CHAPTER I

INTRODUCTION

There are many factors, which determine the capacity of a country for economic growth and development namely, availability of capital, raw materials, power, market, machinery and equipment, entrepreneurial ability, technical and skilled manpower. The three broad heads under which these determinants of growth can be grouped are human, physical and financial. Of these three key resource-factors which determine a country's capacity for economic growth and development, the human resource factor appears to be in the final analysis the most strategic and critical. A country may possess abundant and inexhaustible natural and physical resources and the necessary machinery and capital equipment but unless there are men who can mobilize, organise and harness nature's bountiful resources for the production of goods and services, the country cannot make rapid strides towards economic and social advancement. Thus, one of the major tasks confronting the developing countries is the building up of capital. There is a growing realisation that a rapid rate of 'human capital formation' is as important a pre-condition of economic growth as the rapid rate of 'physical capital formation'.

The growing awareness of the need for and urgency of building 'human capital' for the attainment of accelerated and self-sustained economic growth could be ascribed to several factors. First, the belief is gaining ground that economic growth in the advanced countries appears to be attributable, in larger part than was previously supposed, to human skills rather than to capital. In fact, several empirical studies, recently conducted, show, that 'human capital' has grown in the Western societies at much faster rate than conventional (non-human)
capital, and has made a much larger contribution to economic growth than non-human capital.1 Second, investment in human resource, has directly contributed to economic development and growth, by promoting the knowledge and application of science and technology to production processes, developing innovations and research, training the workers in different technical skills needed for modern production and building up of the right type of attitudes, values and interests conducive to higher output. Basically, economic progress is related to technological advancement; and technological advancement, in turn, depends upon the availability of scientific and technical skills in requisite numbers. The fundamental problem in developing countries is, therefore, not so much the creation of wealth but rather the creation of the 'capacity to create wealth', and strengthening, widening and improving the 'absorptive' capacity of the country. Third, human resource development is not only an essential pre-condition of economic growth but also among its major objectives as well. Countries have been cautioned that one of the greatest dangers in development policy lies in the tendency to give the more material aspects of growth an over-riding and disproportionate emphasis. The end may be forgotten in the preoccupation with the means. Human rights may be submerged and human beings seen only as instruments of production, rather than as free entities for whose welfare and cultural advancement the increased production is intended. Fourth, the rapid and spectacular post-war recovery of countries that suffered the destruction of physical capital including factories, railroads, bridges, dockyards, power stations, and irrigational dams, could be ascribed, by and large, to the technical and skilled manpower, that helped rebuild the entire productive system damaged by war. But for the availability of

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human capital, the process of recovery would have been slow. Finally, in most of the developing countries, there are possibilities of raising the general living standard of the population substantially through fuller and rational utilization of the surplus manpower particularly in the rural areas and through the development of physical and mental capacities of the population, primarily through education, training and development of right values and attitudes.

There is a growing realisation that human beings, like plant and machinery and other physical assets, are important instruments of production; that investments on them are as productive and income-yielding as on physical assets and inventories; that under-development of nations could be ascribed as much to the under-development of human resources as to the underdevelopment of natural and physical resources; and that 'education' and 'training' are important for goods industries, manufacturing skills, and other public utility services, distributing 'knowledge' and 'skills', and are, as such, making as important a contribution to economic growth and development as the other industries and services. The planners and policy-makers like the economists and educationists are therefore, anxious to assess, objectively and quantitatively, the contribution of human resources to economic growth and development.

L. C. Megginson, in his famous work, "Personnel: A Behavioural Approach to Administration", defines it 'as the total knowledge, skills, creative abilities, talents, and aptitudes of a nation's population. From the point of view of the individual firm, the sum of the inherent abilities, acquired knowledge, and skills exemplified in the talents and aptitudes of its employees in both the quantity and quality of the human resource depend upon the number of employees and their inherent and acquired

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abilities. The factors manifest themselves in the ability of the individuals to produce with existing machines, materials, and financial resources. Also, they manifest themselves in the individual's ability to generate new ideas, develop new and improved capital, goods, and otherwise modify the available physical resources with technology to achieve great productivity.

Torrington and Hall\textsuperscript{3} define it as "a series of activities which first enable working people and their employing organizations to agree about the objectives and nature of their working relationship and secondly, ensures that the agreement is fulfilled." This stresses the mutual nature of the employment relationship and emphasizes that it is only by reciprocity that both the individual and organization are likely to achieve their objectives. Therefore, according to them, Human Resource Management (HRM) is a range of strategies, processes and activities designed to support corporate objectives by integrating the needs of the organization and the individuals that constitute it.

Michael J. Jucius, in his magnum-opus, "Personnel Management", calls these resources, 'human factors', which refers to "a whole consisting of inter-related, inter-dependent and interacting physiological, psychological, sociological and ethical components."\textsuperscript{4} As regards the physiological components, it requires several inputs like food, rest and environmental conditions to satisfy the physiological needs. It also requires protection against harmful and destructive conditions and attempts to avoid loss of income as a measure to have physiological security. Psychologically, it is characterized by emotions and impulses. It likes and dislikes certain things and something makes one happy while others unhappy. It is inspired as well as depressed by

certain situations. It has numerous psychological needs such as autonomy, achievement, power, and acquisitiveness, which it tends to satisfy in its surroundings. As a social being, it tends to satisfy its needs for affiliation, status, approval, prestige etc. through interaction with others. Again, as an ethical creature, it has concepts of right and wrong. It tends to do what it thinks is right. Obviously, the human factor is dynamic in nature as is revealed in motivation and defence mechanism. It is an ongoing process involving, the above four subprocesses.

The field of management of human resources as a subject of study is of relatively recent origin. However, the concepts upon which recent management theory is based have their roots in history. For instance, Chaldeans had sound incentive wage plans as early as 40 BC. The status of the employee and the roles and relationships to which he or she was exposed, however, have undergone drastic change. As Megginson⁵ observes, the status of labour prior to the industrial revolution was extremely low, and the human relationships between the employer and his employees were characterised by "slavery", "serfdom" and the "guild system". Slaves performed varied services (the concept of service is derived from the word "servus", a slave) ranging from different manual tasks to specialised agricultural, military and clerical responsibilities. As slavery was based on negative incentive, it proved to be ineffective as an economic institution and a system of employment. It was replaced by serfdom in the feudal system. The serfs were neither slaves nor hired labourers. Incentives (slightly positive) distinguished serfdom from slavery in so far as it enhanced the productivity and decreased the need for supervision. Obviously, the feudal system related to the rural and agrarian pursuits. The serfdom disappeared towards the end of the Middle Ages with the

⁵ Megginson, L. C., op. cit, pp. 4-6.
growth of manufacturing and commercial enterprises as prevailing
economic forces. This led to the development of guild system involving
mastercraftsman (the owner), the journeyman (the travelling worker)
and the apprentice. This marks the beginning of the management of
human resources because of involvement of selection, training and
development of workers, and symptoms of collective bargaining over
wages and working conditions.

The industrial revolution, followed the guild system with the
emergence of a new energy source, the steam engine. The new
economic doctrine was advocated in the form of laissez-faire,
\textit{laissez-passer}^6, which meant that an individual should be permitted to
make what he intended to and to go where he desired. Initially, the
industrial organisation was characterised by the "cottage system"
where the work was performed in the homes of the workers. Then,
"factory system" developed which resulted in new economic freedom
(i.e. the freedom of contract) to the worker and enhanced
specialisation. However, in practice, several injustices were done under
the cover of economic freedom, and the system was accompanied by
unhealthy work surroundings, long working hours, fatigue, monotony,
strain, likelihood of accidents and allied repercussions. It also reduced
the magnitude of personal relationships, and the worker tended to lose
the gratifying feeling of being individually significant to the performance
of tasks. Notwithstanding these malpractices, attempts were made by
some progressive entrepreneurs (for instance, own the pioneer of
human administration in England)\textsuperscript{7} to recognise that productivity could
be increased by changing the environment or removing the employees

\textsuperscript{6} Marshall Alferd, Principles of Economics (New York: Macmillan Co.),
1948, p. 757. The term meant that a person should be permitted to
make what he wanted to and to go where he pleased.

\textsuperscript{7} Dwivedi, R. S., Management of Human Resources: A Behavioural
from the adverse physical, social and economic surroundings with a view to providing satisfactory working conditions. But, there were several oppositions to these progressive viewpoints.

Explicitly, the history of industry in the World is characterised by technological progress. It may be noted that several technological developments and economic innovations were the outcomes of wars. Indeed, the technological innovations which were introduced during the war days were later on utilised effectively in industry because of enlightened managerial policies. Large scale personnel management originated in 1917. After the war, a group of experts formed a consulting company to conduct research and consultancy in personnel problems of industry. Accordingly, modern personnel administration was initiated in 1920. At that time, workers formed a crucial group in the work force. They consisted of over 40 per cent of those gainfully employed. Their working conditions were dissatisfactory. They were a source of discontent and caused serious problems to society. Attempts were made by personnel experts to correct managerial fallacies and apply psychology to industry. The relationship between management and labour changed, and attempts were made to emphasise cooperation between them as a measure to increase production. This was followed by human relations movement as a consequence of "Hawthorne Studies". The worker was viewed as an economic, psychological and social being. However, the prosperity ended during the great depression - of course, unionism and collective bargaining prevailed, and unemployment was a baffling problem till World War II. The employers provided inducements to workers, in addition to basic wages, through "fringe benefits" including transportation, housing, insurance premiums and retirement schemes, during and after the war to attract them. Attempts were made to use findings in behavioral sciences as a measure to enhance productivity. There was also great
stress upon compulsory unionism. Other significant achievements were the development of computers and nuclear energy. During the late fifties, organizational planning, manpower planning, manpower selection, management development, technical personnel management and allied new problems regarding the management of managers and high-talent manpower assumed significance in the organisation from an economic standpoint. High-talent personnel emerged as the key human resources, and personnel management was tuned to the existing economic structure without ignoring its now reduced traditional tasks.8

As regards "personnel" department, initially it stressed management relationships with individual employees. Later on, with the development of trade union, "labour relations" department was created to negotiate and administer collective bargaining or contracts. In several instances, "personnel" and "labour relations" departments were combined and jointly designated as "industrial relations" embracing responsibilities relating to both Individual and group relationships. Federal interest in manpower problems has given rise to another term "manpower management" department. Here, the emphasis is on the management of human resources as a crucial sub-process in the global process of management. It provides several technical and professional services for line managers and plays a significant role in general management. Indeed, personnel management department has passed through drastic changes. It began with "welfare work" and responsibilities have grown wider and deeper. The personnel management or industrial relations department struggled for several years to acquire recognition as "staff". As Dale Yoder9 observes, its

members developed technical competence in testing, interviewing, recruiting, counseling, job evaluation, negotiation and collective bargaining. They also acquired expertise in wage and salary administration, employee benefit schemes and services, training and development and allied activities. The top management frequently encouraged line managers at middle management level to consult personnel department in these respects. Thus, the department acquired the recognition as staff to the working line. As staff, the department had become authorized to provide these services on request. For instance, it could be requested to develop or administer tests to applicants to recruit through advertising, to handle grievances or advise line managers regarding these aspects or union complaints, to determine seniority, to maintain all personnel records, and to perform narrowly restricted allied activities. All this led to the multiplicity of "personnel" jobs instead of a single, stereotyped task.

During 1960-79, there was an explicit trend to bring the head of the department into the top management and assign the department broader problems involving a total management system perspective. Indeed, responsibilities such as management development programmes, manpower and organisational planning and personnel research were prevailing over initial responsibilities of preliminary screening, recruiting and even collective bargaining. Megginson\textsuperscript{10} visualises a number of trends influencing personnel administration. These included: (1) the improving economic position of employees; (2) the expanding role of government; (3) the growing power of unions; (4) the exploding technological revolution; (5) the increasing complexity of organisational life, (6) the changing role of the management; and (7) the greater knowledge of human behaviour. Because of the findings of behavioural scientists, a new view of management of human resources

\textsuperscript{10} Megginson, L. C., op. cit., p. 25.
has developed. Attempts were being made to adapt to a more scientific approach to selection, training, development and motivation of employees. The inter-relationship between the leader, the follower and the environment was being increasingly emphasized. The fullest utilisation of an employee's talent was viewed as the objective to be achieved. The individuals were being provided with participation in the organisational activities as a measure to counterbalance the lack of intrinsic satisfaction in their jobs, which they had lost because of automation. Attempts were also made to provide scope for individual's personal dignity, status and sense of achievement. As Odiorne observes, the activities of the personnel department were designed to increase the effectiveness of each member of the organisation. Indeed, the personnel manager has become increasingly concerned with increasing profit through the people. The major contribution of the human resources was no longer its energy and labour power. Rather decision making, analysis, innovation, organisation and application of knowledge along with mental, verbal and written skills were the vital profit producing activities of labour. Explicitly, personal management has emerged to be the management of brain power more than muscle power, and the average worker has become an educated professional. Thus, personnel management accomplished maturity during 1960s and 1970s.\textsuperscript{11}

The evolution of HRM from 1915 to 1970s has been classified by Berridge\textsuperscript{12} into four stages: (1) welfare stage (1915 to 1920s); (2) personnel administration stage (1930s); (3) the developing stage of personnel management (1940s and 1950s); and (4) personnel management, the mature stage (1960s and 1970s). To sum up, the welfare stage involved provision of welfare facilities such as canteens

\textsuperscript{11} Odiorne, G. S., op. cit., p.27.
and efforts to look after employees' interests. During World War 1, welfare officers were appointed in ammunition factories. In the second personnel administration stage, recruitment, basic training and record keeping activities also appeared in work situations. In the third developing stage of personnel management, the whole range of personnel activities emerged. The welfare officers became staff or labour managers. They were subsequently involved in industrial relations. During the fourth mature stage of personnel management, organisation and management development and manpower planning were embodied in the domain of personnel. There was sophistication of selection, training, salary administration and performance appraisal (MBO). There was also immense focus on legislation. Productivity bargaining appeared and disappeared. Personnel management became increasingly professionalised.

Berridge further classified the evolution of HRM from 1980s to 1990s into two stages: (1) human resource management, phase one (1980s), and (2) human resource management, phase two, (1990s). As he observes, the concept of HRM emerged from the writings of American academics associated with Human Resource Management School. These academics visualised HRM as a strategic and coherent management-oriented approach to managing people and accomplishing their commitment to promote organisation's interests. The HRM (phase one) stage appeared when personnel specialists attempted to cope with the enterprise culture and market economy. HR and business strategies were integrated to evolve strategic HRM approaches. Performance-related pay emerged as a motivational device. Personnel managers became more business and management-oriented. The power of trade unions declined causing less focus on Industrial Relations. Personnel director became a "business partner". He was represented on corporate board. Finally, in
the current stage, there is focus on teamwork, empowerment and learning organisations. Specifically, the role of HR in the total quality (and entity) has become imperative. In phase two, there is increasing stress on processes such as culture management. There is also trend towards leaner, more flexible and de-layered organisations. Personnel directors are engaged in efforts such as downsizing and management of aftermath of a business process reengineering study. Their approach is strategic and aimed at evolving cohesive personnel policies. The personnel specialists are more concerned with "benchmarking" to identify and emulate best practice.\(^\text{13}\)

Hence, Organizations have started to appreciate the importance of human beings in facilitating them in achieving the organizational missions and objectives. The realization has dawned that the human resource is the only resource that has an infinite potential and is the only resource which appreciates and becomes increasingly valuable to the organisation as its association grows with the organization (money, machine and material - all depreciate with time). Managing human resource thus now demands increasingly more time of any progressive manager.

Management literature had earlier neglected the importance of the human function in the firm because of various reasons. First, there was a lack of knowledge about human behaviour, as well as about the contribution it had made to business development. Second, the responsibility for performing the personnel function was relegated to lower levels of management where the emphasis was upon the machines and their effective utilization as a means of production. Finally, human resource had been neglected because of the loss of

\(^{13}\) Ibid.
individual dignity and creativity through mechanization, automation and the growth of large and complex organization.  

Only recently economists became interested in the importance of human resource as a form of capital. Ambassador John Kenneth Galbraith entered the controversy over the relative value of machines versus manpower. He stated categorically that a well trained work force was a nation’s greatest form of capital.

As the primary function of management is to use all the resources available to an organization effectively, it follows that management should be concerned with improving its human administrative function. It is strongly felt that the effective utilization of the human element from an economic point of view should include the following:

a) Knowing the nature, potentialities and limitations of the resource and its employment;

b) developing the resource to its fullest potentiality;

c) utilizing the resource to the optimum degree of the organizations’ abilities;

d) maintaining the quality of the resource relative to the organizational needs; and

c) meshing together this resource with others to the mutual benefit of them all.

In order to achieve this degree of utilization of the human resource, the managerial talent of an enterprise must be willing and able to accept this responsibility.

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Not only is the human element of economic importance, it is also important from a philosophical point of view. It is known fact that the majority of the problems facing individual business executives, as well as first-line supervisory personnel, are human and social rather than physical, technical or economic.

As man’s physical work load has been lighted by machines and mechanization and as his mental drudgery has been lessened by computers and automation, the opportunities for him to use his creative and intellectual abilities in improving his cultural and material lot have increased. He now has time to think and act creatively if he so desires. Management has the responsibility for providing the opportunity for creativity, the individual employee must accept the responsibility for making the most of his opportunities.

Although human needs are unlimited, for man is a craving organism, the needs can be classified generally under the following headings:

(i.) Physiological or the needs associated with hunger, thirst, rest, exercise, shelter and so forth;

(ii.) Safety, or the needs for protection from danger, threat, deprivation, or conversely, a search for security;

(iii.) Social, or the need for belonging, associating, and for giving and receiving love or friendship;

(iv.) Ego, or the needs concerned with man’s self-esteem and with his recognition and approbation by his peers; and
Self-fulfilment or the needs that manifest themselves in the search for self-realization through some form of creativity.  

Productivity is based upon satisfying needs. If employees are to function properly and effectively, these physical and psychological needs must be satisfied. The process of satisfying them should induce the workers to be more productive. Although, perfect motivation is not possible, management should be able to estimate the benefit received from satisfying these needs and weigh them against the cost of satisfying them.

The non-economic importance of the employees was put into perspective by Ordway Tead when he said that “The Ethical mandate upon administrators is to help persons to fuller self-actualization to richer creativity, and to a more meaningful life”.  

Organizational Development Movement

The concept of the behavioural science provided the impetus for the organizational development (OD) movement of the 1960s and 1970s. The organizational Development (OD) movement advocated the implementation of programmes designed to improve the effectiveness with which the organization functions and responds to change with particular emphasis on how people carry out their work and interact with one another.

The OD approach concentrates on overall organizational effectiveness, especially with regard to 'process'- how people behave

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in situations where they are constantly interacting with one another. Therefore, the OD practitioners saw the organization as a whole and based their plans on a systematic analysis of its circumstances and the changes and problems affecting it. The total approach to organizational behaviour exerted a strong influence on many of those who in the late 70s and early 80s, began to concentrate on corporate culture as a central issue in the management of human resources.

Bennis\textsuperscript{19} summarized organizational development (OD) as follows:-

1. A new concept of man based on increased knowledge of his complex and shifting needs which replaces an oversimplified, innocent, push-button idea of many.

2) A new concept of power based on collaboration and reason, which replaces a model of power based on coercion and threat.

3) A new concept of organizational values, based on humanistic democratic ideas, which replaces the mechanistic value system of bureaucracy.

The Corporate Culture Analysts

Richard Pascale and Anthony Athos (1981) and Peters and Waterman (1982) suggested a number of attributes of successful companies which have strongly influenced HRM thinking about the need for strong cultures and commitment.

Richard Pascale and Anthony Athos emphasized the importance of ‘super ordinate goals’ - the significant meanings of the guiding concept (i.e. value) with which an organization imubes its members.\textsuperscript{20}

\textsuperscript{19} Bennis, Organizational Development (Addison: Wesley), 1969.
Peters and Waterman suggested that the following attributes characterize the excellent companies. These companies integrate the "notions of economic health, serving customers and making meanings down the line". They also noted that excellent companies were people oriented with a wide range of people programmes.\(^{21}\) Peters and Waterman suggested that the following attributes characterize the excellent companies:

1. Productivity through People: They really believe that the basis for productivity and quality is the workforce. They do not pay lip-service to the slogan ‘people are our most important asset’. Instead, they do something about it by encouraging commitment and getting everyone involved.

2. Hands-on, Value-driven: The people who run the organization get close to those who work for them and ensure that the organization’s values are understood and acted upon.

3. Visionary Leadership: The value-shaping leader is concerned with ‘soaring lofting vision that will generate excitement and enthusiasm. Clarifying the value system and breathing life into it are the greatest contributions, a leader can make’.

In some organizations, the entire concept of HRM has been considered as a public return stunt. In many cases, the names of Training and Development Departments are changed to Human Resource Development Departments. There is no clarity of roles. The top level management’s role is vital in creating a culture where human resources are treated as assets. The kind of attention the Chief

Executive gives to human resource function, will determine the functions of human resources in an organization.

New Concept of Human Resource Management

The new concept of human resource management is still unclear in the organisations. Attempts have been made to clarify it all over the world. Given are the following organisational orientations:

(a) Fed Orientation: Human Resource Department should not be considered as an image building one as is done in some organisations.

(b) Committed Management: Here the management has basic beliefs that human beings are assets; it develops conscious philosophy and action plan to build up company culture so as the employees use the productive potential.

(c) Identity in transition: At present, human resource roles are occupied by 3 types of men.

I. Traditional Personnel Man: Some organisations have a Personnel Manager, with legal and personnel management qualifications. When these organisations decide to introduce the new human resource function, the same manager is termed as Human Resource Manager, who finds himself with new label but without conceptual preparation.

II. Line Men: Under this type when a line man say Finance Manager or Marketing Manager is put incharge of Human Resource Management, he is likely to feel out of place.

III. Knowledgeable Novice: Under this category, some highly qualified persons possessing MBA or Ph. D with background in management are put in charge of
Personnel Department. While such people have tremendous advantage of knowing the state of art in their function, they lack organizational experience.

**Application of HRM**

Organisations can promote human excellence by offering a potential site for the flowering of most forms of human excellence. Within an organization, if there is meritocracy, people compete for promotion and other rewards on the basis of good work rather than on the basis of “pull”. Recognition and reward for creative ideas, discoveries, inventions, innovations etc. promote creative excellence. The human resource development movement in industry is aimed atfacilitating organizationally useful individual growth and development.

The more an organization promotes individual or team excellence, the more the organization itself is likely to excell because the work of any organization is dependent on the work of its individual members and employee groups.

HRM is a strategic approach to the acquisition, motivation, development and management of the organization’s human resource. It is devoted to shaping an appropriate corporate culture and introducing programmes which reflect and support the core values of the enterprise and ensure its success. HRM is pro-active rather than reactive, i.e. always looking forward to what needs to be done and then doing it, rather than waiting to be told what to do about recruiting, paying or training people or dealing with employee-relation problems as they arise. The concepts of the pioneers, the behavioural scientists and the organization development specialists are built into the values underlying the programmes and these influence the techniques used in them.
The Human Factor across all organizations comprises three basic elements:

i. The People themselves who work in the Organization; the skills and capacities they possess and their attitude towards the company.

ii. The Management Style prevalent in the Organization which usually stems from the top. The style may be aggressive, authoritarian, democratic or laissez-faire and each type has a different impact on the way people work as individuals or in groups.

iii. The Organizational Climate i.e. the work atmosphere in the company, as determined by the degree of inter-personal cooperation, the types of conflict resolutions, the amount of trustworthiness, the prevalent organizational politics, etc. etc.

**Human Resource Management Process**

Human Resource Management is part of the process which helps the organization achieve its objectives. Once the general direction and strategy have been established, the next stage is to formulate firm objectives and develop these into action plans. The objectives cannot be attained without the required resources, which, of course, include people. HRM should be part of the process which determines what people are required, how to use them, how to get them and how to manage them. It should be fully integrated with all the other management process.
The place of HRM in relation to the organization’s other activities is summarized in figure 1.1.

**Figure: 1.1**

The Human Resource Management Process

Organizational Culture ➔ Strategic Objectives ➔ Environment

HR Strategy

Job analysis Recruitment ➔ Organization structure ➔ Performance management

- Training and development
- Reward management
- Employee relations

Outputs

**Objectives Of HRM**

The precise objectives of human resource management will vary from organization to organization and will depend on the organization’s stage of development. At one extreme, for example, the human resource specialist will be seen as someone who looks after the administration side of people management, i.e. preparing contracts of employment, maintaining personnel files and so on. At the other extreme, he or she will be seen as an integral and vital part of the business planning process. The objectives of HRM, therefore, are many and various and will at different times include some, if not all, of the following:

1. Advising management on the human resource policies required to ensure that the organization has a highly motivated and highly performing workforce, has people equipped to cope with change, and meets its legal employment obligations.
2. Implementing and maintaining all necessary human resource policies and procedures to enable the organization to achieve its objectives.

3. Assessing implications in the development of the organization's overall direction and strategy, particularly with regard to the human resource implications.

4. Providing the support and conditions that will help line managers to achieve their objectives.

5. Handling crises and difficult human relations situations to ensure that they do not get in the way of the organization achieving its objectives.

6. Providing a communication link between the work force and the organization's management.

7. Acting as a custodian of organizational standards and values in the management of human resources.

**HRM Activities**

The main activities which make up the personnel function can be considered in terms of those that apply before, during and after the appointment of employees. To put it another way, HRM relates to the acquisition, management and disposal of resources. The need to be competitive in a global economy, along with changing demographics and values of workers has resulted in the realization that traditional ways of structuring work may be reconsidered. Recently, some of the most popular HR innovations have focused on improving motivation and involving employees in the decision-making process.

**Resource acquisition:**

The first step in the process involves establishing the organization's requirement for the resource in question, in terms of quantity, type and quality. In particular, it entails:
a) Advising on the kind of organization structure required to deliver the strategy, i.e. how activities should be grouped together, who should report to whom, how decisions should be made and communicated, etc.

b) Planning and advising on the number, levels and types of jobs required for the organization to meet its objectives in the most cost-effective way, including the extent to which activities should be resourced from outside the organization.

c) Designing jobs in terms of duties and responsibilities, reporting lines and supervisory role.

d) Advising on the most effective way of acquiring the people required.

e) Managing or advising on the selection process to ensure that the applicants selected have the skills, knowledge and experience necessary to be able to carry out the duties required to the appropriate standard, and that the process is carried out equitably and is free from bias against minority groups.

Resource Management:

Once the organization has all the people it requires to achieve its objectives, the next priority should be to ensure that those people remain with the organization long enough to be effective and that they perform well while they are there. This involves the following:

a) Designing performance management processes that will help people know what is expected of them and to increase the possibility that they will achieve their identified objectives - although it is essential that any such process is owned and managed by the line managers.
b) Designing and running training programmes to ensure that employees have the necessary knowledge, skills and approach to carry out their responsibilities effectively.

c) Designing and running development programmes to equip employees to undertake more responsible jobs and to assist in career management and succession planning.

d) Advising on and administering reward strategies that support the organization’s objectives and business plan and which provide a level of remuneration sufficient to attract and retain employees of the right calibre.

e) Consulting and negotiating with trade unions and employee representatives on terms and conditions of employment.

f) Advising on the administration of disciplinary and grievance issues.

g) Advising on the most effective means of communicating with employees and of involving them in the organization’s decision-making process.

h) Advising on staff change, e.g. in terms of revised duties, relocation, transfers of undertaking, etc.

i) Advising on staff welfare, health and safety issues.

j) Maintaining all necessary administrative and legal processes connected with employment, such as contracts of employment, personnel records and personal files, etc.

k) Formulating and recommending employment policies on issues such as equal opportunities, smoking at work, harassment, etc.

l) Advising line managers on all employment policies and on employment law and ensuring that the organization meets legal and social obligations.
Resource disposal:

There always comes a point at which the organization and the employee have to Part Company. The reason might be retirement, resignation, expiry of a fixed-term or fixed-task contract, end of a training contract, dismissal, redundancy, etc. The role of the personnel specialist in this context is to:

a) Conduct or advise on the conduct of termination interviews to ascertain the reasons behind any resignation and to tie up any loose ends.

b) In the event of redundancy, advise on possible alternatives and on the consultation and communication required.

c) Design a redundancy and severance policy and advise on its application and on termination payments.

d) Provide or advise on the provision of out placement counselling.

e) Organize any necessary pre-retirement courses and provide advice as required.

f) In the event of any appeal on dismissal, advise managers of the actions to be taken.

Features of HRM

There are a number of features which can be said to characterize an HRM approach and these are described below. But it should be noted that these characteristics of HRM will apply in many distinctive ways in different organizations. HRM as practised in America, Japan, Britain or anywhere else will have features which will be affected by the economic and political environment, and the industrial relations climates and practices of the country. HRM will be approached quite differently by organizations within these countries, depending on their culture and tradition, on whether or not they are part
of a multinational organization, and on their structure, technologies, products and market.

When considering these characteristic features, it is also necessary to develop a set of propositions to test how they are being or might be applied. Organization must also take account of a number of important reservations about HRM before considering the extent to which they develop an HRM culture.

The most characteristic features of HRM are that:-

a) it is a top-management driven activity;
b) the performance and delivery of HRM is a line management responsibility;
c) it emphasizes the need for strategic fit - the integration of business and personnel strategies;
d) it involves the adoption of a comprehensive and coherent approach to employment policies and practices;
e) importance is attached to strong cultures and values;
f) it places emphasis on the attitudinal and behavioural characteristics of employees;
g) employee relations are unitarist rather than pluralist, individual rather than collective, high trust rather than low trust;
h) organizing principles are organic and decentralized with flexible roles and more emphasis on teamwork;
i) rewards are differentiated according to performance, competence or skill.

Challenges To Human Resource Management

As we have moved on to the twenty-first century, we observe that human resource management faces some of the greatest challenges since its definition as a separate staff function almost a
century ago. This renewed vigour stems from numerous influences, such as the changing nature of the economy and government-legal influence, new organizational forms, global competition, and the increased feeling that organizations are vehicles for fulfilling societal goals. Some of the factors that have forced human resource management to be transformed from a narrowly defined specialty into a more strategic function are discussed in the sections that follow.

Corporate Reorganizations:

The 1980s and 1990s have been characterized by acquisitions and mergers and other forms of corporate reorganizations. Hardly a week goes by without one or more instances of one corporation purchasing another, two corporations joining forces, or companies undergoing massive reorganizations. The reorganizations continue in an effort to improve competitiveness, either by cutting layers of managers and restructuring the work forces or by gaining economics through combining efforts.

It is difficult to imagine circumstances that pose the greatest challenge for human resource management than the reorganizations that have characterized the last fifteen years. Such reorganizations inevitably affect many organizational levels and employees. Furthermore, given the complexities of the situation, decisions may be slow in coming. In the meantime, employees are left wondering what, if any, role they will play in the "new organization". As a result of reorganizations in the opinion of J. N. Sharma the employees may face these potential changes:

a) Loss of job, pays and benefits.
b) Job changes, including new roles and assignments.
c) Transfer to new geographic location.
d) Changes in compensation and benefits.
c) Changes in career possibilities.
Changes in organizational power, status, and prestige.

Staff changes, including new colleagues, bosses, and subordinates.

Change in corporate culture and loss of identity with the company.\(^{22}\)

There is little indication that the pace of corporate reorganization will slacken in the near future.

**Global Competition**

A long-term trend with profound and far-reaching implications for HR professionals is that of a global economy. International competition in goods and services is forcing major economies into a global force. The United States is one of a small (and changing) group of economically strong countries. In addition, the United States is no longer an isolated national economy but part of a world economic community.

The transition has not been an easy one in the industry. For example, even in recent times, the United States had strong textile and apparel industries. U.S. companies supplied many parts of the world with finished cloth products. As competition with Third World countries increased, United States manufacturers insisted that their products were superior to the less expensive imports. Consumers soon realized, however, that imported textile and apparel products were as good as the domestic counterparts and also cheaper. The result can be seen by simply examining the labels of the apparel in the wardrobe or other finished textile products. There is virtually no U.S. textile industry at this time.

What has transpired in the textile industry is an example of a trend towards a global economy. From an HR perspective, this trend

\(^{22}\) Sharma, J.N., op. cit., p. 45.
has represented a monumental challenge, relationships between employees and employer have been shaken in industries that have been dramatically reduced in the United States, such as the shoe, automobile, steel, and electronics industries. The readjustment for workers in these industries usually has involved switching from the declining manufacturing sector of the economy to the service sector.

As a response to increasing international competition, many International Joint Ventures (IJVs) have been formed. IJVs are a means for US corporations to have international presence without establishing a wholly owned subsidiary abroad. An IJV is achieved when a new organization or partnership is formed by two or more companies from different countries for the purpose of conducting a new business. As such, IJVs have become the most widespread form of multinational investment.

More and more HR professionals are becoming primarily responsible for helping to make the efforts at business globalization effective. The need to identify and place employees, mainly managerial and professional personnel, in foreign subsidiaries or joint ventures is one of the important challenges of the 1990 and beyond.

Slower growth in markets and, in some cases, declining markets has reduced opportunities in many organizations. One result of the changed circumstances was the greatly diminished opportunity for talented employees. In the past, newly hired hourly employees started in a routine but important job and then moved into other areas, usually within one year. With growth at a standstill, employees with many years of seniority had to remain in entry-level positions.

Of course, many of those pushed out of organizations because of the massive layoffs that have dominated the news, view others in situations of diminished opportunity as the fortunate ones. Economic
downturn aside, the movement to slower growth is a long-term trend. It is driven by some of the following changes:

a) The use of information technology in place of human resources

b) Continued automation, requiring fewer workers

c) Flatter organizations, with fewer layers between top and bottom, thus cutting out unneeded managers.

Difficulties in assessing the performance of IJV staff stem from the different procedures and performance standards of the parent companies.

a) Plant closings to bring production capacity in line with business realities.

b) Redesigning of the work force to be more flexible, as by using temporary workers.

Another major challenge for human resource management is the changing nature of the work force. Taken together, the increased diversity of work force has caused organization to re-examine policies, practices and values. Trend that is posing a challenge for human resource management relates to the increasing average age of the work force. The “graying of the work force” is a result of two trends. First, legislation pushed back and then eliminated the retirement age. The number of older persons is increasing, and some of them are continuing to work, either out of economic necessity or for personal gratification. At the same time, demographic trends have resulted in a smaller percentage of young adults.
Evolution of Management of Human Resources: An Indian Perspective

Kautilya\textsuperscript{23} provides a systematic treatment of management of human resources as early as in the fourth century BC in his treatise titled \textit{Arthashastra}. There prevailed logical procedures and principles in respect of labour organisations such as \textit{Shreni} or the guild system and the cooperative sector. The wages were paid strictly in terms of quantity and quality of work turned out, and punishments were imposed for unnecessarily delaying the work or spoiling it. The government used

\textsuperscript{23} Kautilya, \textit{Arthashastra} (tr. by Shamsastry R. (Mysore: Shri Raghaveer Printing Press), 1956.
to take active interest in the operation of both public and private sector enterprises and provided well-enunciated procedures to regulate employer-employee relationship. As Sharma24 lucidly points out, Kautilya provides an excellent discussion on staffing and personnel management embracing job descriptions, qualifications for jobs, selection procedure, and executive development, incentive systems (carrot and stick approach) and, performance evaluation. Kautilya's contributions are shown in Table 1.2

Table 1.2
Kautilya and Staffing and Personnel Management (Summary of Kautilya's contributions-based on Shamsastry R. C Translation: Kautilya's Arthasastra)

<table>
<thead>
<tr>
<th>Modern Management Concept</th>
<th>Reference in Arthasastra Chapter/s, Book</th>
<th>Kautilya's Viewpoint and Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job descriptions</td>
<td>Entire book II</td>
<td>Very elaborate descriptions of superintendents are laid down in terms of their responsibilities</td>
</tr>
<tr>
<td>Qualifications for jobs</td>
<td>IX, I</td>
<td>For high officials, the qualifications in terms of family background and personality traits are laid down precisely. For the lower officers, a decreasing degree of qualifications is considered to be sufficient</td>
</tr>
<tr>
<td>Selection procedure</td>
<td>IX, X: I</td>
<td>Reference, on-the-job tests, spy information and discussions are the various steps envisaged in the selection procedure for high officials</td>
</tr>
<tr>
<td>Executive development</td>
<td>First sex chapter, I</td>
<td>An elaborate training programme for the king is laid down. For the lower officials also, the need of training is mentioned</td>
</tr>
<tr>
<td>Incentive system</td>
<td>Book II and first chapter, V</td>
<td>Monetary incentive and punishments in the form of penalties are proposed for controlling the performance and conduct of employees and citizens</td>
</tr>
<tr>
<td>Performance Evaluation</td>
<td>X, I and IX, 11</td>
<td>Regular supervision and espionage are the two methods of performance and conduct evaluation</td>
</tr>
</tbody>
</table>

Source: Sharma M. K. "Kautilya and Management" op. cit.

We find several indications of prevalence of guild system involving performance of work at the residence of the entrepreneurs themselves. In course of time, the guild system was followed by the cooperative sector consisting of craftsmen and traders, purporting to promote their professional interests. Indeed, numerous professional societies were formed on these lines with their own systematic procedures and policies to nurture their own interests.\textsuperscript{25} Again, there are several indications regarding the operation of principles of the division of labour. The concept of \textit{Varnashram} or \textit{caste system} was originally based on these principles. The individuals who used to earn their livelihood by engaging themselves in activities such as teaching, sacrifice or state management were designated as Brahmins, while those specialising in fighting were termed as Kshatriyas. Moreover, individuals engaged in the areas of trade, business and agriculture were called, Vaishyas, and those devoting themselves to manual work were known as Shudras. Later on, these professions emerged to be hereditary which facilitated the transfer of skills and training from one generation to another. Numerous professions based on such specialized transfer of skills became hereditary including goldsmiths, weavers, potters, blacksmiths, carpenters, hunters, charioteers, snake charmers, architects, sculptors, armourers, and they turned out to be separate communities themselves.\textsuperscript{26} From the fourteenth century BC to the later half of the tenth century AD, the relationships between the employer and employees were marked by justice and equity.

As regards the Indian economy in medieval India, although there was a lull because of numerous foreign aggressions for around 700 years, during the Mughal rule, the Indian trade and commerce was

\textsuperscript{25} Adhya, G. L., \textit{Early Indian Economy} (Bombay: Asia Publishing House), 1966, p. 84.
revived. Several "karkhanas" were established at Agra, Delhi, Lahore, Ahmedabad and various other places. However, a majority of the artisans and the craftsmen had extremely poor conditions of existence and lived on starvation level. Therefore, it was not startling that the productivity of workers was very low. Presumably, low wages, climatic conditions and poor physique were the major factors responsible for it. During the early British rule, there prevailed a laissez-faire policy towards business. As it is evidenced in the report of the Indigo Commission, the working conditions were appalling, living conditions were sub-human, and several abuses prevailed in indigo plantations.

Again, as regards tea plantation, several cases of inhuman cruelties caused to the workers are encountered. Even the Plantation Act of 1863 makes provisions that if the workers failed to complete their period of contract, they should be imprisoned for a period not exceeding three months. Explicitly, the working conditions in the tea plantations were extremely bad. The labourers who attempted to run away were subjected to imprisonment, whipping and allied extreme punishments. Accordingly, the workers were entirely helpless in the face of the organised and powerful European planters.

The above conditions prevailed till the enactment of the Factory Act of 1881. According to the Act, the workers employed in the factories were allowed a weekly off-day, and provisions were also made for inspection as well as limiting the hours of work for women workers to 11 per day. The Act further provided that the minimum age of children for employment should be seven years and that the maximum working hours for them should not exceed seven hours a day and that too in the day shift. In 1890, the first labour organisation designated as Bombay Mill Hands’ Association was established. Subsequently, in 1905, the Printers’ Union at Calcutta and in 1907, the Postal Union at Bombay were established. The Madras Labour Union
was organised thereafter in 1918. In 1920, the indentured labour system involving migration of Indian labour to other countries on contract basis was abolished as a result of a strong National Movement. In the same year, the Central Labour Board was established to federate the different unions in the Bombay city and the All India Trade Union Congress was organised.

In 1923, for the first time in the organised sector, Tata Steel appointed K. A. Naoroji as a labour or welfare officer to look after labour issues in the various departments of the steel works. The formal implementation of the Indian Trade Unions Act, 1926 forms a landmark in the history of industrial relations in this country. The Royal Commission on Labour (1929 to 1931) recommended the appointment of labour officers or labour liaison officers to deal with recruitment as a measure to prevent corrupt practices in Indian industry. They were considered as recruitment officers directly reporting to the general manager. As the Commission observed, "No employee should be engaged except by the labour officer personally in consultation with the departmental head, and none should be dismissed without his consent except by the manager after hearing what the labour officer had to say." Accordingly, the Bombay Millowners Association and the Indian jute Mills Association appointed labour officers in 1935 and 1938, respectively. During World War II, the need for mobilising labour support was felt and thus, several welfare officers were appointed to deal with working conditions, canteens, ration shops, recreation facilities, medical facilities, workers' housing and allied fringe benefits. During the same period, the central government established the labour officers' pool to meet the growing needs of such officers in government departments. In 1942, Calcutta University started a diploma course in social welfare to impart training to welfare officers.

With the emergence of compulsory adjudication under the Industrial Disputes Act, 1947, the welfare officers were made responsible for handling disputes and adjudication pertaining to the conditions of service including wages, leave, retirement benefits and bonus, thus they became industrial relations officers and started performing industrial relations functions such as collective bargaining, conciliation and adjudication.28 Subsequently, Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959 and the Apprentices Act, 1961 were passed to regulate recruitment and training of workers, respectively.

In view of the growing labour legislation, commencing with the right to hire and ending with the right to fire, the employers tended to employ welfare or labour officers with a legal background. The twenty-first session of the Standing Labour Conference held in December 1963 recommended that the functions of the welfare officers and personnel officers should be precisely demarcated and that the former should not be responsible for dealing with disciplinary cases against workers or appear in court on behalf of the management against the workers in labour dispute cases.

In the early seventies, as Punekar29 observes, the personnel field covered three major areas of professional disciplines:

1. labour welfare;
2. industrial relations; and
3. personnel administration.

These three areas revealed the chronological order of the development of the personnel field. Immediately after industrialisation, labour welfare, mainly social reformist in nature, came into the picture.

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The inevitable emergence of trade unions, as resistance organisations to employers, opened the field for industrial (or union-management) relations. Lastly, with the development of scientific management of industry, personnel administration took root. The three areas of labour welfare, industrial relations and personnel administration were being looked after by three professional functionaries: (1) welfare officer, (2) labour officer, and (3) personnel officer. However, in the early eighties, the area of labour welfare largely merged with personnel administration. These two combined areas are referred to as personnel management.

In 1980, management of human resources was regarded as a specialized profession such as that of medicine and law. In addition to the industrial relations functions (although sometimes the industrial relations formed a separate department), the personnel department was responsible for other varied functions including employment, safety, training, wage and salary administration and research and development. The head of the personnel department was associated with top management and helped it in the formulation of personnel policies for the company. Indeed, the activities involved in the personnel department were akin to those performed in this department in other western countries. Specifically, where the personnel, industrial relations, and welfare functions were combined in one department, three categories of activities relating to these functions were obtained. First, although the personnel manager was a staff, he was responsible for the management of a department. Thus, he had to perform several duties alike those of line managers in his own department. Accordingly, he had to organise, plan and control the activities of his department involving recruitment, selection and placement of persons and their training, leadership and motivation. His ability consisted in getting
results through the people in his department. Thus, he was a manager first and a personnel expert subsequently.

Second, he performed a series of technical services and allied activities. Thus, he was responsible for industrial relations activities including contract negotiations, grievance handling, preparation and presentation of arbitration cases and research in labour relations. Moreover, he was responsible for educational activities including employee training, supervisory training, organisational planning and management development, communication programmes and so on. Furthermore, he was responsible for wage and salary administration including preparation of job description, job evaluation, incentive and profit sharing systems and executive compensation. His responsibilities also embraced employment activities, such as recruiting, psychological testing, medical examination, interviewing candidates and employee record keeping. Last but not the least, the personnel manager was responsible for technical services, such as health and welfare measures involving safety measures, recreational measures, and so on. However, personnel counseling had been largely neglected in most of the Indian enterprises. This gave rise to several grievances and lowered the efficiency of the workers.

Third, the personnel manager’s responsibilities related to his advisory role. Usually, he had to advise the line and top management in respect of legal matters regarding the issues such as termination of services and transfers, human relations problems confronting the line managers and technical procedures in areas, such as wages and salary administration. In some instances, the personnel manager was required to advise management regarding the improvement of human climate in the organisation, social responsibilities of the enterprise and so on. Thus, the responsibilities of personnel department in India were multidimensional. In 1990s, there was emerging a new human
resource management, especially as a result of the globalisation and liberalisation. Consequently, the form and the content of capitalist relations between the various factors of production are undergoing a change. What has emerged is a new era in human resource management.

As a result of the liberalisation, Industrial relations (IR) and Human Resource Management (HRM) have acquired strategic importance. The success of the new policies depends, to a large extent, on the introduction of new industrial relations and human resource policies at the national and enterprise levels. Some pressure for change has already been witnessed in the IR and HRM areas. The actors of the system now realise that neither the economy nor the industrial enterprises can survive by clinging to their rigid postures.

The world economic order is also changing rapidly. Evolutionary changes are taking place at revolutionary speed, largely pushed by strong external forces, arising out of a desire to increase competitiveness and efficiency. Centrally planned economies are opening up to have their tryst with free market systems. Structural adjustments and reforms are holding sway, establishing the primacy of economic imperatives over dogmatic political compulsions.

Organisations today, amidst such a commercially competitive global economic environment, are struggling for their survival and growth. The recent liberalisation and bold economic reforms pronounced by the Government have thrown up many challenges and opportunities to the Indian industry. With the explosion in information technology, increased global competition, rapidly changing markets, deregulation, etc., organisations have to redesign their strategy and outlook towards HRM, since human resource holds the key to meet all these challenges.