



# HRM — Human Resource Management

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## CH-1 Fundamentals of HRM

### Topic 1 — Human Resources and HRM

**Human resources** are the collective **skills, knowledge, experience and capabilities** of all the people employed by an organisation.

- **Meaning** — **Human Resource Management (HRM)** is the **strategic and systematic approach** to managing an organisation's people.
- **Aim** — It seeks to maximise employees' performance and potential.
- **Coverage** — It covers **attracting, developing, motivating and retaining** employees to achieve organisational goals.

| Core element                     | What it means                                                                                                                                                                      |
|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>People</b>                    | Employees are the core of HRM; HRM attracts, selects, develops and manages them so that they contribute to the organisation's success.                                             |
| <b>Management</b>                | Systematic, strategic application of management principles to <b>acquire, develop, maintain and compensate</b> employees.                                                          |
| <b>Behavioural dynamics</b>      | Understanding and managing the behaviour and interactions of employees; people decisions must be <b>integrated and consistent</b> and should improve effectiveness and efficiency. |
| <b>Uniformity of application</b> | HRM principles apply to business and <b>non-business</b> organisations too — education, health, recreation and even voluntary organisations.                                       |

### Topic 2 — Objectives of HRM

| Objective             | Focus                                                                                                                                      |
|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Societal</b>       | Uphold ethical standards and <b>social responsibility</b> ; balance society's needs while minimising negative impact on the organisation.  |
| <b>Organisational</b> | Achieve <b>organisational effectiveness</b> by strategically managing human resources towards the organisation's goals.                    |
| <b>Functional</b>     | Develop and maintain HR services suited to the organisation's needs; ensure each <b>department's contribution</b> fits overall objectives. |
| <b>Personal</b>       | Help employees achieve <b>personal goals</b> so that their contribution rises; policies on development, retention and motivation.          |

### Professional objectives (roles) of HRM

| Role                   | What HR does                                                                                                                                                                                      |
|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Advisory role</b>   | Advises management on people, policies and processes — organisation structure, social responsibility, employment terms, compensation, career growth, training, employee relations and retirement. |
| <b>Functional role</b> | Interprets and communicates HR policies and guides <b>line managers</b> so that agreed policies are implemented in <b>letter and spirit</b> .                                                     |
| <b>Service role</b>    | Furnishes <b>relevant and up-to-date information</b> on HRM matters to the organisation.                                                                                                          |

### Topic 3 — Functions of HRM

#### Managerial functions

| Function           | Key content                                                                                                                                                             |
|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Planning</b>    | Anticipate future personnel needs, set objectives and strategies; forecast workforce requirement based on <b>growth, turnover and technological change</b> .            |
| <b>Organising</b>  | Structure the HR department and its functions; design job roles, reporting structures and processes for recruitment, training, compensation and employee relations.     |
| <b>Staffing</b>    | Identify, attract and select the right people — <b>recruitment</b> (job postings, social media, referrals) and <b>selection</b> (qualifications, skills, cultural fit). |
| <b>Directing</b>   | Leadership, guidance and motivation; keep employees informed, engaged and aligned with mission and values; facilitate communication and resolve conflicts.              |
| <b>Controlling</b> | Monitor and evaluate employees, processes and HR initiatives — <b>performance appraisals</b> , training effectiveness, impact of HR policies.                           |

#### Operational functions

| Function            | Covers                                                                          |
|---------------------|---------------------------------------------------------------------------------|
| <b>Procurement</b>  | HR planning, recruitment and selection, induction and placement                 |
| <b>Development</b>  | Training, skill development, career planning and mentoring, counselling         |
| <b>Compensation</b> | Wage and salary determination and administration                                |
| <b>Integration</b>  | Integrating human resources and their values with the organisation              |
| <b>Maintenance</b>  | Sustaining and improving working conditions, motivation, employee communication |

#### Developmental functions

| Function                                 | Purpose                                                                                                                                   |
|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Retention management</b>              | Keep <b>key talent</b> attached for a reasonable period and fill slots on time so that <b>business continuity plans</b> are not hampered. |
| <b>Counselling / advisory management</b> | Expert advice and <b>preventive counselling</b> for all levels to keep the work environment healthy.                                      |
| <b>Change management</b>                 | Manage change from internal restructuring and from <b>mergers/acquisitions</b> .                                                          |
| <b>Employee engagement</b>               | Keep employees fully engaged; raise <b>morale and loyalty</b> .                                                                           |
| <b>Attrition / turnover management</b>   | Find reasons for attrition and minimise the impact of separations — resignation, termination, layoff, death, medical reasons.             |
| <b>Talent management</b>                 | Hire, develop and retain required talent through <b>progressive career plans</b> and employee-benefit schemes.                            |

#### Remember this

- Operational functions — **PDCIM**: Procurement, Development, Compensation, Integration, Maintenance.

### Topic 4 — Employee Policies

- **Meaning** — An **employee policy** is a set of rules or guidelines followed by the organisation and its employees.
- **Purpose** — It helps the organisation achieve a specific goal.

- **Content** — An effective policy states what employees **must and must not do**.
- **Guidance** — It also gives directions, limits, principles and guidance for decision making.

### Topic 5 — Human Capital and Human Resource Accounting

- **Meaning** — **Human capital** is the knowledge and skills people acquire through life.
- **Use** — People use it to produce goods, services or ideas.
- **Components** — It includes skills, knowledge, attributes, motivation and effort.
- **Transfer** — It can be given or **rented on a temporary basis**, but its **ownership is not transferable**.
- **Definition** — **Human Resource Accounting (HRA)** is 'accounting for people as an organisational resource'.
- **Value side** — It measures the **economic value** of employees' knowledge, skills, experience and abilities.
- **Cost side** — It also measures the **costs** incurred to recruit, select, hire, train and develop human assets.

#### Valuation of human capital

- **Skills shown** — Over time an employee displays specialised knowledge, technical skills, project management, leadership and communication.
- **Measurable** — Each of these skills and abilities can be measured and valued.
- **Data capture** — **MIS software** captures all elements of human contribution.
- **Closest value** — Converting them into quantifiable output gives the figure **closest to human asset valuation**.

Transforming employees into productive assets is the primary objective: develop skills, talents and abilities so that both the employee and the organisation benefit.

### Topic 6 — HRM and Management of Transformation

Organisations are shaped by both **internal and external environments**; today the **external environment's impact is greater than ever**.

- **Monitoring** — For **survival, growth and competitiveness**, management must monitor fast-changing environmental factors.
- **Adjustment** — It must then adjust strategy and operations.
- **Assessment** — Accurate assessment of future **opportunities and threats** is crucial.

### Topic 7 — Illustrative HRM Practices in India

| HRM practice             | Observable features                                                                                                                                                                         |
|--------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Job description          | Very high percentage of employees have <b>formally defined work roles</b> .                                                                                                                 |
| Recruitment              | Strong dependence on <b>formal labour market</b> ; campus recruitment common for management/engineering cadres; placement agencies, internet and print media most popular.                  |
| Compensation             | Public sector stresses <b>security and lifetime employment</b> with healthcare, housing and schooling facilities.                                                                           |
| Training and development | <b>Inadequately established</b> ; value of training for skills and values is under-appreciated.                                                                                             |
| Performance appraisal    | <b>Very low coverage</b> under formal appraisal linked to rewards or organisational goals.                                                                                                  |
| Promotion and reward     | Moderately variable; <b>seniority dominates</b> public sector; merit and performance mostly in globally oriented industries.                                                                |
| Career planning          | Limited; seniority-based <b>escalator system</b> in public sector gives stability; wide acceptance of <b>VRS</b> by high-performing staff.                                                  |
| Reservation system       | Central all-India open competitive direct recruitment: <b>SC 15%, ST 7.5%, OBC 27%, EWS 10%</b> . Other recruitment modes and State rules differ; these are not universal promotion quotas. |

These patterns vary by employer and over time; they are not universal statistics.

#### Remember this

- Direct recruitment reservation: **SC 15 · ST 7.5 · OBC 27 · EWS 10 (%)**

### Topic 8 — Contemporary Issues in Indian HRM

| Issue                           | Key point                                                                                                                                                                                       |
|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Globalisation</b>            | Unfamiliar laws, competition, changing management styles from strategic alliances and new structures.                                                                                           |
| <b>Workforce changes</b>        | Dual-career couples, younger and <b>less loyal</b> workforce, working mothers, specialisation (IT, biotech); expectations shift from job security to <b>empowerment, freedom and high pay</b> . |
| <b>Changing union landscape</b> | Unions see strikes as less effective; HR needs <b>proactive industrial relations</b> and negotiation skills.                                                                                    |
| <b>Role realignment</b>         | HR must justify its people focus by building both organisational and people capabilities.                                                                                                       |
| <b>Women's role</b>             | Rising contribution to productivity; initiatives for <b>gender equity</b> .                                                                                                                     |
| <b>New employee loyalty</b>     | Depends on <b>compensation and job satisfaction</b> ; challenge valued over job security.                                                                                                       |
| <b>Moonlighting</b>             | Taking additional jobs alongside a full-time role (notably IT); concerns are <b>data breach, productivity loss, reduced engagement</b> .                                                        |

## Topic 9 — HRM, Personnel Management and HRD

| Aspect | Personnel Management (PM)                                                                                                             | Human Resource Management (HRM)                                                                                                | Human Resource Development (HRD)                                                 |
|--------|---------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| Nature | Traditional, administrative                                                                                                           | Strategic management of people                                                                                                 | Developmental process                                                            |
| Covers | Employment administration, <b>employee welfare</b> , personnel policies, records, staffing, pay, service conditions, labour relations | Recruitment, selection, training, compensation, performance management, employee relations — with <b>strategic integration</b> | Training, learning and development, <b>career planning</b> , continuous learning |
| Aim    | Smooth employment relations                                                                                                           | Align workforce with organisational objectives                                                                                 | Develop skills, knowledge and capabilities to raise potential                    |

**Performance management** (within HRM) evaluates and improves performance; HRD develops capabilities; PM handles administration and labour relations.

## Topic 10 — Building an Employment Brand

An **employment brand** is a distinctive and attractive image of the organisation **as an employer**. Just as products are branded for customers, the employer is branded for potential employees.

| Benefits of a strong employment brand                                            | Steps in building the brand                                                      |
|----------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| <b>Talent acquisition</b> — attracts quality candidates, streamlines recruitment | <b>HR leadership</b> — HR spearheads brand building                              |
| <b>Positive image</b> — reputation as a desirable employer                       | <b>Long-term strategy</b> — gradual; needs complete organisational re-evaluation |
| <b>Employee retention</b> — higher job satisfaction, lower turnover              | <b>Start with top management</b> — secure support for HR best practices          |
|                                                                                  | <b>Define brand objective</b> — the desired employer image                       |
|                                                                                  | <b>Internal strategies</b> aligned to the brand objective                        |
|                                                                                  | <b>External promotion</b> of the brand                                           |

## Topic 11 — Building a Great Workplace

| Feature                           | How it helps                                          |
|-----------------------------------|-------------------------------------------------------|
| Freedom of work                   | Empowers decisions and ideas — ownership and autonomy |
| Good work culture                 | Respect, collaboration, open communication, diversity |
| Leadership opportunity            | Leadership roles and <b>promotion from within</b>     |
| Recognition for good work         | Rewards achievement; boosts morale                    |
| Learning and career growth        | Continuous training and development paths             |
| Flexibility of timings            | Flexible hours or remote options                      |
| Challenges and responsibilities   | Meaningful tasks that build skills                    |
| Job security                      | Stability and confidence                              |
| Work-life and social-life balance | Overall well-being and happiness                      |

## Topic 12 — Role of HR in Indian Banks

### Roles of the HR Head

| Role                              | Content                                                                                                                       |
|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| <b>Talent acquisition</b>         | Recruitment strategy to attract top talent; position bank as <b>employer of choice</b> ; futuristic recruitment processes.    |
| <b>Organisational development</b> | Leads developmental HR — performance management, <b>competency mapping</b> , engagement, process improvement, job evaluation. |
| <b>Effective leadership</b>       | Oversees interventions, acts as <b>internal consultant</b> , works with external experts.                                     |

### New roles of HR managers in banks

| Role                       | Content                                                                                                                                   |
|----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Counsellor</b>          | Advises on personal, health, mental, physical and career problems; friend and career adviser during promotions, transfers, lateral moves. |
| <b>Mediator</b>            | Peacemaker in disputes between individuals, groups and management; proficient in <b>union handling</b> .                                  |
| <b>Problem solver</b>      | Solves problems of engagement of human resources and long-term organisational planning.                                                   |
| <b>Change agent</b>        | Introduces institutional change; installs <b>organisational development</b> programmes.                                                   |
| <b>Manager of manpower</b> | People management at individual, group and organisational levels.                                                                         |

### Future role of HR managers in banks

- **Resource protection and enhancement** — safeguard and develop human and non-human resources.
- **Efficiency optimisation** — maximise productivity of human assets.
- **Technology integration** — streamline operations and new ways to share knowledge.
- **Behavioural science integration** — work with behavioural scientists to improve work practices.
- **Diverse workforce management** — integrate non-regular and **outsourced staff**.
- **Attrition management** — retain creative talent, address unproductive elements.
- **Fostering positive perception** — address frustration and perception issues.

## Topic 13 — Qualities of a Successful HR Professional

| Quality                           | Why it matters                                                         |
|-----------------------------------|------------------------------------------------------------------------|
| Leadership abilities              | Guide and inspire teams towards goals                                  |
| Impartiality and integrity        | Unbiased, fair, honest; sense of balance and justice                   |
| Understanding of human psychology | Engagement and conflict resolution; humane, skilled in human relations |
| Growth facilitation               | Empower employees for higher responsibility; motivate development      |
| Effective communication           | Counselling and problem-solving; healthy relationships                 |

## Topic 14 — Ethics in HRM

- **Meaning** — Ethics in HRM is the application of moral principles to managing people.
- **Fairness** — HR practices are conducted in a **fair, just and transparent** manner.
- **Respect** — Employees' rights and well-being are respected.
- **Integrity** — Employees, stakeholders and society are treated with integrity.

| Key ethical principle | Meaning                                                                           |
|-----------------------|-----------------------------------------------------------------------------------|
| Fair treatment        | Equal opportunity, unbiased decisions regardless of background, gender, race etc. |
| Transparency          | Open communication, policies, procedures and decisions — builds trust.            |
| Confidentiality       | Safeguard sensitive employee information and privacy.                             |
| Respect               | Dignity, valuing opinions, safe and inclusive workplace.                          |

## Ethical issues in the HRM function

| Area                      | Ethical concern                                                                                                                                                                        |
|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Compensation              | Pay disparity for similar roles, unequal rewards, pay not aligned with contribution.                                                                                                   |
| Incentive plans           | May push <b>short-term gains</b> over long-term success — cheating or manipulation of performance metrics.                                                                             |
| Perquisites               | Perks to select employees — <b>favouritism</b> , low morale, perceived unfairness.                                                                                                     |
| Performance appraisals    | Ratings influenced by personal bias, discrimination or favouritism.                                                                                                                    |
| Recruitment and promotion | Decisions based on <b>personal relationships</b> rather than merit — less qualified workforce, sense of injustice.                                                                     |
| Confidentiality / privacy | Mishandling or sharing employee data without consent — breach of trust and legal issues (personal data is now protected under the <b>Digital Personal Data Protection Act, 2023</b> ). |

## HRM | Module A | CH-1 | MCQs

**Q1. A bank's HR department prepares the policy on organisation structure, retirement benefits and career growth and places it before the Board. Which professional role of HRM is this? [Ref: Topic 2, p. 2]**

- (a) Service role (b) Advisory role  
(c) Functional role (d) Controlling role

**Q2. An HR officer explains a new transfer policy to branch heads and checks that it is applied in letter and spirit. This reflects HRM's: [Ref: Topic 2, p. 2]**

- (a) Advisory role (b) Service role  
(c) Societal objective (d) Functional role

**Q3. Wage and salary determination and administration falls under which operational function of HRM? [Ref: Topic 3, p. 2]**

- (a) Procurement (b) Integration (c) Maintenance (d) Compensation

**Q4. A bank wants key talent to stay for a reasonable period and vacancies to be filled on time so that its business continuity plan is not affected. Which developmental function is involved? [Ref: Topic 3, p. 2]**

- (a) Talent management (b) Change management  
(c) Employee engagement (d) Retention management

**Q5. Measuring the costs incurred to recruit, select, train and develop employees as well as their economic value is called: [Ref: Topic 5, p. 3]**

- (a) Talent auditing (b) Human resource planning  
(c) Human resource accounting (d) Competency mapping

**Q6. Forecasting workforce requirement on the basis of growth, turnover and technological change is part of which managerial function of HRM? [Ref: Topic 3, p. 2]**

- (a) Organising (b) Directing (c) Controlling (d) Planning

**Q7. Combined reservation for SC and ST in central all-India open competitive direct recruitment is: [Ref: Topic 7, p. 3]**

- (a) 22.5% (b) 27% (c) 25% (d) 15%

**Q8. An IT employee works for a second firm on weekends without informing his employer. The main concern for HR is: [Ref: Topic 8, p. 3]**

- (a) Lower statutory bonus  
(b) Data breach, productivity loss and reduced engagement  
(c) Higher gratuity liability  
(d) Breach of reservation rules

**Q9. Which of the following is the focus of HRD rather than personnel management? [Ref: Topic 9, p. 4]**

- (a) Maintaining service records  
(b) Career planning and continuous learning  
(c) Labour relations and welfare administration  
(d) Pay and service conditions

**Q10. The first step HR should take while building the employer brand, after taking a long-term view, is to: [Ref: Topic 10, p. 4]**

- (a) Secure top management support for HR best practices  
(b) Launch an external advertisement campaign  
(c) Cut recruitment cost  
(d) Increase salaries of new joiners

**Q11. An HR manager in a bank resolves a dispute between the union and management. The HR manager is acting as a: [Ref: Topic 12, p. 4]**

- (a) Mediator (b) Counsellor  
(c) Problem solver (d) Change agent

**Q12. Engaging and integrating outsourced and non-regular staff into a cohesive work environment is a future role of HR called: [Ref: Topic 12, p. 4]**

- (a) Resource protection (b) Diverse workforce management  
(c) Efficiency optimisation (d) Technology integration

**Q13. An incentive scheme rewards only quarterly sales numbers and staff start mis-selling. This ethical problem arises from: [Ref: Topic 14, p. 5]**

- (a) Breach of confidentiality  
(b) Performance appraisal bias  
(c) Incentive plans that favour short-term gains  
(d) Perquisite inequality

**Q14. Which HR head role covers competency mapping, job evaluation and performance management? [Ref: Topic 12, p. 4]**

- (a) Organisational development (b) Effective leadership  
(c) Talent acquisition (d) Mediator

**Q15. The principle that HRM applies equally to hospitals, schools and voluntary bodies is called: [Ref: Topic 1, p. 2]**

- (a) Behavioural dynamics (b) Integration  
(c) Uniformity of application (d) Universality of objectives

#### Answer key

| Q | Ans | Q | Ans | Q | Ans | Q  | Ans | Q  | Ans |
|---|-----|---|-----|---|-----|----|-----|----|-----|
| 1 | b   | 4 | d   | 7 | a   | 10 | a   | 13 | c   |
| 2 | d   | 5 | c   | 8 | b   | 11 | a   | 14 | a   |
| 3 | d   | 6 | d   | 9 | b   | 12 | b   | 15 | c   |

## CH-2 Organisational Behaviour

### Topic 1 — Organisation and Organisational Behaviour

An **organisation** is a structured and coordinated group of people working together to achieve **common goals** — businesses, non-profits, government agencies, educational institutions and others.

- **Meaning** — **Organisational Behaviour (OB)** studies how **individuals, groups and structures** within an organisation interact and behave.
- **Scope** — It covers their behaviour, attitudes and actions at work.
- **Impact** — It also studies the impact of this behaviour on the organisation as a whole.
- **Aim** — It shows how organisations can be managed and structured to raise **productivity, employee satisfaction and effectiveness**.

### Topic 2 — Organisation Charts

- **Meaning** — An **organisation chart** is a visual representation of the **hierarchical structure**.

- **Content** — It shows formal relationships, roles and reporting lines among positions, departments and individuals.
- **Purpose** — It shows the **chain of command** and the overall layout.

| Type                       | Shows                                                                       |
|----------------------------|-----------------------------------------------------------------------------|
| <b>Master chart</b>        | Comprehensive overview of the <b>entire</b> formal organisational structure |
| <b>Supplementary chart</b> | Detailed view of a <b>specific department</b> or major component            |

### Topic 3 — Formal and Informal Organisation

| Formal organisation                                                                                 | Informal organisation                                                                 |
|-----------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Structured, planned arrangement of roles, positions and relationships                               | System of <b>social relationships</b> formed when people meet, interact and associate |
| <b>Officially recognised and documented</b> — hierarchy, reporting lines, responsibility, authority | Arises <b>within</b> the formal organisation spontaneously                            |

### Topic 4 — Organisational Structures

| Structure         | Basis                                                                            | Key features                                                                                                                                                      |
|-------------------|----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Functional</b> | Similar functions or tasks                                                       | Departments such as finance, marketing, operations, HR                                                                                                            |
| <b>Divisional</b> | Self-contained <b>strategic business units</b> , each producing a single product | Each division has its own functions, resources and sometimes culture; controlling authority focuses on <b>results</b> , coordinates and provides support services |
| <b>Matrix</b>     | Combination of functional and project structures                                 | <b>Dual reporting</b> — employee reports to more than one manager; staff return to original jobs when the project ends                                            |

#### Matrix structure — advantages and disadvantages

| Advantages                                                                                 | Disadvantages                                                         |
|--------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|
| <b>Enhanced expertise</b> — specialists from different functions give innovative solutions | <b>Conflicting priorities</b> between functional and project managers |
| <b>Flexible resource allocation</b> to changing project needs                              | <b>Role ambiguity</b> — confusion about whom to report to             |
| <b>Cross-functional collaboration</b> and knowledge sharing                                | <b>Complexity</b> and bureaucracy from multiple channels              |
| <b>Skill development</b> — employees become versatile                                      | <b>Communication challenges</b>                                       |
|                                                                                            | <b>Decision delays</b> — consensus needed among many stakeholders     |

### Topic 5 — Person-Job Fit

- **Goal** — The ultimate goal of HR managers is the right **job-person fit**.
- **Meaning** — Employees should be well suited to their roles.
- **Benefit** — Recognising employees' diverse capabilities and experience improves fit, **satisfaction** and organisational success.