

**HUMAN RESOURCE MANAGEMENT
III BA (ECONOMICS)
SUBJECT CODE - U16EC5C9
V - SEMESTER**

Unit I – Human Capital

Human Capital is a measure of the skills, education, capacity and attributes of labour which influence their productive capacity and earning potential.

According to the OECD, human capital is defined as:

“the knowledge, skills, competencies and other attributes embodied in individuals or groups of individuals acquired during their life and used to produce goods, services or ideas in market circumstances”.

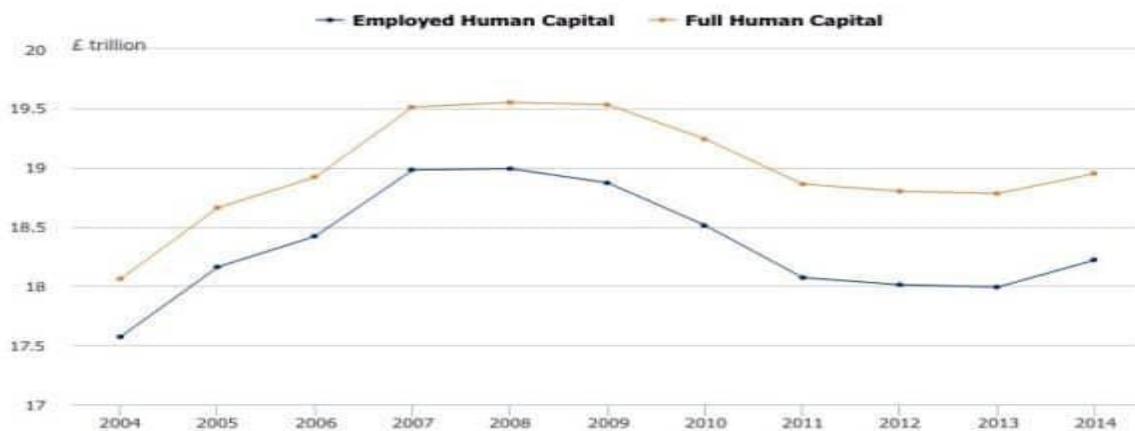
- Individual human capital – the skills and abilities of individual workers
- Human capital of the economy – The aggregate human capital of an economy, which will be determined by national educational standards.

Measuring human capital

For statistical purposes, human capital can be measured in monetary terms as the total potential future earnings of the working age population. (However, this only captures part of human capital and is a limited measure)

Figure 1: Employed and full human capital

UK, 2004 to 2014



Source: Annual Population Survey (APS) - Office for National Statistics

Human Capital at UK ONS

The decline in UK human capital reflects the rise in unemployment and fall in real wages during this period. It should be noted relying on potential earnings is a limited view of human capital. Earnings don't necessarily reflect accurately all aspects of human capital. The OECD consider different ways to measure human capital taking a range of indicators.

Factors that determine human capital

- Skills and qualifications
- Education levels

- Work experience

- Social skills – communication
- Intelligence
- Emotional intelligence
- Judgment
- Personality – hard working, harmonious in an office
- Habits and personality traits
- Creativity. Ability to innovate new working practices/products.
- Fame and brand image of an individual. e.g. celebrities paid to endorse a product.
- Geography – Social peer pressure of local environment can affect expectations and attitudes.

Human capital in primary and secondary sector

In agriculture and manufacturing, human capital was easier to measure. The human capital of an assembly line worker could be measured in simple terms of productivity – e.g. the number of widgets produced per hour. In mining, human capital may be strongly related to physical strength and quantity of coal produced per day.

Human capital in tertiary sector/knowledge economy

The tertiary/service sector has a greater variety of jobs, which require different skills. These skills and qualities are often more difficult to measure regarding output. For example, the human capital of a teacher, cannot be measured by university degree and A-Levels. The best academics may lack some teaching skills – like empathy, the ability to inspire and command a class.

In a job, such as management, important characteristics will be factors such as interpersonal skills, ability to work in a team and the creativity to problem solve.

In other words, as the economy has developed the concept of human capital has also broadened to include a greater variety of skills and traits of capital.

Since the 1960s/70s, human capital has become a more popular economic concept as the emerging ‘knowledge economy‘ makes greater use of a wider range of human capital.

How to increase human capital

1. **Specialisation and division of labour.** Specialisation allows workers to concentrate on specific tasks and increased specialisation of skills. (Though specialisation can also lead to boring, repetitive jobs and limited skill development of workers.)

“The greatest improvement in the productive powers of labour.. seem to have been the effects of the division of labour.”

– Adam Smith

2. **Education.** Basic education to improve literacy and numeracy has an important implication for a basis of human capital.
3. **Vocational training.** Direct training for skills related to jobs, electrician, plumbing nursing. A skilled profession requires particular vocational training.

4. **A climate of creativity.** An education which enables children to think outside the box can increase human capital in a way that ‘rote learning’ and an impressive accumulation of facts may not.
5. **Infrastructure.** The infrastructure of an economy will influence human capital. Good transport, communication, availability of mobile phones and the internet are very important for the development of human capital in developing economies.
6. **Competitiveness.** An economy dominated by state monopolies is likely to curtail individual creativity and entrepreneurs. An environment which encourages self-employment and the creation of business enables greater use of potential human capital in an economy.

Importance of human capital

- **Structural unemployment.** Individuals whose human capital is inappropriate for modern employers may struggle to gain employment. A major issue in modern economies is that rapid deindustrialisation has left many manual workers, struggling to thrive in a very different labour market.
- **Quality of employment.** In the modern economy, there is increasing divergence between low-skilled, low-paid temporary jobs (gig economy). High-skilled and creative workers have increased opportunities for self-employment or good employment contracts.
- **Economic growth and productivity.** Long-term economic growth depends increasingly on improvements in human capital. Better educated, innovative and creative workforce can help increase labour productivity and economic growth.
- **Human capital flight.** An era of globalisation and greater movement of workers has enabled skilled workers to move from low-income countries to higher income countries. This can have adverse effects for developing economies who lose their best human capital.
- **Limited raw materials.** Economic growth in countries with limited natural resources, e.g. Japan, Taiwan and South East Asia. Rely on high-skilled, innovative workforce adding value to raw materials in the manufacturing process.
- **Sustainability** ”what we leave to future generations; whether we leave enough resources, of all kinds, to provide them with the opportunities at least as large as the ones we have had ourselves” (UN, 2012)

Different views on Human Capital

Theodore Schultz “Investment in human capital” (1961) was an early proponent of theory. He stated:

“Although it is obvious that people acquire useful skills and knowledge, it is not obvious that these skills and knowledge are a form of capital, that this capital is in substantial part a product of deliberate investment”

Gary Becker “Human Capital” (1964) In his view, human capital, is determined by education, training, medical treatment, and is effectively a means of production. Increased human capital explains the differential of income for graduates. Human capital is also important for influencing rates of economic growth.

Howard Gardener – different types of human capital. Gardener emphasised the different types of human capital. One could increase education, but be a poor manager. A successful entrepreneur may have no education. Human capital is not unidimensional.

Schultz/Nelson-Phelps – ability to adapt. Human capital should be looked at from the ability to adapt. Can workers adapt to a changing labour market? A labour market which is shifting from full-time manual work in manufacturing to flexible work in the service sector.

Spence View – Observable signs of human capital like education are essentially a signalling function.

Evaluation of human capital

Social upbringing. A sociologist like Pierre Bourdieu argues that human capital is strongly related to social upbringing. This influences cultural, social and symbolic forms of capital. For example, UK society dominated by Old Etonians and Oxbridge graduates who gain confidence and social capital from having the right social networks.

Signalling. Related to the social capital of going to the right school, is the idea that what constitutes human capital is often just ‘signalling’. For example, gaining a degree from Oxbridge improves status in the workforce and enables a higher salary for the graduate. However, three years of studying a degree in modern history/PPE may give only a small amount of knowledge directly related to the work environment.

Discrimination. Differences in wages and job opportunities are not necessarily due to differences in human capital, but the result of discrimination, labour market imperfections or non-monetary benefits of jobs.

Methods of raising human capital.

1. **Become more marketable.** Think about the skills, training, and additional degrees or certifications that will help you attain more success either in your current job or for the job that you want. Make the effort to step out of your comfort zone and learn something new or improve on a development area, such as writing, public speaking, or managing others.
2. **Volunteer.** Contributing your time can be just as valuable as contributing money, and often much easier for younger investors who are looking to make an impact but may be unable to invest significant financial capital towards the causes they care about. Becoming familiar with the work of different charities and organizations can help better direct future money that will be allocated towards value-aligned investing.
3. **Pursue your hobbies.** Your interests outside of work can also help diversify your skill set. Group or team activities can get you in contact with people in different fields, introduce new opportunities, and expand your network.
4. **Take care of your well-being.** Improving your physical, mental, and emotional well-being pays dividends for the future. Setting the right habits early on can promote a healthy lifestyle as you get older, which in turn can increase how long you remain a productive member of the workforce.
5. **Spend more time with others.** Beyond just professional networking, spend time with friends, family, and peers to learn from their experiences without living through their

toils. Their perspective and guidance can help you navigate major career and life decisions.

Human Development Index'

Definition: The Human Development Index (HDI) is a statistical tool used to measure a country's overall achievement in its social and economic dimensions. The social and economic dimensions of a country are based on the health of people, their level of education attainment and their standard of living.

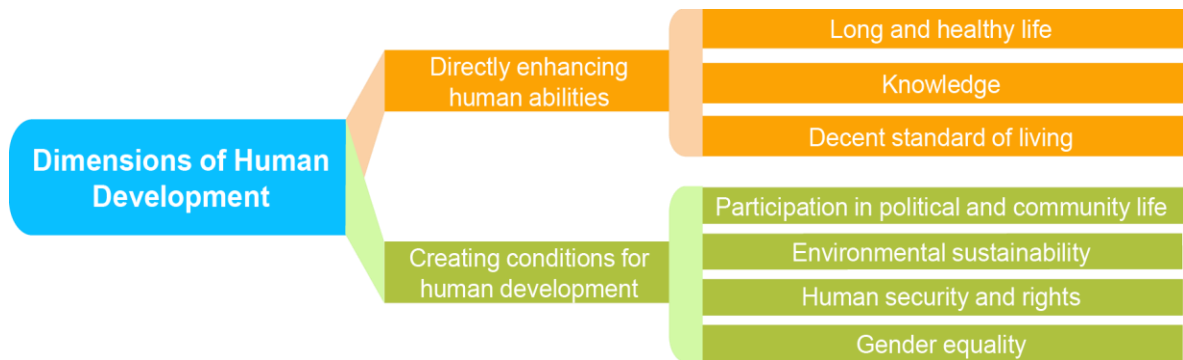
Description: Pakistani economist Mahbub ul Haq created HDI in 1990 which was further used to measure the country's development by the United Nations Development Program (UNDP). Calculation of the index combines four major indicators: life expectancy for health, expected years of schooling, mean of years of schooling for education and Gross National Income per capita for standard of living.

Every year UNDP ranks countries based on the HDI report released in their annual report. HDI is one of the best tools to keep track of the level of development of a country, as it combines all major social and economic indicators that are responsible for economic development.

Human development grew out of global discussions on the links between economic growth and development during the second half of the 20th Century. By the early 1960s there were increasingly loud calls to “dethrone” GDP: economic growth had emerged as both a leading objective, and indicator, of national progress in many countries i, even though GDP was never intended to be used as a measure of wellbeing ii. In the 1970s and 80s development debate considered using alternative focuses to go beyond GDP, including putting greater emphasis on employment, followed by redistribution with growth, and then whether people had their basic needs met.

These ideas helped pave the way for the human development approach, which is about expanding the richness of human life, rather than simply the richness of the economy in which human beings live. It is an approach that is focused on creating fair opportunities and choices for all people. So how do these ideas come together in the human development approach?

- **People:** the human development approach focuses on improving the lives people lead rather than assuming that economic growth will lead, automatically, to greater opportunities for all. Income growth is an important means to development, rather than an end in itself.
- **Opportunities:** human development is about giving people more freedom and opportunities to live lives they value. In effect this means developing people’s abilities and giving them a chance to use them. For example, educating a girl would build her skills, but it is of little use if she is denied access to jobs, or does not have the skills for the local labour market. The diagram below looks at aspects of human development that are foundational (that is they are a fundamental part of human development); and aspects that are more contextual (that is they help to create the conditions that allow people to flourish).



Once the basics of human development are achieved, they open up opportunities for progress in other aspects of life.

- Choices:** human development is, fundamentally, about more choice. It is about providing people with opportunities, not insisting that they make use of them. No one can guarantee human happiness, and the choices people make are their own concern. The process of development – human development - should at least create an environment for people, individually and collectively, to develop to their full potential and to have a reasonable chance of leading productive and creative lives that they value.

The human development approach, developed by the economist Mahbub Ul Haq, is anchored in Amartya Sen’s work on human capabilities, often framed in terms of whether people are able to “be” and “do” desirable things in life iii. Examples include

Human Resource Management

Human Resource Management is the process of recruiting, selecting, inducting employees, providing orientation, imparting training and development, appraising the performance of employees, deciding compensation and providing benefits, motivating employees, maintaining proper relations with employees and their trade unions, ensuring employees safety, welfare and healthy measures in compliance with labour laws of the land and finally following the Orders / Judgments of the concern High Court and Supreme Court, if any.



Human Resource Management involves management functions like planning, organizing, directing and controlling

- It involves procurement, development, maintenance of human resource
- It helps to achieve individual, organizational and social objectives
- Human Resource Management is a multidisciplinary subject. It includes the study of management, psychology, communication, economics and sociology.
- It involves team spirit and team work.
- It is a continuous process.

Human resource management as a department in an organisation handles all aspects of employees and has various functions like human resource planning, Conducting Job analysis, recruitment and conducting job interviews, selection of human resources, Orienting , training, compensating, Providing benefits and incentives, appraising, retaining, Career planning, Quality of Work Life, Employee Discipline, black out Sexual Harassments, human resource auditing, maintenance of industrial relationship, looking after welfare of employees and safety issues , communicating with all employees at all levels and maintaining awareness of and compliance with local, state and federal labor laws.

The historical rule of thumb for Human Resource staffing requirements is one full-time professional Human Resource person should be hired for every 100 employees. The actual ratio for a business can vary depending upon factors such as the degree of HR centralization, the geographic distribution of the employees served, the sophistication level of the employees, and the relative complexity of the organization.

Importance of Human resource

Behind production of every product or service there is an human mind, effort and man hours (working hours). No product or service can be produced without help of human being. Human being is fundamental resource for making or construction of anything. Every organisation desire is to have skilled and competent people to make their organisation competent and best.

Among the five Ms of management, i.e., men, money, machines, materials, and methods, HRM deals about the first M, which is men. It is believed that in the five Ms, "men" is not so easy to manage. "every man is different from other" and they are totally different from the other Ms in the sense that men possess the power to manipulate the other Ms. Whereas, the other Ms are either lifeless or abstract and as such, do not have the power to think and decide what is good for them.

Unit – II – Human Resource Management

Nature of Human Resource Management

1. HRM is based on certain *principles and policies* contribute to the achievement of organizational objectives.

2. HRM is a *pervasive function* – Human resource management is not specific to an individual department, rather it is a broader function and spread throughout the organization, it manages all type of people from lower level to top level departments of the organization.

3. HRM is *people oriented* – People or human resource is the core of all the activities of human resource management. Human resource management works with and for people. It brings people and organization together to achieve individual and organizational goals.

4. HRM is *continuous activity* – All factors of production are required to be continuously updated and improved to cope up with the changes and increased competition. Similarly, human resource also continuously trained, developed, or replaced to face the next level of competition. Hence, it is a continuous activity.

5. HRM is a *part of management function*.

6. HRM aims at *securing maximum contribution*.

7. HRM aims at *optimum use of personnel power*.

Scope of Human Resource Management

1. Personnel Aspect

Human Resource Planning – It is the process by which the organization identifies the number of jobs vacant.

Job Analysis and Job Design – Job analysis is the systematic process for gathering, documenting, and analyzing data about the work required for a job. Job analysis is the procedure for identifying those duties or behaviour that define a job.

Recruitment and Selection – Recruitment is the process of preparing advertisements on the basis of information collected from job analysis and publishing it in newspaper. Selection is the process of choosing the best candidate among the candidates applied for the job.

Orientation and Induction – Making the selected candidate informed about the organization's background, culture, values, and work ethics.

Training and Development – Training is provided to both new and existing employees to improve their performance.

Performance Appraisal – Performance check is done of every employee by Human Resource Management. Promotions, transfers, incentives, and salary increments are decided on the basis of employee performance appraisal.

Compensation Planning and Remuneration – It is the job of Human Resource Management to plan compensation and remunerate.

Motivation – Human Resource Management tries to keep employees motivated so that employees put their maximum efforts in work.

2. Welfare Aspect – Human Resource Management have to follow certain health and safety regulations for the benefit of employees. It deals with working conditions, and amenities like - canteens, creches, rest and lunch rooms, housing, transport, medical assistance, education, health and safety, recreation facilities, etc.

3. Industrial Relation Aspect – HRM works to maintain co-ordinal relation with the union members to avoid strikes or lockouts to ensure smooth functioning of the organization. It also covers - joint consultation, collective bargaining, grievance and disciplinary procedures, and dispute settlement.

Human Resource Management Environments

2.1. The External Environment

When it comes to human resource management there are several factors that affect day-to-day operations. Adapting in this field is important because at a moment's notice new legislation can be passed with an immediate effective date or corporate policies are changed where human resources feel the brunt. A well-developed strategy for your human resources department takes into considers external factors that might affect your department.

The four external factors that affect human resource management are:

1. **Government Regulations** – With the introduction of new workplace compliance standards your human resources department is constantly under pressure to stay within the law. These types of regulations influence every process of the HR department, including hiring, training, compensation, termination, and much more. Without adhering to such regulations a company can be fined extensively which if it was bad enough could cause the company to shut down.

2. **Economic Conditions** – One of the biggest external influences is the shape of the current economy. Not only does it affect the talent pool, but it might affect your ability to hire anyone at all. One of the biggest ways to prepare against economic conditions is to not only know what's happening in the world around you, but also create a plan for when there is an economic downturn. All companies can make due in a bad economy if they have a rainy day fund or plan to combat the harsh environment.
3. **Technological Advancements** – This is considered an external influence because when new technologies are introduced the HR department can start looking at how to downsize and look for ways to save money. A job that used to take 2-4 people could be cut to one done by a single person. Technology is revolutionizing the way we do business and not just from a consumer standpoint, but from an internal cost-savings way.
4. **Workforce Demographics** – As an older generation retires and a new generation enters the workforce the human resources department must look for ways to attract this new set of candidates. They must hire in a different way and offer different types of compensation packages that work for this younger generation. At the same time, they must offer a work environment conducive to how this generation works.

Those involved in human resource management does more than hiring and firing, they make sure that every type of external influence is listened to and proper procedures are followed to avoid lawsuits and sanctions. If you're in HR make sure that you're paying close attention to external influences because there is a good chance they're affecting your job and the company you work for. So next time you talk to someone involved in the human resource management process think twice about the amount of factors that affect their job and how important it is for them to be on top of their game.

2.2. The Internal Environment

These are the forces internal to an organization. Internal forces have profound influence on HR functions. The internal environment of HRM consists of unions, organizational culture and conflict, professional bodies, organizational objectives, policies, etc. A brief mention of these follows.

1. **Unions:** Trade unions are formed to safeguard the interest of its members/workers. HR activities like recruitment, selection, training, compensation, industrial relations and separations are carried out in consultation with trade union leaders.

2. **Organizational Culture and Conflict:** As individuals have personality, organizations have cultures. Each organization has its own culture that distinguishes one organization from another. Culture may be understood as sharing of some core values or beliefs by the members of the organization "Value for time" are the culture of Reliance Industries Limited. The culture of Tata conglomerate is "get the best people and set them free".

Human Resource Planning – Meaning:

E.W. Vetter viewed human resource planning as "a process by which an organisation should move from its current manpower position to its desired manpower position. Through planning, management strives to have the right number and right kind of people at the right places at the

right time, doing things which result in both the organisation and the individual receiving maximum long-run benefit.”

Human resource planning (HRP) is the first step in the HRM process. HRP is the process by which an organization ensures that it has the right number and kind of people, at the right place, at the right time, capable of effectively and efficiently completing those tasks that will help the organization achieve its overall objectives.

HRP translates the organization’s objectives and plans into the number of workers needed to meet those objectives. The actual HRM process starts with the estimation of the number and kind of people required by the organization for the coming period.

HRP is also known by other names such as ‘Manpower Planning’, ‘Employment Planning’, ‘Labour Planning’, ‘Personnel Planning’, etc. HRP is a sub-system in the total organizational planning. In other words, HRP is derived from the organizational planning just like production planning, sales planning, material planning, etc.

Human Resource Planning – Definition:

The organisation’s objectives and strategies for the future determine future requirement of human resources. It only means that the number and mix of human resources are reaction to the overall organisational strategy. If the intent is to get closer to people possessing requisite qualifications, the organisation should act quickly.

Human Resource Planning or Manpower Planning (HRP) is the process of systematically reviewing HR requirements to ensure that the required number of employees with the required skills is available when they are needed. Getting the right number of qualified people into the right job is the crux of the problem here.

In actual practice, this is not easy. Due to constant changes in labour market conditions, qualified people possessing relevant qualifications are not readily available. The organisation needs to go that extra mile, dig up every source of information and exploit every opportunity that comes its way in order to identify talent.

Human Resource Planning – Need and Importance:

The following points highlight the need and importance of HRP in the organizations:

I. Assessing Future Personnel Needs:

Whether it is surplus labour or labour shortage, it gives a picture of defective planning or absence of planning in an organization. A number of organizations, especially public sector units (PSUs) in India are facing the problem of surplus labour.

It is the result of surplus labour that the companies later on offer schemes like Voluntary Retirement Scheme (VRS) to eliminate surplus staff. Thus, it is better to plan well about employees in advance. Through HRP, one can ensure the employment of proper number and type of personnel.

II. Foundation for Other HRM Functions:

HRP is the first step in all HRM functions. So, HRP provides the essential information needed for the other HRM functions like recruitment, selection, training and development, promotion, etc.

III. Coping with Change:

Changes in the business environment like competition, technology, government guidelines, global market, etc. bring changes in the nature of the job. This means changes in the demand of personnel, content of job, qualification and experience needed. HRP helps the organization in adjusting to new changes.

IV. Investment Perspective:

As a result of change in the mindset of management, investment in human resources is viewed as a better concept in the long run success of the enterprise. Human assets can increase in value as opposed to physical assets. Thus, HRP is considered important for the proper planning of future employees.

V. Expansion and Diversification Plans:

During the expansion and diversification drives, more employees at various levels are needed. Through proper HRP, an organization comes to know about the exact requirement of personnel in future plans.

VI. Employee Turnover:

Every organization suffers from the small turnover of labour, sometime or the other. This is high among young graduates in the private sector. This necessitates again doing manpower planning for further recruiting and hiring.

VII. Conformity with Government Guidelines:

In order to protect the weaker sections of the society, the Indian Government has prescribed some norms for organizations to follow. For example, reservations for SC/ST, BC, physically handicapped, ex-servicemen, etc. in the jobs. While planning for fresh candidates, HR manager takes into consideration all the Government guidelines.

VIII. International Expansion Strategies:

International expansion strategies of an organization depend upon HRP. Under International Human Resource Management (IHRM), HRP becomes more challenging. An organization may want to fill the foreign subsidiary's key positions from its home country employees or from host-country or from a third country. All this demands very effective HRP.

IX. Having Highly Talented Manpower Inventory:

Due to changing business environment, jobs have become more challenging and there is an increasing need for dynamic and ambitious employees to fill the positions. Efficient HRP is needed for attracting and retaining well qualified, highly skilled and talented employees.

Human Resource Planning – Objectives:

The main objectives of HRP are:

- (i) Proper assessment of human resources needs in future.
- (ii) Anticipation of deficient or surplus manpower and taking the corrective action.

- (iii) To create a highly talented workforce in the organization.
- (iv) To protect the weaker sections of the society.
- (v) To manage the challenges in the organization due to modernization, restructuring and re-engineering.
- (vi) To facilitate the realization of the organization's objectives by providing right number and types of personnel.
- (vii) To reduce the costs associated with personnel by proper planning.
- (viii) To determine the future skill requirements of the organization.
- (ix) To plan careers for individual employee.
- (x) Providing a better view of HR dimensions to top management.
- (xi) Determining the training and development needs of employees.

Human Resource Planning Process

Human Resource Planning Process



1. **Determining the Objectives of Human Resource Planning:** The foremost step in every process is the determination of the objectives for which the process is to be carried on. The objective for which the manpower planning is to be done should be defined precisely, so as to ensure that a right number of people for the right kind of job are selected.
2. **Analyzing Current Manpower Inventory:** The next step is to analyze the current manpower supply in the organization through the stored information about the employees in terms of their experience, proficiency, skills, etc. required to perform a particular job.
3. **Forecasting Demand and Supply of Human Resources:** Once the inventory of talented manpower is maintained; the next step is to match the demand for the manpower arising in the future with the supply or available resources with the organization.
4. **Analyzing the Manpower Gaps:** After forecasting the demand and supply, the manpower gaps can be easily evaluated. In case the demand is more than the supply of human resources, that means there is a deficit, and thus, new candidates are to be hired.

5. **Employment Plan/Action Plan:** Once the manpower gaps are evaluated, the action plan is to be formulated accordingly. In a case of a deficit, the firm may go either for recruitment, training, interdepartmental transfer plans whereas in the case of a surplus, the voluntary retirement schemes, redeployment, transfer, layoff, could be followed.

6. **Training and Development:** The training is not only for the new joiners but also for the existing employees who are required to update their skills from time to time.

7. **Appraisal of Manpower Planning:** Finally, the effectiveness of the manpower planning process is to be evaluated. Here the human resource plan is compared with its actual implementation to ensure the availability of a number of employees for several jobs.

Benefits of Human Resource Planning

1. The human resource planning helps in forecasting the future needs of the manpower and not only this, but it also helps in anticipating the vacancies arising in the near future.
2. It is cost effective, i.e. the enterprise can anticipate the shortage and surplus of manpower and can control the imbalance, that may become unmanageable or expensive.
3. Better planning for the employee development. Through human resource planning, the skills of the existing employees can be improved by giving them timely training and development opportunities.
4. Training programs become more effective since the manpower gaps, arising out of shortage or surplus, can be determined through the manpower planning and the training can be imparted accordingly.
5. It helps to make the strategic decisions related to the hiring and training of the manpower, in the case of shortage and layoff, termination or replacement of the manpower, in a case of surplus.
6. Through Human Resource planning, the idle arising out of vacancy can be reduced and thus the overall performance of the business remains unaffected.

Problems in of human resource planning

1. Inaccuracy:

Human resource planning involves forecasting the demand for and supply of human resources. Projecting manpower needs over a period of time is risky.

2. Uncertainties:

Technological changes and market fluctuations are uncertainties, which serve as constraints to human resource planning. It is risky to depend upon general estimates of manpower in the face of rapid changes in environment.

3. Lack of support:

Planning is generally undertaken to improve overall efficiency. In the name of cost cutting, this may ultimately help management weed out unwanted labour at various levels.

4. Numbers' game:

In some companies, human resource planning is used as a numbers game. There is too much focus on the quantitative aspect to ensure the flow of people in and out of the organisation. Such an exclusive focus overtakes the more important dimension, i.e., the quality of human resources.

5. Employees Resistance:

Employees and trade unions feel that due to widespread unemployment, people will be available for jobs as and when required. Moreover they feel that human resource planning increases their workload and regulates them through productivity bargaining.

6. Employers Resistance:

Employers may also resist human resource planning feeling that it increases the cost of manpower.

7. Lack of Purpose:

Managers and human resource specialists do not fully understand human planning process and lack a strong sense of purpose.

8. Time and Expenses:

Manpower planning is a time-consuming and expensive exercise. A good deal of time and cost are involved in data collection and forecasting.

Unit III - Induction and Training

Induction in HRM

When a new employee reports to duty, he will be new to the organization and to its policies, rules and existing employees also. New employee will be a stranger to the work, place and to the entire environment. Unless he is familiar to the organization, he cannot work with confidence and pleasure. Therefore, there is a necessity of introduction of an employee to the organization which is technically called Induction.

Induction means introduction of a new employee to the job and the organization. It is the process of receiving and welcoming an employee when he first joins a company and giving him the basic information he needs to settle down quickly and happily and start work. It is a welcoming process to make him feel at home and generate in him a feeling of belongingness to the organization. In the process of induction the new comer is explained his duties and responsibilities, company rules, policies and regulations so as to make him familiar to the organization.

Induction in HRM – 8 Important Characteristics

The important characteristics of induction are:

- (i) Encouraging employees to ask questions.
- (ii) Including information on both technical and social aspects of the job.
- (iii) Making the new employee's manager responsible for the orientation.
- (iv) Avoiding embarrassment to the new members.
- (v) Arranging formal and informal interaction with managers and peers.
- (vi) Providing relocation assistance such as house hunting, information about the local society, and etc.
- (vii) Giving information about the company's products, services and customers.
- (viii) Familiarizing adequately with the culture of the organization such as how work is done, what matters in the organization, which work-related behaviours are acceptable or unacceptable and etc.

Induction in HRM – 6 Main Objectives of Induction

The main object of induction is to make the new employee feel at home and develop a sense of pride in the organization and commitment to the job.

The following are the some of the other important objectives:

- (i) To help the new employee to develop a close and cordial relation with the existing employees.
- (ii) To give the new employee necessary information such as – location of the different building, company rules, leave rules, rest periods etc.
- (iii) To help the new employee overcome his natural shyness and nervousness in meeting the new people in the organization.
- (iv) To develop a sense of belongingness and loyalty among new employees.

(v) To help the employees know the different facilities and opportunities available in the organization.

(vi) To help the new employees to minimize the “reality shock” that they may undergo after reporting to duty.

Induction in HRM – Need for Induction

As companies work hard to recruit the right candidate for their organization, it is equally important for them to carry out a well-planned and organized induction session for the new recruits. Proper training sessions can make these recruits invaluable assets to the organization.

The induction programme is an ideal occasion for the managers to influence the candidates positively, in order to extract the best possible outcome from them. An induction process is also conducted for the benefit of the experienced employees, who have been either transferred or promoted.

The prime aim of an induction session is to guarantee a successful integration of the employees and the management. Research has also shown that a well-planned induction programme increases staff retention. It is important for the new employees to get a proper idea of the organization’s values and objectives, and the job they are required to do. Induction helps in reducing the time period required for these functions.

Training in HRM – Meaning

Training and development of human resources has evoked a great deal of interest in recent years. Human resource management has two basic approaches- a reactive, or problem-solving approach; and a proactive, or forward-looking approach. Training is used in both. Training is a systematic process of changing the behaviour, knowledge, and attitudes of present employees to improve the match between employee characteristics and employment requirements.

At the time of hiring, no one is perfect and some training and education becomes a must. No organization has a choice of whether to develop employees or not; the only choice is that of method. If there is no organized programme, then development will be mostly self-development while learning on the job.

Definition of Training:

Dale S. Beach defines training as ‘the organized procedure by which people learn knowledge and/or skill for a definite purpose’. Training refers to the teaching and learning activities carried on for the primary purpose of helping members of an organization acquire and apply the knowledge, skills, abilities, and attitudes needed by a particular job and organization.

According to Edwin Flippo, ‘training is the act of increasing the skills of an employee for doing a particular job’.

Methods of Training: On-the-job Training Method and Off-the-Job Methods!

Management development is a systematic process of growth and development by which the managers develop their abilities to manage. It is concerned with not only improving the performance of managers but also giving them opportunities for growth and development.

There are two methods through which managers can improve their knowledge and skills. One is through formal training and other is through on the job experiences. On the job training is very important since real learning takes place only when one practices what they have studied.

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But it is also equally important in gaining knowledge through classroom learning. Learning becomes fruitful only when theory is combined with practice. Therefore on the job methods can be balanced with classroom training methods (off-the-job methods).

1. On-the-job Training (OJT) Methods:

This is the most common method of training in which a trainee is placed on a specific job and taught the skills and knowledge necessary to perform it.

The advantages of OJT are as follows:

1. On the job method is a flexible method.
2. It is a less expensive method.
3. The trainee is highly motivated and encouraged to learn.
4. Much arrangement for the training is not required.

On-the-job training methods are as follows:

1. Job rotation:

This training method involves movement of trainee from one job to another gain knowledge and experience from different job assignments. This method helps the trainee understand the problems of other employees.

2. Coaching:

Under this method, the trainee is placed under a particular supervisor who functions as a coach in training and provides feedback to the trainee. Sometimes the trainee may not get an opportunity to express his ideas.

3. Job instructions:

Also known as step-by-step training in which the trainer explains the way of doing the jobs to the trainee and in case of mistakes, corrects the trainee.

4. Committee assignments:

A group of trainees are asked to solve a given organizational problem by discussing the problem. This helps to improve team work.

5. Internship training:

Under this method, instructions through theoretical and practical aspects are provided to the trainees. Usually, students from the engineering and commerce colleges receive this type of training for a small stipend.

2. Off-the-job Methods:

On the job training methods have their own limitations, and in order to have the overall development of employee's off-the-job training can also be imparted. The methods of training

which are adopted for the development of employees away from the field of the job are known as off-the-job methods.

The following are some of the off-the-job techniques:

1. Case study method:

Usually case study deals with any problem confronted by a business which can be solved by an employee. The trainee is given an opportunity to analyse the case and come out with all possible solutions. This method can enhance analytic and critical thinking of an employee.

2. Incident method:

Incidents are prepared on the basis of actual situations which happened in different organizations and each employee in the training group is asked to make decisions as if it is a real-life situation. Later on, the entire group discusses the incident and takes decisions related to the incident on the basis of individual and group decisions.

3. Role play:

In this case also a problem situation is simulated asking the employee to assume the role of a particular person in the situation. The participant interacts with other participants assuming different roles. The whole play will be recorded and trainee gets an opportunity to examine their own performance.

4. In-basket method:

The employees are given information about an imaginary company, its activities and products, HR employed and all data related to the firm. The trainee (employee under training) has to make notes, delegate tasks and prepare schedules within a specified time. This can develop situational judgments and quick decision making skills of employees.

5. Business games:

According to this method the trainees are divided into groups and each group has to discuss about various activities and functions of an imaginary organization. They will discuss and decide about various subjects like production, promotion, pricing etc. This gives result in co-operative decision making process.

6. Grid training:

It is a continuous and phased programme lasting for six years. It includes phases of planning development, implementation and evaluation. The grid takes into consideration parameters like concern for people and concern for people.

7. Lectures:

This will be a suitable method when the numbers of trainees are quite large. Lectures can be very much helpful in explaining the concepts and principles very clearly, and face to face interaction is very much possible.

8. Simulation:

Under this method an imaginary situation is created and trainees are asked to act on it. For e.g., assuming the role of a marketing manager solving the marketing problems or creating a new strategy etc.

9. Management education:

At present universities and management institutes give great emphasis on management education. For e.g., Mumbai University has started bachelors and postgraduate degree in Management. Many management Institutes provide not only degrees but also hands on experience having collaboration with business concerns.

10. Conferences:

A meeting of several people to discuss any subject is called conference. Each participant contributes by analyzing and discussing various issues related to the topic. Everyone can express their own view point.

Identifying Training Needs of Employees| Training Programmes

Training bridges gap between what employee has (in terms of skills and abilities) and what his/her job demands. This clearly underlines the need for proper identification of training needs of employee.

Identifying training needs is a process that involves establishing areas where employees lack skills, knowledge, and ability in effectively performing their jobs. Training needs have to be related both in terms of the organisation's demands and that of the individual employee's. Many methods have been proposed for identifying training needs of the employees.

For example, Sinha has listed, in rank order, the following five methods of identifying training needs:

1. Views of the line manager
2. Performance appraisal
3. Company and departmental plans
4. Views of training manager
5. Analysis of job difficulties

Here our examination is based on McGhee and Thayer's model of training needs identification.

It consists of the following three components:

1. Organisational analysis
2. Task analysis
3. Man analysis

These are discussed in seriatim.

Organisational Analysis:

It involves a comprehensive analysis of organisation in terms of its objectives, resources, resource allocation and utilization, culture, environment, and so on. Such an analysis would help identify deficiencies and mechanisms that would be needed to make adjustments in those identified deficiencies.

Generally, organisational analysis includes the following steps:

(i) Analysis of Objectives:

Organisational analysis begins with achieving a clear understanding of both short and long-run goals and also the order of priorities accorded to various objectives. Long-run objectives are broken down into specific objectives and strategies for each of the department/division/unit.

(ii) Resource Utilization Analysis:

Once the organisational objectives are analysed, the next step involved in identifying training needs is to analyse the allocation of human and other physical resources and evaluate their level of utilization in meeting operational objectives.

(iii) Environmental Scanning:

Such an analysis is done to study the organisation as a subsystem operating in a distinct environment consisting of socio-cultural, economic and political components. This enables the organisation to identify the environmental factors which the organisation can influence and the constraints which cannot control.

(iv) Organisational climate analysis:

The organisational climate is a reflection of its members' attitudes towards various aspects of work, supervision, company procedure and so on. These have own bearing on affecting the effectiveness of a training programme in the organisation.

Task Analysis:

This is also called job or operational analysis. This involves a detailed analysis of various components of a job, its various operations, and the conditions under which it has to be performed. Task analysis will indicate the skills and training required to perform the job at the required standard. For almost all jobs have an expected standard of performance.

Man Analysis:

This is the third component in identifying employee training needs. The focus of man analysis is on the individual employee, his skills, abilities, knowledge and attitude. Of the three analyses, this is more complex one because of difficulties in assessing human contribution.

Need for Training:

Every organization should provide training to all the employees irrespective of their qualifications and skills.

Specifically the need for training arises because of following reasons:

1. Environmental changes:

Mechanization, computerization, and automation have resulted in many changes that require trained staff possessing enough skills. The organization should train the employees to enrich them with the latest technology and knowledge.

2. Organizational complexity:

With modern inventions, technological upgradation, and diversification most of the organizations have become very complex. This has aggravated the problems of coordination. So, in order to cope up with the complexities, training has become mandatory.

3. Human relations:

Every management has to maintain very good human relations, and this has made training as one of the basic conditions to deal with human problems.

4. To match employee specifications with the job requirements and organizational needs:

An employee's specification may not exactly suit to the requirements of the job and the organization, irrespective of past experience and skills. There is always a gap between an employee's present specifications and the organization's requirements. For filling this gap training is required.

5. Change in the job assignment:

Training is also necessary when the existing employee is promoted to the higher level or transferred to another department. Training is also required to equip the old employees with new techniques and technologies.

Training and Development

Training and Development is one of the most important functions of Human Resource management in any of the organization. The objective of this Training is to enhance employees' skills behavior and expertise by putting them into learning new techniques of doing work.

Training and Development helps in updating employees' skills and knowledge for performing a Job which at the end results in increasing their work efficiency and increase the productivity of an organization. It ensures that Employees oddness or eccentricity is reduced and learning or behavioral change should take place in a very structured format. Training and development or Learning and development is an official ongoing educational activities designed for goal fulfillment and enhance the performance of employees.

Training and Development Meaning and Definition in Human Resource Management (HRM)

Definition:

Training and Development in HRM is defined as a system used by an organization to improve the skills and performance of the employees. It is an educational tool which consists of information and instructions to make existing skills sharp, introduce new concepts and knowledge to improve the employee performance. An effective training and development initiative helps the company to enhance the skills of working manpower and improve productivity.

Meaning:

A program of upgrading of employee's skills, knowledge and competencies is known as training. The job related training is often provided to the employee to ensure they can well perform on the assigned tasks and contribute to the success of the organization. The development program on the other hand is often preparation to perform the future job. Training and Development provides a learning opportunity to the employee to increase their work capacities and get ready for the future challenges.

Training and development in HRM are two different activities which goes hand-in-hand for the overall betterment of the employee. The short term and reactive process is training which is used for operational purpose while the long term process of development is for executive purpose.

The aim of training is improvement of required skills in the employee whereas aim of development is to improve overall personality of the employee. Management takes the initiative of training to fill up the skill gap in the organization; the development initiative is generally taken with the objective of future succession planning.

Training and Development in Human Resource Management (HRM)

Training and development is always identified as one of the vital HR functions. In most of the organizations training and development is an integral part of the HRD (human resource development) activity. Among the cut-throat competition in the corporate world where skilled manpower is important aspect to gain competitive advantage, training and development acts as a tool for success of organization. As rapid changes in technology are deskilling the employees very quickly, many organizations have fixed certain amount of training hours per year for their employees.

The HRD department is focused towards the improvement of the manpower of the organization. The training and development activities are often used to motivate employees and improve their organizational commitment. The HR department has found out that employee really appreciate that they have given an opportunity to build new skills and improve their job performance. Employee feels that organization is totally commitment towards the growth of their manpower and thus they like to be a part of training and development activities. The training and development activities are also used to attract new talent towards the organization by publicizing the HRD efforts.

From the HR perspective, training and development activities are best way to create talent pool in the organization. Instead of hiring staff which is skilled and trained for a particular job profile, training and development activities running in the organization is much cheaper source of internal skilled employees. It reduces the hiring cost of the organization and due to internal hiring for particular position the employee joining on new post is already aware of the organizational work culture. HRD department also promotes training and development activities as the homegrown executives are found to perform better than skilled people hired from outside.

HRD department is usually in-charge of planning and execution of training and development activities in the organization. This activity includes first search of skill gaps in the organization and then finding a right source from which the employees can learn new skills and improve their performance. It is well said that through training and development activity the HRM department actually contribute to the productivity of the organization.

Need and Importance of Training and Development in HRM

In the dynamic work environment it is important for companies to improve the skill of their manpower. It is critical for employees to learn new things and enhance their skills to meet the work competitions in the business environment. Thus, the training and development programs run by the company is beneficial for both organization and employee.

Need of Training and Development

- The training and development activity is required when company revises its objectives and goal to adjust the changing market conditions.
- Companies often endorse training and development programs to improve the performance of the employees.

- The training and development is needed to set up a benchmark of performance which employees are expected to achieve in a financial year.
- There is always a need of training and development efforts to teach the employee new skills such as team management, communication management and leadership behavior.
- Training and development is also used to test new methods of enhancing organizational productivity.

Importance of Training and Development

- In Human Resource Management (HRM) Training and development is important aspect when company wants optimum utilization of their manpower.
- Training and development is a key for the succession planning of the organization as it helps in improvement of skills like team management and leadership.
- Training and development activities are vital to motivate the employee and to increase their productivity.
- Training and development in HRM is significant aspect to develop a team spirit in the organization.
- Training and development programs are also important from the safety point of view as it teaches employee to perform job properly without any life risk.
- From the organizational point of view the training and development programs are important tools to increase profitability and enhance corporate image.