

Effect of Labor Market on Organization's Resource, Reward & Performance Measurement

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Abstract: The role of the human resource department has changed in the last three decades due to changes in the labor market. Earlier the role of HR Manager was to just recruitment & firing but with the new regulatory laws in place, the role of human resource department is changed only from recruitment & firing to selection, training, retention, safety, career planning & strategic planning for the company. Now the HR Manager is working as a strategic business partner who works towards meeting the organization's strategic objective. HR Manager's role is to reward & motivate the employees in such a way so that this reward system will meet the organization's overall business objective. The role of HR Manager has changed from recruitment to strategic business partner.

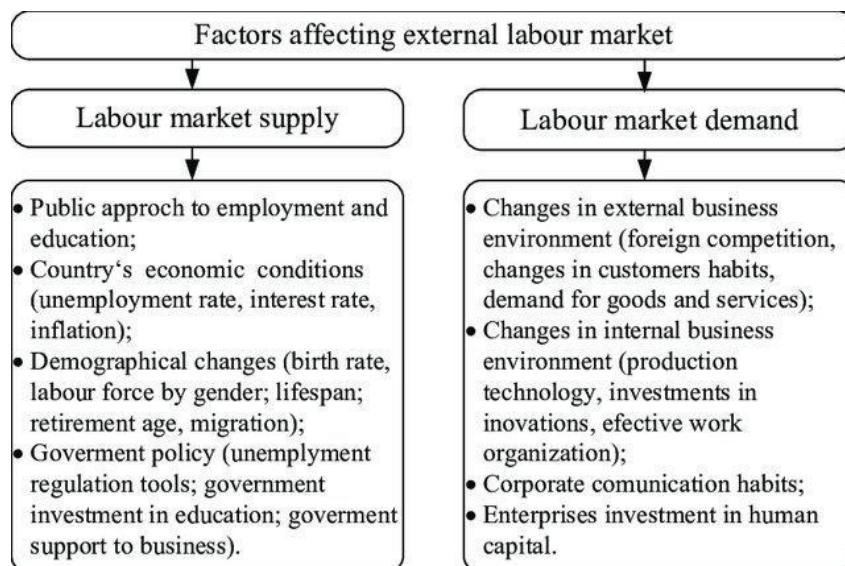
Key Words: Human Resource Manager, Labor Market, Strategic Business Partner, Recruitment, Reward, Performance, Motivation.

1. INTRODUCTION:

The labor market changed dramatically in the last three decades because of sudden recessions, technological changes, new skill requirements, government policies, globalization, socio-cultural issues, and environmental factors. The world is evolved in the last three decades and organizations are moving towards cost-effective, strategically oriented labor who can help in meeting the organization's long term objectives. Organizations are using different techniques in hiring labor for different tasks. The requirement of labor can be skilled, semiskilled, or unskilled based on the task assigned. Labor can be rewarded basis on the monetary or nonmonetary terms. HRM plays an important role in resourcing, rewarding, and managing the performance of the employees.

2. FACTORS AFFECTING LABOR MARKET:

Over the past three decades, the labor markets changed because of the number of issues, which altered the way the HRM department of the organization used to work. As per (Morris, 2004; Kalleberg, 2006), There are changes in the economically active composition of populations, changes in demographics, fluctuation in unemployment rates, restriction in legal policies and changing requirement of different skills. There are other factors, which also affected the labor market.



Vilda Gizienea , Zaneta Simanaviciene,(2014), The Impact Of Human Capital On Labur Market

There is a change in societal attitude to education & work. Now a day there is an increase in participation & acceptance by female workers, which is changing the way HRM has started to work. Regional, national, & international economic conditions are also affecting the labor market & because of globalization, it is more competitive over the last three decades. The level of unemployment is also increasing because of different factors such as the recession. The impact of the cost of living because of increasing inflation, interest rates, and exchange rates also affecting the labor market, & both the parents have to work to meet the expenses. Demographically labor market is changing because of increasing life expectancy, reduction in birth rate, and other associated changes. The movement of labor because of different international agreements & different Government policies both international & national also affected the labor market. Over the period, new employment regulations have come up. There is a huge investment in education & training of labor, an increase in the skills of labor & different industrial policies and different social policies are affecting the labor market.



Dynamics of External Environment of HRM

Some other factors affect the overall labor market. There are changes in the external business environment which leads to an increase in consumer demand for specified goods & services such as in the case of Covid-19, the use of masks & sanitizers increased. Changes in the internal business environment such as technological advancement & innovation. For example use of automation in the manufacturing and service industry. Restructuring of labor because of merger & acquisition in the case of Nokia merged with Microsoft. Restructuring because of business diversification from manufacturing to the service industry.

These are some of the major factors which affected the overall labor market globally. HR Managers has to study the trends regularly and should evolve themselves with new techniques and process, by which they can be more effective in terms of overall strategic planning of labor, reward, and performance management.

3. RESOURCE, REWARD & PERFORMANCE MANAGEMENT:

The role of organizations became very large in terms of resourcing labor. Earlier labor was recruited & fired and there was no scope of other factors. However, as the new laws came in place, organizations started to look for a bigger picture in terms of labor selection. Organizations started to look beyond recruiting only & they have started to implement policies for employees' safety, workforce planning according to the task, their training & knowledge enhancements, and career management. Earlier labor was seen as a liability but now it is considered an asset.

To achieve organizational goals and objectives, the organization needs motivated labor. Motivation can be defined as a "set of energetic forces which induces the behavior of the employees to work hard and provide the best results". Motivation can be influenced by rewards but financial rewards are not the single means of motivation. There are other non-financial rewards, which can also influence the motivation & work behavior of the employee (Chiang & Birtch 2007). A reward system is a set of policies, which ensure that organizational goals should be met by using this reward system & employees deliver the results. Motivation can be different as per the need of the employee. As per (Maslow 1954), employee first wants to fulfill physiological needs such as water, food, shelter, second he/she wants safety for him & employment, third is love & belonging & fourth is self-esteem and the last one on the pyramid is self-actualization. Therefore different stages required different motivational factors to get the desired results.



(Maslow Theory of Motivation, 1954)

However, the reward system should be attractive, cost-effective, & fair to everyone. A reward can be fixed pay or variable pay or a mix of both as well as indirect rewards also. There are two aspects while considering the reward. Reward type means it should be a financial or nonfinancial, fixed, or the contingent basis on certain criteria & reward criteria, which means principles & norms on which rewards are formed. For example, team performance, individual performance, or organizational performance as a whole. Reward criteria are further divided into the basis results, behaviors, and competencies.

Perkins and White, (2011) suggest that there four questions to consider when designing a performance-based reward scheme: What is being assessed? Whose performance is being assessed? Over what period? What form does the reward take?

Reward enhances motivation & facilitates, employees, elicit greater work efforts, enhance job satisfaction and commitment, help attract and retain employees, implement a fairer reward system, facilitate organizational change, enable greater employee involvement, communicate information about organizational goals and performance expectations, give greater responsibility to line managers, exercise a degree of control, act as a substitute for direct monitoring of performance.

People spend fix pay & incentive to purchase things they value. Reward whether it is fixed pay or variable pay provides information on achievement, appreciation, or status of an individual or team. There is an importance of the reward received by an individual but also interpreted by the colleagues. (Larkin et al, 2012). Pay differentiation helps to demarcate efforts in the organization and if rewards are small, they do not motivate a person & if it is very high, it may detrimental for the organization because of the behavior of the employee. Pay & rewards help to retain the employees as well as attract new employees to the organization. The labor market is very sensitive to motivation & reward should be planned in a better way. High skilled labor can easily move out from one organization to another because of better pay & reward system.

There are different theories on reward systems such as reinforcement theory & equity theory explained very well how the reward system increases the motivation of the labor market. As per the reinforcement theory, behavior can be changed by the stimulus of reward. As per expectancy theory, past & future both types of rewards motivate the employee to give the best results.

Culture is a set of the same characteristics of a group, which is a differentiating factor from the other group. Cultural values can be summarized in different dimensions. As per Hofstede's dimensions of culture their different dimension based on which culture can be divided into power distance, uncertainty avoidance, individualism vs. collectivism, masculinity vs. femininity, short term vs. long term. However, if structures are bound by cultures, motivation & rewards are affected by cultural differences. Only cultural differences not affecting rewards, government legal policies also affect the rewards.

4. HR EVALUATION FROM RECRUITMENT TO STRATEGIC BUSINESS PARTNER:

Over different decades, the role of HRM is evolving. At the start of the 20th century, HR department function was only recruiting and firing and with regulating laws in place in the 1930s, trade unions came into forces and HRM specialists participated in the negotiation with trade unions and shown the company interest. In the 1960s and 1970s, the role of human resources evolved as recruitment, selection, and training & since the 1980s, HRM has started to work as strategic business partners with an emphasis on the external environment & impact of the labor market transformations.



Human Resource Functions as a Strategic Business Partner

The role of the human resources department has grown further when employees are creating a continuous growing competitive advantage for the organization. (Lobanova, 2009). Because of this reason, the traditional function of personal management is now related to strategy. Earlier HR department used to work as a supporting function for all the other departments but now when setting goals & objectives, the human resource department is being included in the setting of goals & objectives leading to more importance of the human resource department in strategic functions.

As per the researchers, there are remarkable shifts in the role, functions, and competencies of HR Managers. Human resource management plays a vital role in between organization and labor markets & looks for new methods of resourcing, reward & performance management to achieve the objective of the organization. The new function of the HR manager has emerged from just recruitment to analyzing the situation & forecasting based on the trend in the labor market. Because of these shifts from the traditional approach to a new approach, the human resource department has to develop new competencies such as strategic & systematic thinking. By increasing participation in the objective & goals of the organization as business partners, human resource managers are required new skill sets.

The human resource department now performing several functions for sourcing, reward, & performance management. Organization's HR department is performing below activities for meeting company objective:

- ❖ Workforce Planning
- ❖ Human Resource Controlling
- ❖ HR Branding & Employer Branding
- ❖ Equal Opportunity HRM
- ❖ Employee Safety & Health
- ❖ Competence Management
- ❖ Talent Management
- ❖ Labor Relations & Collective Bargaining
- ❖ Career Management
- ❖ Job Design
- ❖ Knowledge Management
- ❖ Generation Management
- ❖ Training & Development
- ❖ Motivation & Retention
- ❖ Performance Management

5. CONCLUSION:

In nutshell, organization human resource functions have evolved in the last three decades from only administrative & recruitment function to strategic business function which effectively ensures recruitment, selection, training, labor welfare & ensures that it's all action should lead to the achievement of company objective. The human resource department is collaborating with top & middle management to implement business strategies as well as focusing on improving the administrative process. HR manager roles are evolved as employees' representative who ensures loyalty and commitment of goals of the organizations by providing employees' feedback to the organization. The HR department also ensures that effective & efficient reward system, performance management helps in employee motivation & which will lead to achieving organizational strategic objectives.

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