

HUMAN RESOURCE POLICIES – PRE AND POST LIBERALIZATION

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Abstract

The business environment in the country is changing rapidly. As the business is changing the most critical resource associated with the changing environment that is “The Human Resource” is also required to undergo change at a fast pace. The expectations from Human Resource in the pre liberalization period, post liberalization period and globalization phase have undergone commendable transitions. The human resource policies of the organizations have also gone through periodic changes to adapt to the changing business environment. Human Resource Policies serve as a guideline through which the management practices regarding employee relations are being developed. A good Human Resource policy is policy which aligns the Human Resource of the organization with its business scenario. The paper puts light on the transition of the Human Resource Policies from the License Raj Era to the period of Globalization. It also shows how the changing business environment has impacted the Human Resource Policies of the organization. The article also highlights the future challenges the organizations will face in designing Human Resource policies.



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The Human Resources function in the country has seen a paradigm shift over the past decade. Graduating from a cost center with primarily operations and administration responsibilities, to a strategic function that enhances and develops the most critical asset an enterprise may have its people. Despite awareness that the function is evolving rapidly, there seems to be a huge chasm between organizations that are further down the journey in terms of their Human Resources function maturity, and those that are still hinged on the operational piece.

The Human Resource department needs to deal with a myriad of complexities, uncertainties and ambiguities, not only around the external business and talent context, but also the internal business strategies and expectations from Human Resources that seem to be a rapidly changing. The need of the hour is that Human Resources Leader on one hand plays a true partner and advisor to business leaders. While on the other hand grounds itself on managing the most fundamental people processes in the enterprise.

Technology has been both a big disruptor and a big leveler. While it has changed the way Human Resource is done in enterprises, it has also provided an opportunity to Human Resource functions across the board to take their game up a few notches in one stroke of
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brush. The Human Resource function in the future will need to find a fine balance between learnings on technology to enhance the impact of the function, while simultaneously not losing sight of the human aspect of human resources.

The 3 Era's of Human Resource Evolution.

License Raj Era

The License Raj or Permit Raj was the elaborate system of licenses, rules and regulations that were required to set up and run businesses in India between 1947 and 1992. The system contained lot of red tapes and delay in the process of obtaining licenses from the government. All the work was done through manual intervention. There were many restrictions on the industries and the ease of doing business was not there. Foreign multinationals were not interested in investing in the Indian economy because of the stringent policies and lengthy procedures for obtaining permissions and licenses for doing business. Due to this there was unrest in the business environment and growth opportunities were limited.

The human resources function had very limited scope and importance during the license raj era. The primary function of the Human Resource department was processing of payroll and monitoring attendance. The major focus of the management was on workers' productivity. There was no focus on health, safety and environment of the employees. The Human Resource function was more Industrial Relations oriented. There was high rate of strikes and lay-offs in the industry.

Impact of License Raj Era on Human Resource Policies:-

a. IR oriented function:-

The human resources practices and policies were more inclined towards problem solving. There was no developmental approach of the human resources department.

b. Executioner Role:-

The role of Human Resource department was more operational. The function of the Human Resource department was restricted towards processing of maintaining attendance, processing payroll and initiating disciplinary actions.

Post Liberalization

The post liberalization period in India refers to the liberalization, initiated in 1991, of the country's economic policies, with intent of reducing the red tapes in the procedures and policies of the government and making the economy more industry oriented. The government

also introduced policies to attract foreign investment. Hence this period is also called as the Pre Globalization period. Reforms like reduction in import tariffs deregulation of markets, reduction of taxes, cut down in the procedure of obtaining various licenses. Liberalization has triggered high economic growth in the country during 1990s and 2000s. Companies started to grow at a high pace. There was a major revolution of Information Technology in the industry which helped in automation of processes and increases the individual productivity.

The liberalization period compelled industries to be competent and improve their culture. This required a change in the approach and policies of the Human Resource department. Human Resources became a separate function and gained equal recognition in the organization. The function of Human Resource was not only limited to daily mundane work, but also involved developmental functions. The focus and importance of Human Resources was also highlighted in the education system.

Impact on HR Policies

a. Employment:

Recruitment of skilled and trained personnel gained high importance. Head hunting of candidates from competitors and attraction of diverse workforce was required. The Human Resource policies of the organization were designed to be progressive and employee friendly in order to attract diverse and skilled workforce.

b. Training and development :

Upgrading of skills was the need of the hour for the organization and employees. The Human Resource policies focused on skill and knowledge upgradation. Policies were designed to encourage employees to undertake new trainings which will in return benefit the organization and the employee. Use of new techniques such as audio visual and power point presentations in training, online training, video conferencing, shared learning , business games , special courses etc. was developed through the medium of advanced technology.

c. Compensation:

During the pre-liberalization period, the employees were exploited by giving them meagre wages and no benefits. After liberalization the organizations realized the importance of compensation and benefits of the employees. Hence, the Human Resources developed Pay band compensation, productivity related bonus, career

advancement plan, employee stock option plan (ESOP), reimbursement of expenditure on medical facilities & education of children, leave travel concession (LTC) etc.

Globalization

Until the year 2000 the government had introduced many commendable reforms in the policies and procedures for attracting foreign business in India. Globalization in India has allowed companies to increase their base of operations, expand their workforce with minimal investments, and provide new services to a broad range of consumers. The process of globalization has been integral in creation of jobs, development of industries and boosting the economy. There has been a major change in the style of working. Technology has played an immense role in changing the way business is operating.

After globalization, the Companies have started to grow at a fast pace as multinational companies got entry in the Indian market. Demand had increased over supply of the products. There was high demand of niche skilled resources and growth opportunities were immense. Hence the rate of attrition was also very high which posed a challenge in front of the management. Human Resources departments are transforming as the modern business faces numerous and complex challenges. This has instigated the Human Resources professionals in thinking ahead of the times. The role of Human Resource department has evolved to be more strategic and required to be aligned with business.

Impact of Globalization on HR Policies:-

a. Restructuring :

Globalization has introduced new technology in the work place. This has caused a VUCA (Volatile, Uncertain, Complex and Ambiguous) work environment. Organizations during the liberalization period faced rapid growth. Due to which the organizations were "FAT". After globalization the organizations require to be "FLAT" in order to sustain and grow in the competitive environment. Downsizing of workforce is need of the hour and redeployment of personnel in new job areas is essential. For the same the human resource policy should focus on organizational restructuring along with training and redeployment of excess personnel to new areas of work.

b. Employee Care:

The need to take care of the needs of the employees has gained highest importance in the post liberalization period. Organizations have released the importance of human as a resource and has started to put Human Capital ahead of the customer. Facilities such as day care facilities for children, free transportation and lunch, gym facilities, work-life balance practices like flexible working hours, home commuting etc .have taken a place in the Human Resource policies of the organization.

c. Employee retention:

Globalization has created mass opportunities for employment. The competition has compelled competitor companies to headhunt performing individuals from competitors and retain their own resources. Employee retention is one of the most critical and highly important aspects of the Human Resource policy.

Future Challenges for establishing Human Resource Policies:-

a. Environmental

As it is rightly said “Change is the only Constant” the business environment is rapidly changing. There are up’s and down’s in the business which affects the manpower planning of the organization. The Human Resource policies of the organization should address workforce diversity. The policies should be aligned with global Human Resource practices and policies which encourages globalization of workforce.

b. Cultural

Culture is a broad collection of beliefs and values of an individual. While human resource policies have to be aligned with the business policies, at the same time, the polices also need to take into consideration the local culture, ethics and behavior which influences the workforce indirectly impacting the human resource policies of the organization. This will help the organization in taking hiring decisions, building healthy employee relationships and establishing good communication with the employees.

c. Organizational

This is the era of globalization. There are ample opportunities for skilled workforce. The turnover of employees is high. The Human Resource policies should be designed to address the high turnover rate and create an engaged workforce. The employees should be given a challenging as well as rewarding work environment. The

performance measurement system should be clear and transparent which is required to create a healthy work environment and completion. The employees should feel a sense of importance and authority.

From the above mentioned challenges to the management for designing effective Human Resource polices, the Human Resource Manager needs to be effective and pro-active in developing successful and efficient Human Resources Policies.