

HUMAN RESOURCE MANAGEMENT



Human resource management (HRM) is the process of evaluating an organisation's human resource needs, finding people to fill those needs, and getting the best work from each employee by providing the right incentives and job environment. It has the overall aim of helping an organisation achieve its goals.

Personnel management deals with day-to-day issues such as hiring and firing and industrial relations in general. Unlike HRM it does not play a strategic role in an organisation.

Importance of HRM

- **Increased productivity.** Developing employee skills might make employees more productive.
- **Enhanced group learning.** Employees work increasingly in multi-skilled teams. Each employee has to be competent at several tasks. Some employees have to be trained to work together (ie in teamworking skills).
- **Reduced staff turnover.** Training and developing staff often reduces turnover rates. This increases the effectiveness of operations and profitability as staff become more experienced.
- **Encouragement of initiative.** Organisations can gain significant advantage from encouraging and exploiting the present and potential abilities of the people within them.

Scope of HRM

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manpower planning, recruitment, selection, placement, transfer, promotion, training and development, layoff and retrenchment, remuneration, incentives, productivity etc

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Welfare aspect – it deals with working conditions and amenities such as canteens, exhibits, rest rooms, wash rooms, housing, transport, medical assistance, education, health and safety, recreation facilities etc.

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Industrial relations aspect- union management relations, joint consultation, collective bargaining, grievance handling, disciplinary procedures, settlement of disputes etc.

HRM DEFINITIONS

• Armstrong

Armstrong (2003) defined HRM as 'a strategic approach to the acquisition, motivation, development and management of the organisation's human resources'.

• Bratton and Gold

'HRM emphasises that employees are crucial to achieving sustainable competitive advantage, that human resources practices need to be integrated with the corporate strategy, and that human resource specialists help organisational controllers to meet both efficiency and equity objectives.

• Tyson and Fell

S Tyson and A Fell (Evaluating the Personnel Function) suggest four major roles for human resource management which illustrate the shift in emphasis to the strategic viewpoint.

- (a) To represent the organisation's central value system (or culture).
- (b) To maintain the boundaries of the organisation (its identity and the flow of people in and out of it).
- (c) To provide stability and continuity (through planned succession, flexibility and so on).
- (d) To adapt the organisation to change

THE HUMAN RESOURCE CYCLE

- **Selection** is important to ensure the organisation obtains people with the qualities and skills required.
- **Appraisal** enables targets to be set that contribute to the achievement of the overall strategic objectives of the organisation. It also identifies skills and performance gaps, and provides information relevant to reward levels.
- **Training and development** ensure skills remain up-to-date, relevant, and comparable with (or better than) the best in the industry
- The **reward** system should motivate and ensure valued staff are retained.
- **Performance** depends upon each of the four components and how they are coordinated.

THE GUEST MODEL OF HRM

HRM strategy	HRM practices	HRM outcomes	Behavioural outcomes	Performance outcomes	Financial outcomes
Differentiation (innovation)	Selection	Commitment	Effort	High: Productivity	Profits
Focus (quality)	Training	Quality	Motivation	Quality	Return on investment
Cost (cost reduction)	Appraisal	Flexibility	Co-operation	Innovation	
	Rewards		Involvement	Low: Absenteeism	
	Job redesign		Organisational citizenship	Employee turnover	
	Involvement			Conflict	
	Status and security			Customer complaints	

The model proposes that HRM practices should aim to result in **high staff commitment** and **high quality, flexible employees**. Achieving these HRM outcomes will facilitate the achievement of the behavioural, performance and financial outcomes shown in the table

HR planning

Human resource planning concerns the acquisition, utilisation, improvement and return of an enterprise's human resources. HR planning may sometimes be referred to as 'workforce planning' or 'workforce strategy'. Human resource planning deals with:

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Human resource analysis

- The environment: population and education trends, policies on the employment of women and on pension ages and trends generally in the employment market must be monitored.
- The organisation's HR strengths, weaknesses, opportunities and threats need to be analysed so as to identify skills and competence gaps and the level of innovation. Threats may involve competitors 'poaching' staff.
- Human resource utilisation. An assessment should be made of how effectively the organisation is currently utilising its staff.
- Objectives. Core and subsidiary corporate objectives should be analysed to identify the manpower implications. New products, technology, 'culture' and structure will all make demands on staff

Why it is difficult to predict HRM

- (a) Demand. Environmental factors (eg the economy) create uncertainties in the demand for labour.
- (b) Supply. Certain factors, such as education or the demands of competitors for labour, create uncertainties in the supply of labour.
- (c) Goals. Employees have their own personal goals, and make their own decisions about whether to undertake further training. When large numbers of individuals are involved, the pattern of behaviour which emerges in response to any change in strategy may be hard to predict.
- (d) Constraints. Legislation, as well as social and ethical values, constrain the ways in which human resources are used, controlled, replaced and paid

Forecasting

Estimating demand.

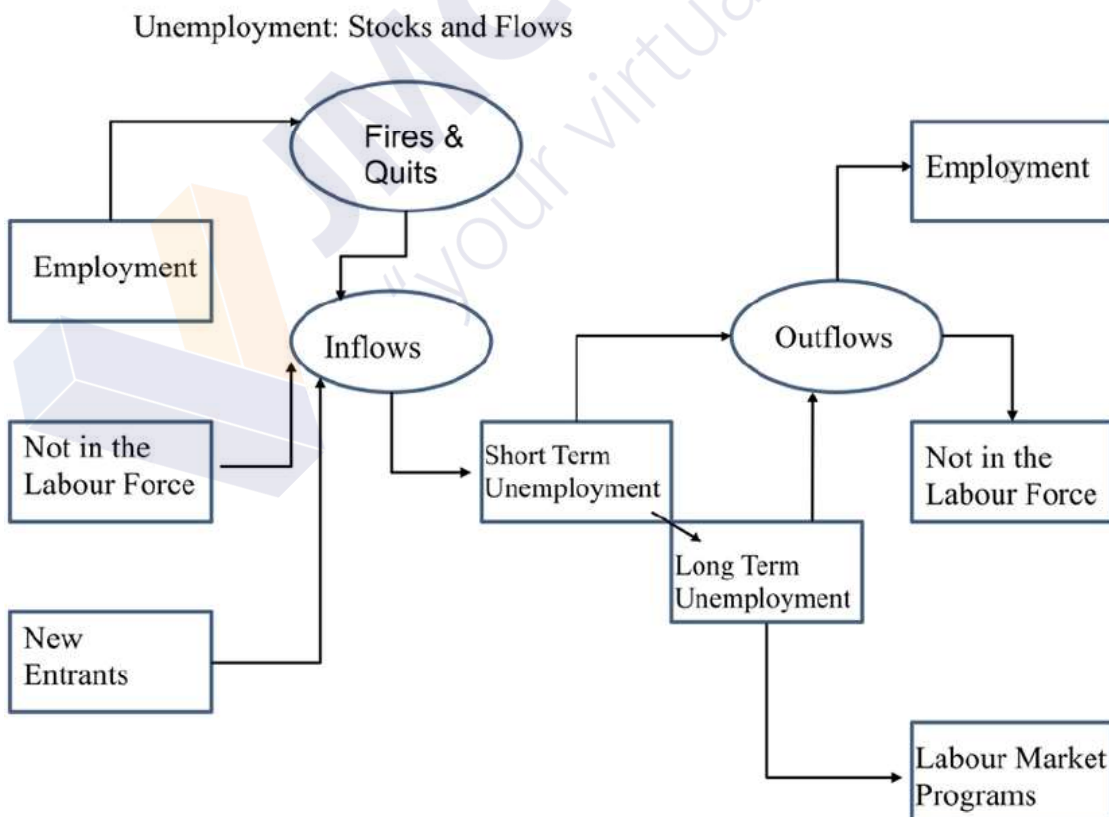
Planning future HR needs requires accurate forecasts of turnover and productivity (eg if fewer staff are required for the same output). The demand can be estimated from:

Estimating supply

a) Current workers. A 'stocks and flows' analysis will define the internal labour market.

b) The external labour market. Labour market research does four things.

- (i) It measures potential employees' awareness of the organisation.
- (ii) It discerns attitudes of potential employees towards the organisation.
- (iii) It suggests possible segments for advertising purposes.
- (iv) It provides analysis of population trends for long-term forecasting.



CLOSING THE GAP BETWEEN DEMAND AND SUPPLY: THE HR PLAN

Plan	Comment
Recruitment plan	Numbers; types of people; when required; recruitment programme
Training plan	Numbers of trainees required and/or existing staff needing training; training programme
Redevelopment plan	Programmes for transferring or retraining employees
Productivity plan	Programmes for improving productivity or reducing manpower costs; setting productivity targets
Redundancy plan	Where and when redundancies are to occur; policies for selection and declaration of redundancies; redevelopment, retraining or relocation of redundant employees; policy on redundancy payments, union consultation etc
Retention plan	Actions to reduce avoidable labour wastage

Tactical plans

Tactical plans can then be made, within this integrated framework, to cover all aspects of the HRM task.

- Pay and productivity bargaining
- Physical conditions of employment
- Management and technical development and career development
- Organisation and job specifications
- Recruitment and redundancies
- Training and retraining
- Staffing costs

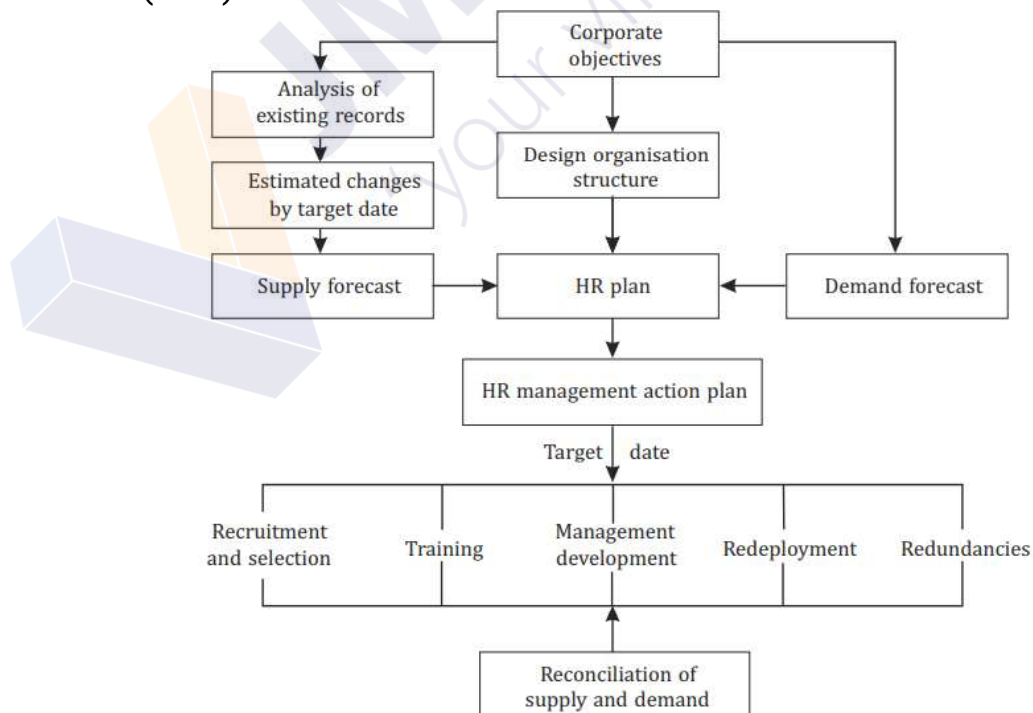
- Staffing shortages or surpluses

(a) Dealing with a shortage

(b) Dealing with a surplus

Stages in human resources planning

- Laurie Mullins (2002) devised a model of the different elements involved in HRM planning



Job analysis

Job analysis is: 'the process of collecting, analysing and setting out information about the content of jobs, in order to provide the basis for a job description and data for recruitment, training, job evaluation and performance management. Job analysis concentrates on what job holders are expected to do.

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Job design

A current approach to job design is the development and outlining of competences.

A person's competence is 'a capacity that leads to behaviour that meets the job demands within the parameters of the organisational environment and that, in turn, brings about desired results'. (Boyatzis)

Different types of competences

- (a) Behavioural/personal competences are underlying personal characteristics and behaviour required for successful performance; for example, 'ability to relate well to others'. Most jobs require people to be good communicators.
- (b) Work-based/occupational competences are 'expectations of workplace performance and the outputs and standards people in specific roles are expected to obtain'.
- (c) Generic competences can apply to all people in an occupation

According to Mintzberg, the parameters of job design include:

- (a) Job specialisation
 - (i) How many different tasks are contained in the jobs and how broad and narrow are these tasks?
 - (ii) To what extent does the worker have control over the work? At one extreme ('Scientific Management') the worker has little control over the work. At the other extreme (eg an electrician) the worker controls the task.
- (b) Regulation of behaviour. Co-ordination requires that organisations formalise behaviour so as to predict and control it.
- (c) Training in skills and indoctrination in organisational values.

A **job description** sets out the purpose of the job, where it fits in the organization structure, the context of the job, the accountabilities of the job and the main tasks the holder carries out.

Purpose of JD

- Organizational - Defines the job's place in the organisational structure
- Recruitment - Provides information for identifying the sort of person needed (person specification)
- Legal - Provides the basis for a contract of employment
- Performance - Performance objectives can be set around the job description

Content of JD

- (a) Job title (eg Assistant Financial Controller). This indicates the function/department in which the job is performed, and the level of job within that function.
- (b) The location of the job within the organisation structure (division, department and section).
- (c) The job title of the person to whom the jobholder is responsible to (eg the Assistant Financial Controller reports to the Financial Controller), in other words the person's immediate boss.
- (d) The job title(s) of the person(s) responsible to the jobholder and the number of staff directly supervised.
- (e) Responsibility and authority level for budgets and expenditure.
- (f) A brief description of the overall purpose of the role.
- (g) Principal accountabilities or main tasks, ideally listed in order of importance.
- (h) Skills required to perform the job, including technical skills and physical skills and capabilities.
- (i) Typical working patterns or hours of work

Selection

Selection involves a filtering process, by reviewing application forms and CVs (résumés), interviewing and testing. A variety of techniques may be used in selection; those chosen in a particular circumstance must be:

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An ineffective selection process may result in the

- Employment of unsuitable applicants
- Rejection of suitable applicants

In preparation for the interview, the interviewer should study three things.

- (a) The job description (and specification if separate), to review the major demands of the job.
- (b) The person specification, to enable the interviewer to assess the applicant's experience, qualities and qualifications against those required.
- (c) The application form, to decide on questions or question areas for each applicant.

Different types of interviews

- **Individual interview -**
- **Problem-solving interview –**
- **Tandem interview –**
- **Panel interview –**
- **Stress interview –**
- **Succession/sequential interviews –**
- **Group interview –**

Limitations of interviews

- (a) Unreliable assessments. Interviewers may disagree. A suitable candidate might be rejected, or an unsuitable candidate might be offered a job.
- (b) They fail to provide accurate predictions of how a person will perform in the job. Research has shown this time and again.
- (c) The interview process is subjective. Interviewers are likely to make errors of judgement, even when they agree about a candidate

Induction

All new staff should go through a proper process of induction. The content of induction programmes may vary, depending on the role being undertaken, but it is unlikely that anyone can make a satisfactory start without at least some basic orientation. An induction programme typically would include the following elements.

- A welcome
- Introductions to immediate colleagues, colleagues and supervisor
- Explanation of the nature of the job: a written job description will make this process easier. Some detailed technical matters may be identified as suitable for deferment to a later date.
- Safety rules and procedures
- Terms and conditions of employment: a booklet is often provided giving full details, but essential matters such as hours of work, authorisation of absence and overtime and any important legal obligations should be explained in full.
- Orientation to the wider mission of the department and the organisation. This is particularly important in organisations that provide services, because of the importance of staff attitude and motivation in the provision of high quality service.
- Explanation of any systems of continuing training, coaching or mentoring. Many recruits are expected (and, indeed, themselves expect) to undertake significant amounts of training. Rules relating to attendance, qualification and failure to progress must be explained.

Performance evaluation and appraisal can be viewed as a control tool; it aims to influence employee behaviour and maximise utilisation of the organisation's human resource. The process of appraisal is designed to review performance over the past period and improve it in the future.

Appraisals are needed for a number of reasons.

- (a) Managers and supervisors may obtain random impressions of employees' performances (perhaps from their more noticeable successes and failures), but rarely form a coherent, complete and objective picture.
- (b) They may have a fair idea of their employees' shortcomings – but may not have devoted time and attention to the matter of improvement and development.
- (c) Judgements are easy to make, but less easy to justify in detail, in writing, or to the subject's face.
- (d) Different assessors may be applying a different set of criteria, and varying standards of objectivity and judgement. This undermines the value of appraisal for comparison, as well as its credibility in the eyes of the appraisee.
- (e) Unless stimulated to do so, managers rarely give their staff adequate feedback on their performance.

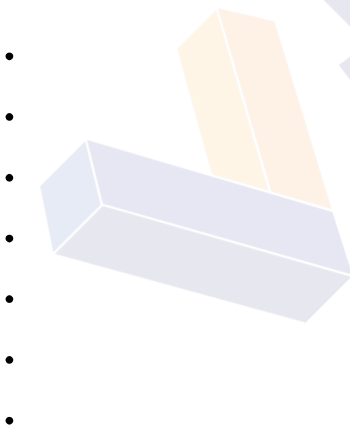
The objectives of appraisals

- (a) Establishing the key deliverables an individual has to produce to enable the organisation to achieve its objectives.
- (b) Comparing the individual's level of performance against a standard, as a means of quality control.
- (c) Identifying the individual's training and development needs in the light of actual performance.
- (d) Identifying areas that require improvement.
- (e) Monitoring the organisation's initial selection procedures against subsequent performance.
- (f) Improving communication between different levels in the hierarchy.

A typical appraisal system process

- **Step 1** - Identification of criteria for assessment, perhaps based on job analysis, performance standards, person specifications and so on.
- **Step 2** - The preparation by the subordinate's manager of an appraisal report. In some systems, both the appraisee and appraiser prepare a report. These reports are then compared.
- **Step 3** - An appraisal interview, for an exchange of views about the appraisal report, targets for improvement, solutions to problems and so on.
- **Step 4** - Review of the assessment by the assessor's own superior, so that the appraisee does not feel subject to one person's prejudices. Formal appeals may be allowed, if necessary to establish the fairness of the procedure.
- **Step 5** - The preparation and implementation of action plans to achieve improvements and changes agreed.
- **Step 6** - Follow-up monitoring the progress of the action plan.

BENEFITS OF TRAINING & DEVELOPMENT



Formal training methods include the following.

- (a) Internal courses run by the organisation's training department or other employees.
- (b) External courses (held either on or off-site) run by an outside organisation.
- (c) There is a wide range of training course types.
 - Day release: the employee works in the organisation but on one day each week attends a local college or training centre for theoretical learning.
 - Distance learning, evening classes and correspondence courses, which make demands on the individual's time outside work.
 - Revision courses for examinations of professional bodies.
 - Block release courses, which may involve, say, four weeks at a college or training centre followed by a period back at work.
 - Sandwich courses, usually involve six months at college, then six months at work, in rotation, for two or three years.
 - A sponsored full-time course at a university for one or two years.

On-the-job training can include a wide range of activities. One employee shadowing another is one common method; being assigned a 'mentor' is another.

Methods of on-the-job training

Demonstration/instruction: show the trainee how to do the job and let them get on with it. It should combine telling a person what to do and showing them how, using appropriate media. The trainee imitates the instructor, and asks questions.

- **Coaching:** the trainee is put under the guidance of an experienced employee who shows the trainee how to do the job. The coach should:
- **Job rotation:** the trainee is given several jobs in succession, to gain experience of a wide range of activities.
- **Temporary promotion:** an individual is promoted into their superior's position whilst the superior is absent.
- **'Assistant to' positions:** a junior manager with good potential may be appointed as, for example, assistant to the managing director or another executive director.
- **Action learning:** a group of managers are brought together to solve a real problem with the help of an advisor, who explains the management process that actually happens.
- **Committees:** trainees might be included in the membership of committees, in order to obtain an understanding of inter-departmental relationships.
- **Project work:** work on a project with other people can expose the trainee to other parts of the organisation.

SUCCESSION PLANNING



Advantages of succession planning	Disadvantages of succession planning
Can be cheaper than advertising or using agencies	Large 'talent pools' make it hard to decide who to promote
Develops career structures	Reduces 'fresh blood' at higher levels in the organisation
Motivates employees as rewards are visible (ie promotions are seen by all)	Vacancies may occur before suitable replacements are ready for promotion
Maintains the organisation's culture as long-serving employees are promoted	Better candidates may be available outside the business
It is logical and rational	Planning requires resources to manage it
	Job-for-life is increasingly becoming an outdated concept and the best staff may leave before vacancies become available

Reward management

Armstrong and Murlis (1998) suggested that payments to employees have two elements.

- Pay with scope to reward progression and promotion
- Benefits, such as pensions, company cars and medical insurance

At the organisational (strategic) level, payment systems have the following goals.

- Help with recruitment
- Retain employees
- Reward employees for performance

At the managerial level, payment systems are used to:

- Attract and retain staff of a suitable quality
- Reward and motivate employees fairly and consistently
- Further the organisation's objectives by providing competitive rewards
- Encourage performance and progression through development
- Recognise non-performance factors such as skill and competence
- Ensure salary costs are controlled

Pay management

- Graded. A pay range is attached to particular levels of job grades.
- Broad-banded structures usually encompass the whole workforce from the clerk to the senior manager. The range of pay in this structure is typically higher than in graded structures.
- Individual. Pay is allocated to individuals rather than 'bands'. It is used for senior management positions and avoids the problem of over/underpayment, which can result from grading.
- Job family structures. Jobs in specific functions such as accounts or HR are grouped into families. The jobs differ in terms of skill levels or responsibility (such as accounts technician and management accountant) and pay is determined accordingly.
- Pay or profession/maturity curves. These recognise that in certain roles, pay must be progressive to allocate pay fairly, especially where knowledge or experience is key to the role.
- Spot rates. Allocate a rate of pay for a specific job often linked to the market price.
- Rate for age. Allocate a rate of pay or pay bracket for employees based on age.
- Pay spines are often used by government organisations where it is important for pay to be relative across a range of roles. They are a series of incremental points from the lowest to the highest paid jobs. Pay scales for specific jobs are superimposed onto the spine to ensure pay is relative.
- Manual worker pay structures recognise the difference in status between those who work in manual roles against those in other parts of the organisation. Real differentials are incorporated that reflect differences in skill and responsibility but otherwise they are similar to other pay structures.
- Integrated structures incorporate one grading system for all employees except senior management. They are often used where employees were paid historically under separate agreements

Incentive schemes

The purpose of incentive schemes is to improve performance by linking it to reward. It is believed that performance incentives take effect in several ways.

- (a) Staff members' effort and attention are directed to where they are most needed – performance.
- (b) Commitment and motivation are enhanced. This is particularly important when there are cultural obstacles to improvement.
- (c) Achievement can be rewarded separately from effort, with advantages for the recruitment and retention of high quality employees.

Total Reward Scheme

A total reward scheme or package is a bundle of cash and non-cash motivators offered to staff. Examples of other non-cash benefits that may be offered include:

- Training
- Flexible working hours
- Working at home
- Career progression
- The pursuit of green or ethical policies by the company (may be an attraction to individuals with strong views on these issues)

Growing	Static	Declining
Bicycles	Personal shopping and dry cleaning	Golden parachutes (agreement that employee will receive significant benefits if employment is terminated)
Childcare	Shopping vouchers	Bonus schemes
Computers	Health and dental insurance	Share schemes
Flexible pension schemes (tax efficient)	Gym membership	Final salary pension schemes

Disciplinary procedures

- (a) First warning. A first warning could be verbal or written depending on the seriousness of the case.
- (i) A verbal warning should include the reason for issuing it, notice that it constitutes the first step of the disciplinary procedure and details of the right of appeal. A note of the warning should be kept on file but disregarded after a specified period, such as six months.
 - (ii) A first written warning is appropriate in more serious cases. It should inform the worker of the improvement required and state that a final written warning may be considered if there is no satisfactory improvement. A copy of the first written warning should be kept on file but disregarded after a specified period, such as 12 months.
- (b) Final written warning. If an earlier warning is still current and there is no satisfactory improvement, a final written warning may be appropriate. The final stage in the disciplinary process is the imposition of sanctions.
- (c) Suspension without pay - This course of action would be next, if the employee has committed repeated offences and previous steps did not result in sufficient improvement.
- (d) Dismissal - Dismissal is termination of employment by the employer. Termination of an employee's employment contract must be done in a way which follows correct procedures, otherwise a claim may follow.

ACCEPTABLE REASONS FOR DISMISSAL

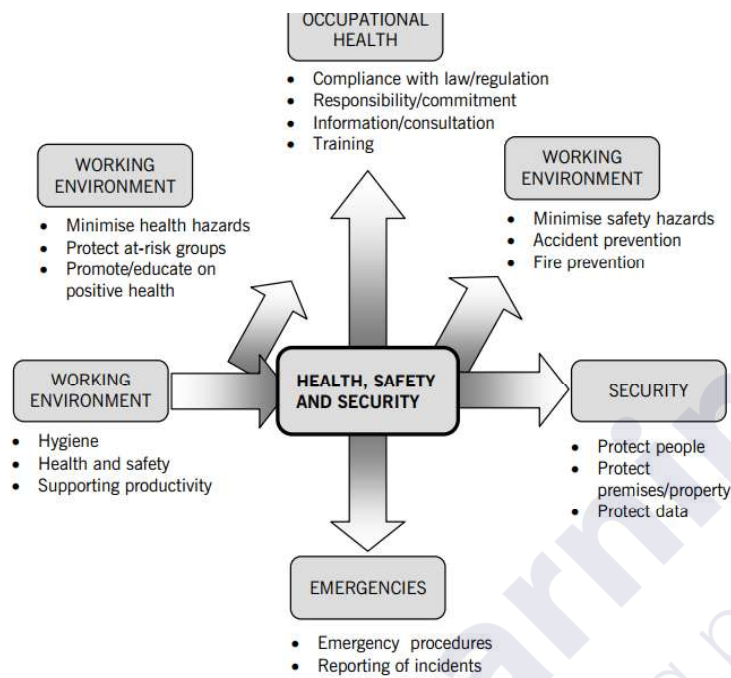
- Conduct -
- Capability –
- Breach of statutory duty –
- Other Reasons –
- Redundancy -

Handling of grievances

A grievance occurs when an individual thinks that he or she is being wrongly treated by their colleagues or supervisors; that is, when working relationships break down

- **Step 1** - The grievance should be carefully explained to the aggrieved individual's immediate boss (unless he is the subject of the complaint, in which case it will be the next level up). Employees have the right to be accompanied by a colleague or representative to such an interview, if they feel they need support or a witness.
- **Step 2** - If the immediate boss or other person cannot resolve the matter, or an employee is otherwise dissatisfied with the first interview, the case should be referred to the next level of management (and if necessary, in some cases, to an even higher authority).
- **Step 3** - Cases referred to a higher manager should also be reported to the personnel (or HR) department, for the assistance/advice of a personnel manager in resolving the problem.

SAFETY & HEALTH



TECHNOLOGY DEVELOPMENT IN HRM

- **Social Media**
- **Big Data** - Big Data can help to gain a sound understanding and insight into the data leading to better, more informed decision making.
- **Virtual and augmented reality** - training and corporate learning
- **Cloud technology** - Cloud technology presents a number of opportunities to HRM primarily via 'Software as a Service' or SaaS applications. SaaS is an application of Cloud technology through which software is purchased on a subscription basis and accessed online. Well known, mainstream SaaS applications include Microsoft Office 365, Dropbox and Netflix
- **Machine Learning** - Machine learning is a form of automated data analysis in which analytical models are created automatically via algorithms
- **Gamification** - Gamification involves the application of the rules and principles of games to particular processes