Human resource management (AS)

What HRM does, workforce planning, recruitment, selection and training, employment contracts and legal issues, theories of motivation and financial and non-financial rewards, and management and leadership styles.

Human resource management (HRM) is the **strategic approach to the effective management of people** so that the business achieves its objectives. People are an asset to be **developed**, not only a cost to be controlled.

2.1 Human resource management (HRM)

The role of HRM

HR managers deal with **workforce planning**, **recruitment and selection**, **training and development**, **appraisal**, **pay and rewards**, **employee relations** and **meeting employment law**.

Workforce planning

Workforce planning compares the **number and skills of staff needed** in future with the **staff available**, then plans **recruitment, training, redeployment or redundancy** to fill the gaps. It depends on **forecast demand**, **staff turnover**, **retirement** and the **skills** needed.

> **Labour turnover (%) = number of staff leaving in a year ÷ average number of staff × 100. If 12 of an average 150 staff leave, turnover is 8%. Retention is the opposite: staff who stay.**

High turnover raises **recruitment and training costs** and loses experience, but a **little** turnover brings **fresh ideas**.

Note Academy

Recruitment and selection

Stage	What happens
Job analysis	what the job involves
Job description	**duties, title, responsibilities, reporting lines**
Person specification	the **skills, qualifications and experience** needed
Advertising	**internal** (promotion, cheaper, known staff, but fewer ideas) or **external** (wider choice, **fresh ideas**, costlier)
Selection	**application forms and CVs**, **interviews**, **tests** and references

Internal recruitment motivates existing staff and is **faster and cheaper**. **External recruitment** brings **new skills and ideas** but takes **longer** and costs more. **Interviews** let the business judge personality but can be **subjective**; **tests** are more objective.

Training and development

Type	Meaning
Induction	introduces new staff to the business and its procedures
On-the-job	learning while working (shadowing, mentoring): **cheap, relevant**, but may pass on bad habits
Off-the-job	away from work (courses, college): **specialist and up-to-date**, but **costly** and staff are absent

Multi-skilling trains employees to do **several different jobs**, so the business can **move staff to where they are needed**, cover absence and respond to change (**flexibility**); it also raises **motivation** through variety. Staff development can also encourage **intrapreneurship**.

Benefits: **higher productivity**, quality and **flexibility**, **motivation** and retention. Costs: **fees**, **lost output** during training and the risk that trained staff **leave for competitors**.

Employment contracts and the law

A **contract of employment** sets out **pay, hours, duties and notice**. Law covers **health and safety**, **minimum wages**, **discrimination**, **working hours** and **dismissal**. **Dismissal** is for a fair reason (misconduct, capability); **redundancy** is when the job is no longer needed.

Note Academy

Employment contracts and **flexible working** can be **full-time, part-time, temporary** or **zero-hours**. **Flexible** labour cuts cost and meets changing demand but can lower **loyalty and security**.

Morale, welfare, diversity and work-life balance

Morale is the **mood and confidence** of the workforce; **welfare** covers staff **health, safety and wellbeing**. Good HRM improves both, for example through **flexible hours**, **support services** and fair treatment. **Work-life balance** (flexible or part-time work, home working) reduces stress and absence. **Diversity** (a workforce of different ages, genders, ethnic groups and abilities) and **equality** of opportunity bring **wider skills and ideas** and a better understanding of customers, but need **management and training** to work well.

Employee relations

Trade unions represent workers in **collective bargaining** over pay and conditions. Good **communication** and **consultation** improve **morale**; poor relations lead to **strikes** and low productivity.

Recruitment and selection methods

Recruitment methods include **job advertisements** (newspapers, websites, social media), **employment agencies** (they find and screen candidates for a fee), **online recruitment** (job boards, the company website) and **recruitment by recommendation**. **Selection methods** include the **curriculum vitae (CV) or résumé** and **application form** (to shortlist), **interviews**, **references**, **tests** (skills, aptitude or personality) and **assessment centres** (a series of tasks, presentations and group exercises over a day, giving a fuller picture but at **high cost**).

2.2 Motivation

Motivation is the **desire and commitment** to do a job well. Motivated staff are more **productive**, **absent less** and **leave less**.

Note Academy

Theories

Theorist	Main idea	Use by business
Taylor (scientific management)	workers are motivated by **money**; use **piece rate**, close **supervision** and simple tasks	**pay incentives** for output; can **de-skill** work
Mayo (human relations)	**social needs** and **attention** motivate (Hawthorne experiment)	**team working** and showing interest in staff
Maslow	a **hierarchy of needs**: physiological, **safety**, **social**, **esteem**, **self-actualisation**; a higher need matters once a lower one is met	give security, belonging, recognition, then development
McClelland	people are driven by three needs: **achievement**, **affiliation** (belonging) and **power**; each person has a dominant one	give **achievers** challenging targets and feedback, **affiliation** types team work and **power** types leadership roles
Herzberg (two-factor)	**hygiene factors** (pay, conditions, security) prevent **dissatisfaction**; **motivators** (achievement, responsibility, recognition, the work itself) create **satisfaction**	**job enrichment**, responsibility

> **Herzberg: getting hygiene factors right only removes dissatisfaction; to motivate, add motivators.**

Vroom's expectancy theory is a **process theory**: it explains **how** people decide whether to put in effort. Motivation depends on three beliefs:

- **Expectancy:** that **effort** will lead to **good performance**.
- **Instrumentality:** that good performance will lead to a **reward**.
- **Valence:** how much the person **values** the reward.

If **any one is low** (the task seems impossible, the reward is not guaranteed or the reward does not matter to the person), **motivation falls**. Managers therefore give **training**, make the **link between performance and reward clear** and offer rewards that **staff actually value**.

Note Academy

Financial rewards

Method	Comment
Time rate (wage or salary)	simple; does not reward effort
Piece rate	paid per unit; encourages output, may harm **quality**
Commission	a % of sales; motivates sales staff, **insecure** income
Bonus / performance-related pay	rewards results; may encourage **short-termism**
Profit sharing	a share of profits; links staff to business success
Fringe benefits	company car, pension, health care

Non-financial methods

Job enlargement (more tasks), **job rotation** (varied tasks), **job enrichment** (more responsibility and challenge), **empowerment**, **team working**, **recognition**, **training and promotion opportunities**.

Employee participation

Employees can **take part in managing and controlling** the business through **works councils**, **quality circles**, **suggestion schemes**, **employee representatives or directors**, **team briefings** and **employee share ownership**. Participation improves **motivation and ideas** and helps with change, but can **slow decisions** and raise **conflicts** over authority.

> TRY IT
>
> Using Herzberg, would a pay rise alone motivate staff in the long term?
>
> Not necessarily. Pay is a **hygiene factor**: it removes dissatisfaction but does not create lasting motivation. **Responsibility and recognition** are needed too.

2.3 Management

Management and leadership

Management is **planning, organising, co-ordinating, commanding and controlling** (Fayol). **Leadership** is **inspiring and directing** people towards goals. A manager manages **resources**; a leader influences **people**.

Note Academy

Leadership styles

Style	Features	Suitable when
Autocratic	the leader **decides alone** and tells staff	**emergencies**, unskilled workers; can demotivate
Paternalistic	decides alone but **explains** and cares about staff welfare	staff want guidance
Democratic	**consults** staff, shares decisions	skilled staff; slower but **motivating**
Laissez-faire	leaves staff to decide for themselves	**highly skilled, creative** teams

The **best style depends on** the **task**, **staff skills**, urgency and the manager's own personality (a **contingency** approach).

Mintzberg's managerial roles

Mintzberg found that managers play **ten roles** in three groups:

Group	Roles
Interpersonal	**figurehead**, **leader**, **liaison** (building contacts)
Informational	**monitor** (seeking information), **disseminator** (passing it on), **spokesperson** (representing the firm)
Decisional	**entrepreneur** (starting change), **disturbance handler**, **resource allocator**, **negotiator**

Managers contribute to performance by **combining these roles** effectively, unlike Fayol's list of functions.

McGregor's Theory X and Theory Y

	Theory X manager	Theory Y manager
Belief about workers	**dislike work**, avoid responsibility and need **close control**	want to **do a good job**, accept responsibility and are **self-motivated**
Management style	**autocratic**, close supervision, threats and rewards	**democratic**, delegation, participation

A Theory X manager assumes staff must be controlled; a Theory Y manager assumes staff can be trusted and developed. Theory Y suits skilled, motivated teams; the right approach

Note Academy

depends on the situation.

Delegation and spans of control

Delegation is passing **authority** (with responsibility) down to subordinates. It frees managers' time and motivates staff but **risks** poor decisions. Greater **trust** and **training** help.

Management is about controlling resources; leadership is about influencing people. A good manager is often both.

Note Academy