – Panky, as it was then known, was common in many offices. Woman coped with it as best as they could and some quietly quit. Sexual harassment was wide spread in blue collar work. Sexual harassment at work place was nothing new, but to have women publicly objecting to it was.

The law recognizes two kinds of harassments. First involves sexual extortions where in supervisors take advantage of his position to seek sexual favours. Company can be held liable for this. The second form occurs when any body in company creates intimidating, hostile working environment by way of putting up sexually oriented pin ups, magazines at the work place or makes lucid remarks or gestures in
presence of women employees. For this organisations can be held liable.

Due Process

Formal due process procedures to protect job rights were becoming increasingly common. There was growing use of grievance and appeals procedures and binding arbitration in non union company's. Employees also had access to courts. Judicial decisions have rapidly eroded the traditional common law view that employment is at will and can be terminated for any reason. Under these circumstances employers must generally bear the burden of proving the just cause. Companies have to be careful about how they take a disciplinary action against an employee as they could be subject to defamation law. If an employer discharges a woman, a member of an ethnic minority or an older worker, it may be subject to a discrimination suit. In 1994, Supreme Court in U.S.A held that once an employee agreed to a binding arbitration of an employment dispute, he forfeited other forms of legal recourse. Thus US workers gradually started gaining protections provided to British workers under the industrial tribunal scheme. However, grounds under which American people can appeal are different than in U.K and damages awarded in US are considerably liberal. But these protections are of
Compensation

Compensation for blue-collar workers is based on job classification and seniority, adjusted by cost of living changes. As this system appeared inflexible, there was experimentation with other schemes most of which placed considerable part of employee’s earnings at risk. New approaches to compensation seek to reward team work and performance. This also provided the employer a more flexible wage bill which is responsive to business cycle.

Common new approaches recommended in 1990 were:

- Abandoning piece wage plan.
- Introducing profit sharing.
- ESOPs (Employee Stock Option Plan)
- Pay based on number of skills learned.
- One time award and bonus for meeting specific goals.

Each of this had limitation. ESOP was introduced for tax reason. Attempts to extend top management bonus system to lower levels of management have caused dissatisfactions.

In America it so happened that when real wages of workers had dropped after inflation, the top management compensation increased rapidly. The ratio between total top management
compensation and that of ordinary workers was much higher in US than in other countries. System of profit sharing and ESOPs, met unions and workers resistance as this shifted the risk of employment from company to employee as fate of the employer and employee remains the same.

Fringe Benefits

The cost of fringe benefits that means forms of compensation other than pay and bonuses, increased faster in USA than the wages. They lead to considerable controversy. Though vacations are shorter in USA, the total cost of fringe benefits to employers is greater because pension and health cost are privately financed to a larger extent than in Europe.

In U.S.A federal government pays part of the medical cost for the very poor and for those aged 65 and above. The bulk of population relies on employer financed health insurance. Many small employers do not offer health insurance and few employees receive it.

In America cost of suits filed against hospitals and doctors wherever a mistake is apparently made, is very high. So doctors engage in defensive mechanism ordering unwanted tests and
pushing cost further. In 1994 president Clinton introduced new plan which was complex and difficult.

Then came "Managed care plan" which covered half the workforce. Employers and insurers negotiate with doctors and hospitals to provide medical care for plan members for fixed fees to be fully reimbursed for their medical plans. Plan members, who accept these arrangements, must only use the designated health care providers. Managed health care plans are akin to a set of competitive, privatised British National Health Services. But as population ages, pension cost also increases. The problem may not arise as long as these funds are invested in stocks whose prices are increasing faster than the pension costs. In fact that will provide a financial buffer. But this can not continue for long as over a time, pension and health care benefits will consume greater portion of national income.

Employees started demanding for child care as both partners started working. Besides the maternity leave which was initially granted, employees began using sick leave for ill children. This led to a situation where employees were left with no leave for themselves in case they became ill. So employees resorted to greater use of 'Cafeteria plans' which gave them a choice of selecting fringe benefits.
Thus to conclude there was a time in U.S.A when employers were almost entirely unregulated either by unions or by the government. Employees were looked upon as commodities. Employers had no obligation except to pay wages. The financial burden of life’s risks, unemployment, old age, death, was borne exclusively by the employees. Their only right was to quit, a right more than counter balanced by the employers right to sack the employee at will.

Unions arose to redress this imbalance. They gave workers series of rights, defended by the grievance procedure. Strong unions also won the comprehensive stream of benefits for their members. These shifted the risk to employer. Though unions weakened, reforms remained widely adopted by progressive companies.

High commitment policies offer workers many of the advantages of unionism but these are not the substitutes to each other. High commitment policies offer more benefits than by average union control. In some cases unions have played a critical role in development of high commitment programs. But major drawback of this from management’s point of view is the expense of guaranteeing job security and the inflexibility it causes.

Strong economic forces require employers to be more flexible. Career employees are being replaced by contingent ones. As a form
of motivation performance based pay and fear of discharge is displacing organisational commitment.

With unions on decline and few companies giving more than lip service to high commitment policies, many companies had become as arbitrary as of old companies. Though congresses and courts have begun fashioning new rights and regulations, some companies have already formalised what they feel is to be good HR policies. In immediate future full range of high commitment policies may not get implemented, but excessive mean and lean policy and cost cutting may prove counterproductive as there will be fewer permanent jobs, greater mobility coupled with insecurity. HR departments will perform significant function, but they are unlikely to follow a single set of policies.

**HRM in Japan**

In the search by western pundits for the ‘secret’ of Japanese economic success during 1970 and 1980s several best sellers emerged which focused on HRM in Japan. (Ouchi 1981, Pascal and others 1982) These accounts emerged on the provision of life time employment, company welfareism, seniority based wages and promotion and enterprise unionism. It is suggested that these compel high level of legitimacy on management actions and general
commitment and loyalty to the company not typically found in the west. However, such practices emerged as responses to specific labour market problems prevailing earlier this century. (Littler 1982, Sethl et al 1984) Enterprise union on the other hand developed as late as 1950s following the suppression of independent trade unions. (Cusumano 1986, Littler 1982) Many western commentators chose to interpret these conditions from a crude HR perspective. The paternalism of Japanese corporations showed that they were ‘good’ to their workers and if western companies did the same then they too might enjoy enhanced commitment, motivation and performance from their employers.

During 1980, the strong yen, Trade friction between US and Europe, competition from other East Asian producers, increased labour cost and aging population placed a variety of pressures on Japanese manufacturing and effect of this was that life time employment obligation were not always met. Some companies were forced to shed labour, others to dilute seniority dominated pay and promotion systems in favour of performance related ones.

In early 1990s, Japan slid in to a major recession and found some problems in financial sectors where significant down sizing had to be introduced.
Reports appeared in the Japanese press of older employees being pressed in to the early retirements undermining the confidence of younger employees that they had a job for life.

Given the expectations of life time employment; at least of core workers; recruitment and selection by major Japanese corporations was always a careful process. The major corporations recruited directly from educational institutions with the best reputation and looked for potential rather than specific scales. Careful screening, sometime with the assistance of private investigators was used to eliminate 'Unbalanced Personalities' and to ensure recruitment of candidates who would endorse company values and philosophy. (Pwck 1985 and Robbins 1983)

Job training was provided by the company and through induction programmes more akin to those provided by military schools to familiarise recruits with the philosophy and ways the company (Azumi 1967, Ishid 1977 Naylo 1984). Training and Socialisation continued throughout the employee's career, typically on the job and involving frequent rotation. Managerial job rotation encourages managers to have a company wide orientation and makes them 'Generalist' rather than specialist (Clegg 1986).

In Japanese management, industrial workers are typically organised around work teams with a high degree of internal flexibility to a team leader who has a significant production planning, qualities
and other responsibilities. Many western observers hold the view that
Japanese production operators are being empowered and are
carrying more responsibility than their western counterparts (Womack
et al, 1990) although some studies have found that Japanese
operators are actually given less discretion than those in the west.
White collar workers also often find themselves working in teams and
open plan offices are common place. Consultation and
communication in the form of team briefings and problem solving
activities such as quality circles are extensive.

These HRM practices need to be viewed in relation to the
manufacturing methods of Total Quality Circle and Just in Time
Production, which evolved in Japan from early 1950s onwards. This
means that material is passed through the system very quickly, but
this carries a price and the system becomes inherently fragile and
vulnerable to disruption. This may be due to unreliability of the
process, lack of skill on part of the labour, or because of suppliers
who fail to deliver on time or of the right quality. Total quality control is
an umbrella term covering range of practices, an emphasis on error
prevention; responsibility of quality at the point of production; and
continuous improvement. HRM practices and manufacturing practices
appear to have found a happy fit in that the labour relations required
by the manufacturing methods are precisely what Japanese HRM
policy delivers.
Overseas investment by Japanese companies grew in 1970-80 due to political and economic pressure from the west. Surge was strong in Europe and America as the Japanese sought locations within the major markets for their products (Morris 1988, Perucci 1994).

In 1980 North America received 46 percent of Japanese overseas manufacturing investment, Europe 18 percent (Oliver and Wilkinson 1992). Within Europe, U.K has been the favoured location absorbing about one third of investment. U.K was favoured due to warm political climate, low wages and relatively weak trade unions. In U.S.A. by 1988 there were over 300 Japanese companies in auto sector and over 100 in other sectors employing over 100,000 in UK and 1 million in USA. Thus Japanese companies are a phenomenon worthy of study in their own right as they offered a model of HRM for indigenous companies to follow.

Japanese had brought an approach to the organisation based on team work and developed responsibility, careful selection procedures, extensive and intensive consultation, communication system, appraisal based pay, employee relations systems designed to safeguard managerial prerogatives and minimize the likelihood of action. They had not brought with them paternalistic welfare provisions, seniority based pay, promotion system which had become problematic in Japan.
Selection, Induction and Training

Recruitment into Japanese companies in Britain and U.S.A. was characterised by careful selection procedure. Emphasis was rather on attitude and potential than on experience and acquired skills. Practices changed according to the nature of operations. In U.K, 32% of the jobs created were involving light, low skill assembly work. They selected young female workers on the basis of skill and dexterity. Thus practices reflected Japanese preference and the nature of work. Recruitment was directly from schools and colleges with no previous experience required. In selection process emphasis was on teamwork ability and co-operative attitude. At Toyotas new Kentucky plant in U.S.A. first 1700 recruits were selected from 100,000 applications and after more than 20 hours of test spread over several months. Adaptability and ability to learn and to work in teams were primary criteria. (Economist intelligence unit 1989) On the job training was preceded by induction. It included familiarisation classes common in all companies and a trip to parent plant in Japan.

Job training was provided internally. In early stages there was a tendency to buy managerial talent. (Pang 1987). British and American managers in Japanese companies complained of less degree of authority and high control by parent company in Japan and
career ceiling for non-Japanese managers are common place (Gleaves and Oliver).

**Team Work**

Team concept was important for Japanese companies. Japanese management package involved vesting high degree of ownership of the process in the hands of self contained teams. Processes of selection and induction emphasised ability to work in teams and flexible work roles. These are part and parcel of Japanese TQM. Team organisation places the team leader in much more demanding role than has traditionally been the case in U.S.A. or U.K. The comparison shows that team leaders in Japan shouldered higher responsibility at the shop floor in Japanese companies.

Public displays of individual and group performance and meticulous attention to details are the characteristics of the approach, as is the maintenance of strict discipline and bell-to-bell working. Some trade unionists, both in USA (Brown, Reich and Holmes 1989) and in UK (Oliver and Wilkinson-1992) had themselves accepted the need for such discipline.

A senior official from the U.K. Electrician Union who had negotiated a number of agreements with Japanese firms commented that Japanese believe in bell-to-bell working. They cannot understand
mentality of British people of going for natural calls feeling that they are wasting time by not conditioning themselves to respond to such calls only during the breaks. They also do not understand as to why they are not prepared to co-operate with the company. He commented that whichever way you look at it they are absolutely right. Both advocates and critics of Japanese management style agree that expectations from workers regarding quality, productivity, and attendance are higher under the team system. There is a debate as to whether the result is best characterised as an improvement in working condition or work intensification.

**Consultation and Communication**

Frequent feedback of information on quality, productivity of teams and Japanese manager’s common practice of spending time on shop floor means that day-to-day management – worker communication is frequent and direct. It is backed by formal communication like team briefings, Keizen groups, quality circle, and company advisory boards.

Kaizen groups and quality circles are examples of formal sessions where employees are encouraged to generate and pursue ideas for improvement of productivity and quality in their work areas.
Wickens 1987, Trever 1988 and Morton 1994 stressed the positive points of the two way sharing of information and involvement of workers in Japanese transplant operations. Garrahan and Stewart (1992) on the other hand have pointed to the problems trade unions can face when communication from management to work force bypasses the shop steward. Rehder (1990), describing Japanese transplants in the USA, argued that the Keizan process can mean that ingenuity of informal work groups is brought under management control thereby reducing waste, but at the cost of intensifying work.

**Single status and Harmonisation**

Japanese transplants in U.S.A. and U.K. facilitated flexible work practices by using few job classifications, and by reducing visible status distinctions, especially between blue and white collar workers. Company uniforms, common car parks, and canteen and toilet facilities and clocking in for all (or none), some times followed by group exercises and/or team briefings at the start of the shift are commonly found.

The risk of demarcation disputes is also reduced if there are few job classifications. The extent of change from traditional western practices was well illustrated by Toyota's joint venture with General motors at the plant in California. Prior to Toyota's involvement there
were over 80 blue collar job classes and more than 200 overall. This was reduced to one job class for production purpose and 4 overall. (Brown and Reich 1989). At Nissan in north-east of England, a Greenfield site, there were only 2 blue collar job titles- ‘manufacturing staff’ and ‘manufacturing technicians’(Wickens 1987). Elsewhere in U.K. and U.S.A. many companies attempted to reduce the number of job classes and harmonise terms and conditions in order to gain more flexibility though in some cases this proved difficult. The attempted violation of job demarcations was the central issue behind the ford UK strike in 1988 Ford’s first national strike for over a decade (Wilkinson and Oliver 1990).

Reward systems were also designed to encourage flexible working practices. Instead of linking pay to elaborate and complex system of job classes and job evaluation, remuneration system in Japan transplants work pays to be flexible. At Toshiba, for example, there are 18 recognised production skills and increments are paid for each one mastered. A formal assessment of each employee is carried out annually.

Pay and Appraisal

Common practices in Japan like provision of housing, health and educational facilities, were not followed by Japanese companies
in U.K. Japanese companies have not gone for large scale job evaluation exercises typical in many U.S and U.K companies at least till 1980. In U.K. labour markets in which many Japanese companies operate (Relatively low skill light assembly work), companies reported that they pay average or above average wages, where wage levels were determined by the companies in relation to industry and regional labour markets. Many Japanese companies in U.K. and U.S.A. avoided unionisation and claimed collective bargaining had no influence on wages. Wages were settled by company advisory board and union officials played a minor role.

Main feature of pay system in Japanese companies in the UK is the widespread use of performance appraisal schemes. Appraisal in UK companies restricted to managerial and white collar jobs. Survey shows that virtually all Japanese firms employing over 200 people use performance appraisal. All apply these schemes to all grades of staff and the great majority indicates an influence of appraisal results on job grades, wage levels, promotion and task allocation.

This has been compared by Nissan's personnel director with traditional British practice, where frequently, only use to which appraisals are put is as a reference document for the next review.

Appraisal included forced choice questionnaire. It is a mix of task performance indicators and personal qualities. This fits the
Japanese emphasis on flexibility and team work which was a remainder of message initially given in selection and induction.

**Employee Relations**

Japanese companies in UK avoided trade unions. So they started the units in semi-rural areas or recognized only one union in established units. It facilitated flexible working, reduced industrial disputes and simplified bargaining procedures.

**Conclusion**

Though the Japanese were following the practice of extensive welfare provisions, life time employment, and seniority-based wages and promotions in their country, they did not resort to these practices in U.K and U.SA. Japanese manufacturers only brought total quality management, just in time manufacturing technique and team concept to these countries.

Japanese HRM policies entail careful attention to selection, training, consultation, communication, harmonized terms and conditions, minimization of job classes, and individual appraisal emphasizing cooperation, team work and flexibility. Such practices
underwrite an efficient manufacturing system dependent on team work, strict discipline and attention to details. Japanese companies in UK have declared that performance of their companies is comparable to mother companies in Japan. However International benchmarking studies do not support this claim wholly (Womack et al 1990, Anderson Consulting 1994).

The context in 1980s and 1990s for both US and UK has been one of high unemployment, weakening trade union strength, a political climate hostile to labour movement and organized industrial action. In spite of this many Japanese companies in U.K. and U.S.A. were setting Greenfield sites without the baggage of established organisational culture. Traditions show apparent ease with which Japanese companies have established new practices. Japanese manufacturers were welcomed in both countries for new life they promised to put into communities suffering from the decline of there traditional industries.

In 1980s and 1990s major Japanese management companies have played a leading role as a model for new pattern of manufacturing management and work organization in the west. Japanese have not transferred all the methods they used in Japan. They have selectively applied some of their key management tools and introduced and modified others. Large number of non Japanese companies in US and UK also applied management methods that
looked suspiciously Japanese. Many of these deny that their experiments with Just in time production, Total quality control, Employee relations practices as Harmonization, Flexi work rules, and Single union deals owe anything to Japanese model.

The activities of Japanese Management Corporation in the west are of considerable practical and theoretical importance to indigenous companies. By setting up one green field site and using the state of art management methods these companies are indicative of the direction in which they would like to go. Operations of these companies are the test case of the transferability of organisational methods across different industrial cultures. These methods may represent a universal set of management principles as a response to the unique set of historical economic and market conditions in which major Japanese companies found them in the later part of the 20th century.

HRM in India

Availability of talent remains a major competitive advantage for India. But only in last decade this is being put to use. The HRM as a separate discipline has grown with growth of Indian economy. For a long time HRM as a discipline was growing at a slow speed. However with liberalisation introduced in 1990, many factors have
forced HRM to change rapidly. They are transforming nature of HRM in many fundamental ways. Though India due to liberalisation has arrived on global talent market, but as it is late entrant on global scenario, it has to put in lot of efforts to catch up with advanced countries.

Change, speed, technology, complexity, globalization and demographics forces are so profound that they can either create or wipeout any industry overnight. With the changing time, forces that worked within human organisations regarding people, practices, culture and leadership have become redundant at increasing pace. The changing processes are further exacerbated by the daunting war for talent.

The relationship between people and business in the industrial and knowledge age are fundamentally different. These are reflected in recruitment policies and strategies for retaining talent. Factors that would attract talented employees and what would motivate them to give their best have changed beyond recognition.

In the past, the public standing of the company was the magnet, promotions and increments the source of motivation and the fear of financial uncertainty the glue that bound an efficient hand to the job.

In the knowledge age, excitement of the challenges in a job attracts the talent. It by itself has become the powerful magnet. The
creative and democratic environment, the source of motivation and opportunity for continuous growth is the glue that binds the talent to the company. It is the talent that dictates the term.

Demography affects the availability of talent. The United States is already facing a shortage of skilled professionals. Over the next ten to fifteen years the professional work force shortage in the US will reach at 15 million. Europe will see a shortfall of almost a million professionals in Information Technology alone. Germany is already facing a shortfall of about 200,000 engineers. China is estimated to need upwards of 1.4 million management graduates. Japan, Australia, Malaysia, Singapore and New Zealand are forecasting large shortages of professional talent. This shortage will last at least till middle of the century.

Warning bells of talent famine are ringing loudly. So business leaders must put management of talent on top corporate priority. Quality people are no longer available in plenty, easy to replace, or inexpensive. There is a key to creating value through talent management. It has to do with HRM being at the heart of business.

Today one fifth of the American population is above the age of sixty and one quarter of the Germans is now elderly. These countries will see decline in workforce and talent. In this global context, India can consider itself relatively lucky. Just seven percent of Indians are
above the age of sixty. India will continue to be young and will see swelling workforce of scientific, technical and professional talent.

India's young people are an enormous reservoir of talent. But somebody has to equip, train, motivate, and provide them with opportunities. This cast a responsibility on policy makers, educational institutes and business leaders. People are plenty but biggest problem before businessmen is finding right people and making them work productively. This situation is paradoxical. But the fact is that due to its late start on developmental front and a strong history of union activity, India has lagged in the systematic development of high quality talent. There have been talented professionals around, but Indian organisations have only in the past few decades engaged in a focused effort to develop their talent pool.

**Growth of Human Resource Function in India**

In India industries in modern sense, were set up in the middle of the nineteenth century, mainly by British traders. Tea, Coffee, Plantations, Cotton and Jute Mills, Coal mining and Railways, all based on capitalistic methods of production were started in the mid nineteenth century. The peculiar feature of industrial growth, for a considerable period of time was that it was slow and localised in some parts of the country having a concentration of working
population in the factories of Mumbai, Kolkata and Chennai and in the plantations and coal mines.

However, there were sporadic incidents of strikes of a limited nature as a protest against inhuman behavior at the hands of foreign management. But they were short lived in the absence of organized institutions in the nature of trade unions. They were led for particular occasions by some philanthropists with a desire to redress the workers immediate grievances.

The origin of Indian labour movement lay in the deplorable working conditions and the economic exploitation of the children and women in the factories coupled with then government's complete indifference to such plight.

The doctrine of 'Laissez Faire' dominated the out look of the government so much that the main concern seems to have been to protect employers from workers rather than to protect the workers from the employers.

The organized trade union movement in India dates back to 1890, when the first trade union, the Bombay Mill hands Association was organized. It was not until 1926 that Indian workers obtained a legal right to organize trade unions under the Indian Trade Unions Act -1926. This Act provided for the registration of trade unions in India for the first time.
In 1947, at the time of independence, industrial production was restricted because of economic and political uncertainties, non-availability of raw materials, machinery and difficulties in transportation. The previous factors of bad working conditions created a backlash that led to the formulation of very employee-friendly legislation. Five year plans were formed one by one and a mixed economy was encouraged. Both the public and private sectors were assigned certain areas of operation to achieve rapid industrialization. The government of India evolved an industrial policy. The principles for regulated industrial growth with spheres demarcated between the private and public sector were built in to sectoral plans, and over a period of time the public sector expanded considerably. The total employment position in 1976 in the public and private sector was estimated to be 13.37 million and 6.8 million respectively.

The dominance of large public sector undertakings and the socialistic policies of successive governments in 1960 and 1970s encouraged the trade union movement. There were 37,539 registered trade unions in India in the 1980s. The degree of unionisation varied widely from industry to industry. Industries with high rate of unionisation were coal 61%, tobacco 75%, Textile 56%, Iron and Steel 63%, Banks 51% and Insurance 33%.
It is believed that the rate of unionism in India had a clear impact on the development of human resource management as a core function in the organization. The focus remained largely on managing unionised workforce and collective bargaining to maintain industrial peace. This was true of both public and private sector.

In fact a distinct welfare and paternalistic form of people management emerged with organisations focusing heavily on lifetime employment, providing additional benefits such as free housing in industrial townships, public amenities and social security. Many small industrial towns like Bilalai, Jamshedpur, Bokoro, etc. developed across India. All had concentrations of such organisations. The HRM role remained limited to personnel management or administration. There were limited attempts in certain organisations to play a strategic role through training initiatives aimed at productivity improvement. However, these were exceptions rather than the rule.

By 1980s there was a growing feeling in Indian industry that it had 'missed the bus', when compared to Japan, South Korea, or even smaller economies such as Singapore, Hong Kong, Malaysia, or Thailand.

It was largely due to regulated economy. There was not much emphasis on attempts to enhance employee productivity or create better talent management processes. The so called 'Hindu Rate of Growth' that the country had been stuck with for the last several
decades was also restricting the development of sophisticated HRM policies and practices.

The reason for the lack of HRM being a key business imperative was also the relatively low employee mobility. A survey done in 1980s by a prominent weekly magazine showed that the cream of India's talent was either heading west or preferring to join the government services. The talent pool that was available to the Indian private sector was also limited. The information technology revolution was yet to reach India. Major sectors such as Telecommunication, Banking and Insurance were still heavily regulated and dominated by public sector players and the norm still was career stability. Thus like Indian industry, talent also was sluggish in growth.

This scenario changed slowly. The trajectory of the economy went through a qualitative as well as quantitative boost in early 1990s. This set the context for the current turmoil in the Indian talent market and the HRM challenges for organisations.

The Changing Economic Scene

Starting mid 1991, faced with economic crises due to a lack of fiscal discipline and negligible foreign exchange reserves, the country started on the path of economic liberalisation. It meant, the end of
tradition of industrial licenses, a lowering of trade barriers, attracting multinationals and foreign investors to do business in India, and also gradual opening up of regulated sector. Industrial policy of 1991 also suggested changes in Export and Important policy, encouragement to exports, overseas investment, and easy access to foreign capital and gradual reduction in duties.

The opportunities opened up by these changes stimulated Indian companies to start aiming at global operations. India became attractive to foreign investors because of abundance of natural resources, low cost of labor, the world's third largest technically qualified population and availability of infrastructure. By 1990s the middle class in India was estimated at 200 million, a market that was larger than the total population of many countries. The liberalisation of Indian economy had a stimulating effect on Indian business. Export growth rate increased from 3.6% in 1992-93 to 22.2% in 1993-94. Between 1990 to 96 exports increased more than three fold. By 1994 Indian companies had more than 500 Joint Ventures spread over 69 countries and 300 wholly owned subsidiaries in the US, UK, Germany and Singapore. Whatever growth Indian economy achieved after 1990, one thing was clear that the rules of doing business in India were changing and they were changing in ways that they had never before.

Following major changes took place:
• **Market and brand visibility expansion:**

The most visible aspect of liberalization was that the market for consumers suddenly expanded in terms of range and choices available. This was coupled with entry of multinationals at an ever increasing rate.

• **Industry shakeouts:** The arrival of new entrants into traditional bastions created a domino effect in the economy; Companies like SAIL, TATA Essar and Jindal made in roads.

• **Deregulation:** This was far reaching consequence. Starting with capital markets and financial services, the traditionally guarded sectors of telecommunication, insurance, power, oil and gas have been deregulated. Monopolies of Public Enterprises have been eroded either by MNCS or by Indian private organisations leading to more choices, competitive pricing and enhanced customer services.

• **The services boom:** One of the important differences in India's economic growth pre and post 1991 is the lead taken by the services sector over manufacturing and agricultural sector. While five year plan era had ensured heavy industrialisation, it was only in the last
decade that large services sector has emerged in India. This includes banking and financial services, insurance, telecom, software, outsourcing and hospitality. The double digit growth attained by service sector had to a large extent driven job creation and the salary pressures in the talent market. BPO segment alone of the services sector grew by astonishing 60% in 2002 – 2003. India had started emerging as ‘Back Office of the World’

- **The reverse brain drain:** From 1960 to 1980 a common problem in India was that of a brain drain to more developed countries in the west. After 1991 same highly skilled professionals have added value through their investments in the software and IT enabled services sectors and by using their positions in the top global organizations to focus efforts towards developing India as a market. Due to this in early twenty first century, India stands with one of the most promising country having tremendous potential for growth.

The large talent base, proficiency with English language, expertise in software, a stable financial and regulatory environment and active democracy are just
some of the factors that are cited as a part of India's portfolio of advantages.

- **Employee mobility**: Concepts of life time employment and stable careers have gone. Except for few public enterprises the concept of mobility has now come to stay. New upcoming sectors have opened opportunities for people ready to offer their skills. So now Emphasis of organizations on retaining talent has increased manifold.

- **Diminishing Loyalty**: The first casualty of increasing mobility and proliferation of job opportunity was the eroding employee loyalty. The 1990 saw job changes and career changes as becoming acceptable. This was largely true in IT and IT enabled services, banking and telecom sector. The longevity of employees started being counted in few years or even sometimes in months as opposed to decades.

- **Global Indian Managers**: A new trend has emerged as using India as a sourcing ground for global talent. Indian talent was being sought by global consulting majors and investment bankers from US, Singapore, London etc. Many organisations started to use India as a sourcing
ground for senior management positions in the Asia specific and beyond.

Till 1990 job security was taken for granted in India. However, after 1990, the term VRS has become common in both Public and private sectors. The organisations have gone in for a systematic process of restructuring and downsizing of their workforce. The ascent of employee's productivity and becoming lean has been a major change in the mind set of Indian managers.

Though the statistics about India’s progress is impressive, India still has maximum number of poor people who do not have access to the means of expanding their human potential in terms of social indices as measured by the United Nations Development Plan (UNDP) human development index where India still ranks above 100, even though it may have been one of the largest economy in terms of scale. India’s GDP is growing at the rate of only 5 to 6 % a year. To grow faster, India would have to leverage modern technology to bring about transformation in the economy as a whole or otherwise economic miracle would remain restricted to only a few places and people in India.

A research by the Mckinsey Global initiative on the barriers to enhance economic growth in India indicates the reasons for holding back India. Main factors were government ownership of business and the slow growth in labour productivity. The study emphasized that India could easily touch to 10 % growth rate on an annual basis if
these barriers were removed. The world bank funded global research report entitled ‘Constructing Knowledge Societies New Challenges for Tertiary Education 2002’ shows growth of value added to the economy for the 1986-94 period was 3% for knowledge industries while for business sector as a whole it was 2.3%. Between knowledge based industries. During the same period total value added rose from 51 to 59% in Germany and 45 to 51% in UK.

The process of globalisation is accelerating this trend because knowledge is increasing at the core of company’s competitive advantage. Competitive advantages to nations are coming less from natural resources or cheap labour but mainly from technical innovations and competitive use of knowledge. Today, economic growth is as much as process of knowledge accumulation as is of capital accumulation. In Organisation For Economic Cooperation and Development ((OECD) countries investment in tangibles that make up the knowledge base that is research and development, education, computer software is exceeding investment in physical equipments. Firms devote at least one third of their investment towards knowledge based intangibles such as training, research and development, patents and licensing. A new type of enterprise, the producer Services Company, which provides specialized knowledge, information, and data to support existing manufacturing firms, has begun to prosper. Experts see such companies as the principal
source of created comparative advantage and significant value added in highly industrialised economies. Rapid accelerisation in the creation and dissemination of knowledge has made span of technologies and products shorter and shorter, thus obsolescence is setting in very quickly. Though developing and transition economies are affected by these transformations, they are not yet reaping potential benefits. The capacity to generate and use the knowledge for sustainable development and improved standard of living is not shared equally by all nations of the world. As per World Bank report 2002 China, India, Brazil and other industrialised countries accounted for only 11% of investment in R & D. The differentiator for economic growth and competitive advantage for economies and business is going to be the investment in intellectual capital and knowledge creation to enhance the quality of the talent pool available. In order to do this the economy needs a sustainable supply of quality and skilled human resources that are world class. This talent pool can not be created just by attracting migrant workforce, an indigenous frame work needs to exist for creating it.

While India has the impressive standing of having the third largest technically qualified workforce in the world, the quality of the training or education that comes through is inconsistent. The challenge for organisations in India is to raise the median level of talent in sectors like software, pharmaceutical and life sciences. How
the economic upswing and its concomitant implications on talent markets is shaping the role of HRM, is the basic concern.

The Future of HRM

The scenario of how organisations in India will cope with present and projected challenges in the talent market can be visualized by current debates regarding the role of HRM function, what is the value of HRM function, and most important question to be addressed is how can HRM create value and deliver results and can we measure this value? To get answers to these questions, we have to assess the evolving role of HRM in the context of the dynamic and complex interplay of economic, technological and regulatory factors that are characterizing the business environment.

Following are the Main forces influencing HRM areas:

- **Globalization**: This puts pressure on HRM processes to be adoptive, agile and competitive across geographical boundaries. There are host of globalizing Asian corporations that are heading out.

- **Focus on cost and growth**: Though profitability will remain a focal point of business, path to profitability will
change. Organisations will have to be innovative and improve efficiency and at the same time HRM too will have to focus on both cost and value. This challenge of achieving growth while reducing costs will push HRM professionals to deal with their functions inherent paradox that is ‘To create value they have to spend more’. This will lead to incurring greater costs.

- **Capability focus**: Capabilities help organizations in becoming competitive. These are the weapons to win markets and enhance profitability. Similarly in order to provide a differentiating level of service and value HRM will have to frame what it does in terms of capabilities. For a long time HRM functional expertise and ‘People sensitivity’ have been considered a winning proposition. This is not likely to be the case any longer.

- **Turnaround is not transformation**: In the last two decades of 20th century many organisations focused their efforts on turnaround through downsizing, reorganizing and reengineering. This makes the business swifter and more streamlined. But this turnaround is not like transformation. As organisations try to change their fundamental business models, HRM will be stretched to continuously keep pace and evolve
with business as these changes will make more and more demands on business.

HRM professionals will have to increasingly define quantitative and business linked metrics to access the effectiveness of their contribution to business. Ability to assess redundancies and overlaps, and find cost effective business solutions to their problems has become a key skill. Without losing the ‘softer’ human sensitivity aspect of HRM, the trend towards hard data driven decisions will intensify. For country like India, there already is a race to ‘catch up’ and these trends add further pressures.

Changes in the Market Scenario

The nature of talent market in India has changed conceptually and fundamentally. Few years ago, organisations would consider themselves in a dominant position when it came to recruitment. Brand image, compensation, social status attached to working in a particular organisation, and the paucity of job opportunities ensured this. Now individuals searching for job opportunities have many more choices. The average number of job offer per student on some campuses is as high as 3 or even 4. The changed dynamics in the recruitment market impacts on the retention. Strategies within organisations and also
usual tactics of paying above the market may not work any more. So
organisations will have to redefine its talent attraction strategy.

Challenge for HRM is cost and efficiency focuses. Recent
trend is to restructure workforce, downsize, outsource and automate.
This is true for both private sector and even large public sector
enterprises. This is mainly due to the enhanced use of outsourcing
and technology solutions to transform the transactional nature of
HRM function.

Though the focus of HRM function in India for many decades
was on industrial relations and administration, there always exited a
strong cadre of professionally trained HRM managers and specialist.
In today's changing context these are being challenged to show
results and deliver tangible value.

Traditionally, effectiveness of the HRM function was measured
by its accuracy and administrative efficiency. To meet these criteria,
HRM developed consistency through precision, routines and reliable
procedures, but new capabilities should also be added.

**New Capabilities Required for HRM are:**

1. **Speed** = Quick work without hampering quality.

2. **Implementation** = Turning new ideas into action, with
visible results in terms of employee behavior.

3. **Innovation** = Creativity of HRM to find solutions to the
problems have not previously faced.
4. Integration = How does well HRM work to integrate with strategic plans, customer goals and external challenges. [Traditionally HRM was never related with these issues]

So, now a day, HRM professionals first have to be business managers than HRM specialists. HRM function needs much more diverse set of individuals with wider skill range to cope up with increasing demand for the HRM function to be more efficient. All this will of course rest on a foundation of personal credibility that HRM professionals will have to build. Behavior required for enhancing credibility within organisation includes consistency, commitment, confronting in appropriate manner when situation demands, offering alternate perspectives and ethics.

Changing Employee Relations and its Environment

The second national commission on labour in India has analyzed the present industrial relations scenario in India and has noted that trade unions do not normally give a call for strike because they are afraid that strike may lead to the closure of the unit.

Service sector workers feel that, they have become outsiders and are becoming increasingly disinterested in trade union activities.
There is a trend to resolve major disputes through negotiations at a bipartite level. The nature of disputes is also changing. Instead of demanding higher wages and allowances trade unions are now demanding job security and some are willing to accept wage freeze for job protection. The attitude of the government, especially of the central government towards workers and employers has undergone a change. Now permissions for closure or retrenchment are more easily granted. New economic policies have come to stay and to become more flexible and competitive.

The Indian employers to be competitive are resorting to following practices:

- Shifting operation to export processing zones.
- Employing more scientific techniques for recruitment, evaluation, rewards, training and development. This is being done with the dual objective of individual growth of employees and achieving greater organizational efficiency.
- Training managers to understand and sympathize with the workers and develop skills of communication.
- Transferring jobs from bargain able to non bargainable category.
- Outsourcing jobs.
- Alternative production centers as back up.
- Outsourcing non essential functions.
- Productivity linked wages.
- Strong processes for communication and grievances resolution.

The result of all these changes is that the nature of industrial relations has changed. Gone are the days of collective bargaining and confrontational nature of worker–management relations. The emphasis is more on taking decisions that make business sense. This is also reflected in many of the changes that the government has been contemplating at the policy level few of which are:

- Lifting ban on contractual workers.
- Amending the law on contract labour to shift the responsibility of workers welfare from principal employer to contractor.
- Allowing women to work in night shifts.
- Bill to reserve 25% of board’s seats for workers.

Globalisation is a new significant area that has emerged in the early decades of this century. The process of liberalization has allowed many Indian companies to arrive at global scene. Companies like Infosys, Wipro, and TCS have a significant presence in global markets as diverse as Singapore, China, U.K and US the growth engine for these companies is thus the global expansion.
This is a unique challenge from a management perspective. While India itself is a culturally diverse country, the challenge of managing diversity on a global scale will be a new one for HRM professionals. Till now no consistent frame work for managing this area is discernible as it seems to be handled on case by case basis. Indian organisations can adopt U.S, European or Japanese model or may develop their own model. The demand for skills that can effectively integrate cultures, manage diversity, initiate communication mechanism across the time zones and still maintain a core of consistent organisational values will be of premium. Biggest challenge is to develop a global mind set.

A large majority of research and practices in the area of management thinking including HRM have been developed in the west. The level of suitability has to be decided by different cultures. The presence of large number of MNCS in India and their customisation of global processes has created pressure on domestic companies to look at similar initiatives. These range from restructuring compensation philosophies, management systems, create company based HRM systems and leadership models needed for practical and local research. Key challenge for the industry would be to enhance linkage with academia and generate fresh thinking on the talent management issue.
While great strides have been taken in enhancing human capital productivity and Indian talent is gaining recognition globally, there are vast gaps to be bridged. This hectic race against time to build on existing strengths and cover the major weaknesses will engage the leaders of India in foreseeable future.