**HRM** refers to the recruitment, training and retention of motivated staff and includes maintaining good industrial relations.

**Functions of a HRM:**

**1. MANPOWER PLANNING**  
This involves charting the future needs of the organisation so that the firm has the right people in the right numbers at the right time, to help the business achieve their goals. It is necessary to conduct both a human resource audit to analyse the skills present in the workforce.

1. Forecasting future demand

2. Calculating existing supply

3. Recruit/redundancy (understaffed/overstaffed)

**Manpower plans** must be flexible enough to allow for changing circumstances such as:

* People leaving the firm in greater numbers than expected
* People’s willingness to work longer or shorter hours per week
* Unexpected increases in the number of males or females entering the workforce
* New technology reducing the need for workers

**2. RECRUITMENT & SELECTION**

**Recruitment** means finding suitable people for a job vacancy in the business and persuading them to apply through a job description and and a person specification. There is external and internal recruitment.

**Selection** means choosing the best person for the job from those people who applied. This is done through shortlisting, interviews, tests and checking their references.

**How does a business recruit and select staff?**

1. **Prepare a job description** → describes the vacancy that needs to be filled, including the title, conditions, duties and responsibility involved, the place of work, the supervision and assessment arrangements.
2. **Prepare a person specification** → describes the qualities required by the person who will fill the job description. This can include academic qualifications, work experience, fitness level and languages.
3. **Advertise vacancy** →

* Internally: notice boards, emails etc can mean promoting/redeploying existing staff. This allows for less risks as employee is known, more motivation (promotion) and little cost.
* Externally: personal contacts, internet, newspapers/magazines and employment agencies. This allows for new blood, a multicultural workforce and no internal competition (jealousy).

1. **Shortlist applicants** → list of most promising.

* Cover letter – short letter highlighting why you think you’re suitable for the job and requesting an interview.
* CV – short document. (1-2 pgs) summarising your education, qualifications, training and experience.
* Application form - form may need to be completed when applying for a job. Will ask name, address, education, experience and interests relevant.

1. **Interview applicant** → this is a face to face conversation. Questions concentrate on the applicant's ability to perform the job, fit in/get along with staff/culture in the workplace and assess their potential/contributions to the business. May have to complete selection test – measures and compares applicants attitude, intelligence/personality for the job.
2. **Check references** → the written/verbal recommendation from a former employer or familiar person must be honest and accurate.
3. **Make offer to successful candidate** → once accepted a legal copy of contract must be given with all terms and conditions.

-*Equal opportunities* → all applicants of equal ability for a post have an equal chance of being hired/promoted, regardless of sec, age, race etc.

**3. TRAINING**

Provides workers with the skills & skills, expertise necessary for them to perform their job properly. This can be done through- **induction** – this introduces employees to their colleagues, firms activities, rules and practices, health & safety rules, problem solving measures etc

**On the job training** – this training takes place within the organisation and may be carried out by existing employees.

**Off the job training** – which takes place outside the workplace and is provided by outside agencies and colleges. All training aims to help employees to grow and develop as people so that they will gain confidence and constantly trying to better themselves.

**Staff development** → teaches an employee multiple skills that they can use in many different jobs. Staff become:

* More flexible and adaptable to change
* More suitable for promotion

**Benefits of training:**

1. Employees are equipped with necessary skills to perform their duties properly.
2. Morale of the workforce increase as they begin to feel part of the organisation
3. A well trained workforce leads to the overall improvement in terms of productivity the firm
4. Employees learn skills and gain experience that will help them when they apply for promotion.
5. The existence of good training & development programme will help to attract good employees to the organisation.

**4. PERFORMANCE APPRAISAL**

The process of setting standards for each employee and then assessing their performance regularly, over a period of time. The aims of performance appraisal are to show employees the areas where improvement can be made, while at the same time rewarding them for work well done.

**Stages in performance appraisal:**

1. P.A takes the form of an interview between the HR manager and the employee once or twice a year
2. The appraisal will involve a comparison between the employee’s goals for the previous period and their achievements during that period
3. Goals & targets for the next period will be set during the appraisal
4. Training and other personal development needs of the employee will be identified
5. Areas of difficulty are identified by the employee & corrective action to be taken as a result

**Benefits of performance appraisal:**

1. Helps employees who are not realising their potential
2. The P.A will identify employees who should be rewarded with either promotion or bonus
3. As employees will work hard to fulfil their target the overall productivity of the company will improve
4. There should be fewer industrial relations problems as P.A is geared towards quick resolution of the problems.

**5. PAY AND REWARDS**

**Financial Rewards:**

1. **Wages Salaries**:

* Flat rate pay → agreed set rate of pay per week/month based on no. of hours worked. Easy to calculate, but no incentive to worker harder or longer.
* Time rate pay → paid on amount of hours worked (overtime paid at higher rate). No reward for efficiency, quality or speed.
* Piece rate pay → paid for each item produced that meets standard. May cause rushing and is not suitable for all jobs

1. **Others**:

* Bonus payments → gives employees a share of the profits = increased effort/efficiency.
* Commission → extra payment based on percentage of value of sales achieved.
* Benefits in kind → taxable, non-cash payments
* Profit sharing schemes → firms share part of profit with employees through additional wages payments.
* Ownership schemes → offer employees free of low cost shares in company to motivate them and improve industrial relations.

**How is Financial Remuneration Determined?**

* **Demand exceeds supply**: eg there are less highly skilled doctors than bus drivers so they’re paid more
* **Ability and skills**: can be hard to come by eg premier league footballer
* **Long training periods**: higher pay as reward for time invested and qualifications
* **Risk, danger and responsibility involved**: paid more as compensation
* **Trade unions**: have power to negotiate wages for workers

**Non-Financial Rewards offered to staff:**

* **Job satisfaction** → the degree to which employees feel positive about their job, enjoy doing it and wish to continue in the firm. It increases morale, motivation and industrial relations while decreasing labour turnover.
* Shorter working hours and longer holidays
* Less stressful work
* No discrimination, bullying or harassment (the continued unwelcome behaviour that causes stress/intimidation)
* Safe and pleasant physical surroundings
* Pleasant social working environment
* **Flexible working arrangements:**

1. Job sharing: two people share a job
2. Job rotation: regularly moving staff from one job to another
3. Flexitime: allowing employees to complete minimum no. of hours at their own start and finish times.

* **Job enlargement**: reduces employee boredom by increasing the variety of tasks the employee undertakes with no added responsibly.
* **Job enrichment**: providing employees with work requiring greater responsibility, control and input into decision-making.

**6. EMPLOYEE/EMPLOYER RELATIONSHIPS**

This is all relevant to relations at work. If the atmosphere between management and the workforce are good, the workers will be more motivated to work for the firm. However if the industrial relations between the employee/employers are poor, both management and workers will find it a hostile place to work in.

**Ways HRM can promote good industrial relations**:

* Train managers to deal with HR problems
* Recruit positive staff and provide proper training and development
* Communicate regularly and honestly with all staff.
* Have clear grievance procedures
* Provide attractive (non-) financial rewards
* Respect staff and care about their welfare
* Create a friendly and co-operative workplace
* **Worker directors**: reps of the employees elected to sit on the board of directors.

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| **Benefits of good industrial relations:**   * Employees/employers work together and co-operate as a team * Morale/motivation is improved at work. Productivity increases * Reduced levels of absenteeism and low labour turnover * Intrapreneurship | **Drawbacks of poor industrial relations:**   * Employees not co-operating with management * Motivation/morale of employees is quite poor * High risk of industrial action, as there is no agreed procedures for solving disputes |