

**Economizing Human Resource Management Activities, Through Innovative Practices - A
Descriptive Study**

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Abstract

Human resource management has been evolved as a top most support function of any organization and budget for this department has been increasing during the recent years in the various industries. Innovative HR practices have been defined as unprecedented ideas of cost reduction in the area of human resource management with the aim of achieving improved organizational performance, recognized and implemented by human resource practitioners. HR accounting is new area of accounting which has been developed during the recent years to evaluate investment in HR practices and measure the returns. Due to financial constraints like other departments, Human Resource Department is also facing pressure to curtail the labour cost of the organization. Cost cutting has been a prime focus for organizations these days. It's not easy to implement cost cutting in the area of human resources because it may affect the level of employee satisfaction and motivation directly, though managers are evolving some innovative ideas to cut the labour cost of the organizations without affecting the morale of the workforce. In this research paper, some area of human resource management where cost cutting & rationalization is being implemented like recruitment, contract labour management, training & development and welfare facilities like canteen along with office management has been discussed. Budgeting structure of organization specially using SAP (Cost centre, GL code) and methods of

savings calculation has been discussed under this study. This research paper will be based on innovative idea of cost reduction in the area of human resource practices & will be helpful for the managers whose performance appraisal depends on cost reduction initiatives.

Key words: Cost centers, GL (general ledger) codes, Reverse Dutch e – auction, contract labour system, HRA.

Introduction

American Accounting Association (1980) has defined HRA as follows: “HRA is the process of identifying and measuring data about human resources and communicating this information to interested parties”

Human Resource Accounting (HRA) is the procedure of categorizing, determining data about human resources and communicate this information to interested parties. HRA involves capturing, processing and presenting human resource management practices and transaction. Human resource accounting induces effective managerial decision making, quality of management practices, prevents exploitation of human resources, increases human asset productivity, improves morale, job satisfaction, performance appraisal, motivation and creativity, etc.

In an organization we can classify expenses into two categories, one is CapEx expenditure which is expected to be a long run productive asset while revenue expenditures are for short term like services, maintenance etc. A cost center is a part of an organization which does not produce any profit but necessary to run an organization. Employees and cost center managers are responsible for its costs but not for the revenues or investment decisions. A cost center can be allocated to a particular department like research and development departments, marketing departments, human resources department, the IT department. If we reduce the cost centers profit of organization will increase but for example, if cost center for an HR department were to be completely cut, key staffing functions and basic business processes will be difficult to perform, which will negatively affect the profit of the organization.

Further, under the cost center of any department, various GL codes (general ledger) are developed for the various HR activities for an HR department. If we talk about cost cutting in the area of HR activated we have to show saving against the budget allotted against the various GL codes. These days managers responsible for particular GL code or specific area of management have to show that how much have they saves form the allotted budget in a cost centre. Most common method for showing the saving in the area of CapEx is a reduction from the lowest offered price to lowest final price. To record the saving in the area of service purchase we have to compare final offer price with the last year negotiated price for the same service purchase. To reduce the cost of support function or service purchase managers have to innovative enough so that they can reduce the cost of contracts and support activities without any negative impact on the employee motivation and employee satisfaction.

HR activities are mostly related to revenue expenditure or service purchase like

recruitment consultants, safety security consultants and service providers, canteen facilities, transport facilities etc. for the cost cutting initiatives HR managers have to focus on service purchases only as CapEx related expenses are not common for HR department.

Literature Review

Kaur et. al. (2014) attempted to evaluate extent of HRA measurement and reporting practices of selected Indian companies. The study was aimed at analyzing these companies and ranks the companies on the basis of the extent of disclosure of HRA information in annual reports of companies. The study was based on exploratory research design and secondary data were collected for this purpose. It was revealed that measurements and reporting are highly subjective and the companies are trying to fit available model for the valuation of HR as per their own requirement.

Cherian and Farouq (2013) examined the relationship among HRA and organizational performance and a study was conducted on reviews in the field of Human Resource Accounting. It was found that company management and in addition to HR professionals were not willing to execute HRA. Further, it was revealed that organization faced several challenges during the HRA implementation but disclosures on human assets acted as evidence for wealth creation and helped in calculating the human resources capital, worth of management development and enhances the value of management accounting.

Jiang et al., (2012), told that different HRM practices are seen as valuable to stimulate and support creativity mainly through enable freedom among employees, which hence improve innovation processes.

Badiyani (2012) described the brief history and the popular models of assessing the value of human resources in the organization. It was found essential for an organization to consider its human resources as an asset. The gradual developments have been observed in the field of human resource accounting and new approaches and models were given. Different organizations were found using various models according to their need and the nature.

Hosseini (2012) in a research studied the concept of human resource accounting and found that the promotion of human capital and its effect on different aspects of organization operation and in more extended level on economic and social development was not hidden for everybody. Promotion of this capital was found including a collection of competences for Applying knowledge and skill for achieving to results of programs. Creativity, flexibility, capability of conducting, solving problem and making creative relation with others, job making and complex skill such as knowledge of manner of learning were the features embracing in the competences.

De Leede and Looise (2005) told about innovation and human resource management practices. There are plethora of literature where both innovation and human resource management had been discussed separately but with the fusion of both the concepts lot of cost reduction can be done in the area of human resource management.

Lee Brummet, Eric Flamholtz and William C.Pyle(1968) developed Historical Cost Approach, according to them, the cost incurred for recruitment, training and developing the employees should be capitalized (converting the expenses into capital investment or asset) and total amount capitalized is then amortized (gradually reduced) over the estimated useful life of the human resources.

Hekimian and Jones (1967) developed Opportunity Cost Approach, according to them “an opportunity cost exists for all human resources that are in short supply and basically any decision that involves a choice from more than one alternative has an opportunity cost”.

Objectives

1. To examine and identify the budget allocation and savings methods in HR department.
2. Identify cost reduction ideas for HR practices in the manufacturing industries.
- 3.

Research Methodology

This research paper is conceptual study. To gather the cost reduction ideas from manufacturing industry researchers conducted interview with managers of organization like Tata Motors Ltd Lucknow & Pantnagar & Asian paints Noida.

HR Activities and HR Practices

The HR Purpose contains two important areas, HR Activities and HR Practices. HR specialists are supposed to support an HR Department to activate in an updated style within a organization. While HR practices includes habitually the strategic processes of HR, entails planning, implementing, and managing recruitment, as well as selection, training, career, and organizational development initiatives within an organization.

An HR activity comprises the day-to-day processes elaborate with successively a HR Department.

Accordingly, the human resources activities are gloomily diverse from HR practices. While HR activities are elaborate of transactional activities that can be felt either in-house or by outsourced, they are the day to day activities that are carried out within an HR Department like recruitment, selection, training, payroll, surveys, employee relations and benefits.

HR practices depend on the implementation of HR strategy; the term “best practices” refers to the HR systems that have an ultimate effect on the workforce and the organization. The Human Recourse practices strategic operations of an organization which include the task and goals of the HR Department with corporate goals and policies. Mostly, HR practices are supported out through employees. That support companies human capital operations. Companies that are highly skilled in core HR practices experience much more revenue growth and profit margins comparing to less capable companies. It is acknowledged that HR practices will encouragement three important outcomes- career, success, employee performance and employee potential. HR activities which allow the mission and goal of the department to be carried out using activities and

various methods that is readily available and accessible.

It is the When employees within an organization occupy in activities that reflect the strategies developed by HR based practices. There are mandatory activities to be taken care of in human resources department which form an essential part of HR function in any organization.

Some of the fundamental activities are:

- Recruitment and Selection
- Training and Development
- Compensation and Benefits
- Motivation
- Retention

HR activities or HR practices both are supplementary and complimentary to each other to modernize tasks and functions. HR Department is always dynamic with new activities and practices as an organization aims towards continuous development and improvement. HR practices and activities are consequently limited. The human resources function as a complete helps to maintenance both organizational based practices and activities. HR practices to attract best talent, providing them nice environment and platform to work with, which in turn enables the company to retain talents. It is an established fact that differences in HR practices are significant in their effects on employees

Innovative HR activities where cost reduction can be practiced

1. Employee acquisition strategies
2. Employee retention strategies
3. Compensation and incentives
4. Employee Benefits and services
5. Rewards and recognitions
6. Technical training & development
7. Office management

HR activities & HR accounting

Under the HR accounting managers treat all labor costs, including benefits, wages, training, recruiting as expenses. Concept of HR accounting can be understand with dimensions.1. Cost of human resource 2. Benefits of human resource or increase in productivity.

Human capital is most important factor of production among other factor of production like raw material & finical capital. While adopting the accounting theory the long-term nature of capital assets and natural resource reserves, the current accounting system masks labor's long term contributions to the organization. The accounting methodology has addressed current trends in the economy regarding non capital assets, with a general change toward a market-to-market.

Innovative ideas to cut the cost in the various areas of HR department

Under this research, study researcher identified some area of HR functions to observe cost cutting ideas which are being practiced by some organizations like man power management, Canteen facilities, training of employees, Health care facilities and office management.

1. Man power management:

Man power is one of the most important factors of production. To cut the cost of hiring, organizations outsourced the process and HR consultancies came into the light. Initially, these consultancies proved to be very useful in cost cutting but now a day commission of these consultancies are increasing day by day. To cut the cost of HR consultancies managers are again going for traditional ways of recruitment like **campus placement and employment exchange**.

To cut the man power cost organizations are adopting **five days working** with extended daily working hours. This move may save operational expenses of full one day like transport, canteen, and electricity. This practice can be adopted very easily in the manufacturing sectors because they don't have to deal public directly and can achieve the targets of production with five days working. One another benefit of five days working is that we can utilize this day for conducting employee engagement activities which managers have to organize during the production hours, which contributes to the loss of precious production hours.

There is another way of cost saving initiative the area of HR activities that we can **consolidate the HR activates** together like training schedule with employee engagement activities. This will make training programs more interesting and will reduce the cost of arranging routine engagement activities.

Contract labour system is in fashion these days and every department especially production manager ask HR department for contract workers more frequently. Most of the world class organizations like Tata Motors Ltd have created a separate department known as **PSD (productivity service department)** to increase the productivity of workforce along with justifying the number of the worker is required to perform any task. Consultation with PSD manager before deployment of contract workers in production area can help in reducing the number of workers. If we talk about contract labour system, better negotiation technique like **benchmarking, e- bidding and Reverse Dutch auction** can bring the contract cost significantly low.

Sometime over can also enhance the cost of man power. Without strict supervision, over time induces social loafing and employees to do overtime just to add some more money in their salary slips. No overtime policy will promote productivity as well as will help to enhance work life balance of employees.

2. **Canteen:**

Canteen is most important welfare facility in any organization. Factory act 1948, sec 46 says that factory wherein two hundred and fifty workers are employed, a canteen or canteens shall be provided and maintained by the occupier for the use of the workers. Most of the organization outsource the canteen facility & provide food to their employees free of cost or nominal deduction from monthly salary.

In the area of canteen, organizations can save at two levels

- a. **Operation level** – At operational level of the canteen, we can save money by deploying contract workers instead of regular works to handle canteen related operations. Some organization is following **dual biometric or card punching attendance** system to count the actual number of employee present in the organization and an actual number of the employee who ate food in the canteen to cut the daily cost of canteen contract. Attendance system in canteen will also ensure unauthorized food consumptions. Apart from this energy conservation can save a lot for the organization. Use of **solar water geyser** can reduce a lot of electricity bill while the use of waste food material for making **compost fertilizer** can save fertilizer bills of horticulture.
- b. **Material cost of canteen:** proper negotiation can bring the cost of canteen operation down. Proper **sourcing of local vendors** and collaboration with local farmers can reduce the cost of material for the canteen.

3. **Training & development:**

As any employee joins the organization HR department welcomes him or her with orientation training which does not attract any extra cost because any HR executive can provide the orientation training. Later if the employee has some requirement specifically related to the job, the specialist trainer has to be arranged which attracts a huge cost? SAP and other ERP training or training like Six Sigma are very much costly.

Train the trainer concept can reduce the cost of expensive trainers. Under this concept, we choose the experienced employees who are already trained in the training session organized in past. HR managers can develop teaching and training skills to these employees who can train other employees. There are various benefits of the train the trainer concept like on the training trainer will be available all the time in the organization which will help employees who have some doubts can clear them easily. The outsourced trainer will leave after conducting the training. Apart from that internal trainer must be well aware of organization culture and can train the employees with ease and efficiency.

4. **Office Management:**

Managers are introducing various innovative ideas to reduce the cost of day to day office management. Green HR are methods which may help in saving cost of electricity. Under these initiatives some organizations are installing sensors above the desks of employees, which turns the lights and fans off as soon as employee leaves his or her desk. Under the green HR cost reduction initiative, replacing the traditional lighting and illumination technology of shop-floor and office area with LED technology can save lot of fixed cost of electricity.

Automation and computerization is necessity of any office these days. When any proposal is made for purchase of any service contracts, managers use various forms, comparison and justification reports. Some organizations have developed e- portals to make and store & share these documents with various authorized members of the organization. This method can save lot of papers.

Refurbishing of printer tonner and cartridges can save lakhs of rupees of office expenses. During the year of 2013 Tata motor Lucknow plant saved around 68% of their total expenses of printer and toner cartridges. One another initiative people are adopting to give contract for office printing on per copy basis and rest of the maintenance and purchasing of machine will be responsibility of the vendor only. This initiative can prevent employees from excessive printing by recording employee Id and prints taken by them.

Conclusion:

Human resource management department is the backbone of any organization which provides great support to the organization keeping itself out of lime light. This department deals with the most important factor of production 'people' which requires special treatment. To keep the employees satisfied & engaged HR department has to spend on various activities which do not generate any direct profit. Thus many think that HR department is a burden for the organization. The right combination of employee welfare measures and cost reduction measures can help the HR department in keeping the operation cost low without affecting the morale of the workforce and can support the organization. One thing we should keep in our mind while implementing the cost reduction in the area of human resource management most of the time employees resist the change so we should be aware of the change management. If any cost reduction is affecting the morale of employees in long run, should not be implemented. Methods of saving and vetting by finance department is also evolving year by year, which is creating new challenges in front of managers responsible for GL codes or any support functions. These new challenges are encouraging managers to be creative enough in the area of cost reduction.

Cross functional teams where managers make a team consisting members from different areas of an organization can help in finding innovative as well as practical solutions for the cost reductions initiatives. A team consisting finance personnel & purchase personnel can help HR manager in taking cost reduction decision in the area of HR practices effectively. Finance personnel can also help HR manager in recording the cost reduction transactions which will help managers during the saving & vetting activities at the end of financial year.

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