



HRM PRACTICES IN THE PRIVATE SECTOR

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Abstract

Introduction – Human Resource Management - employer – employee relationship - private sector - capitalism, free enterprises system, the voluntary exchange economy, the market system, and the profit system - Major Characteristics - Private Sectors & Economic Growth- Private Sector Organizations Performance in India- Conclusions

Introduction

Human Resource Management has as its central focus, ‘managing people within the employer – employee relationship’ and involves marshalling the productive capacity of an organization’s members. Stone suggests the domain of HRM covers the ‘acquisition, development, reward and motivation maintenance and departure’ of employees and typical areas of concern include HR planning and capability audits, recruitment and selection of employees, skill development and training, career progression, performance appraisal, formulating employment conditions and compensation and reward. Further, Wright and Ferris add that HRM is concerned with understanding and interpreting the legal framework and context regulating conditions of employment and employment relations.

In addition, however, effective Human Resource Management is argued to deliver competitive advantage to firms. The ability to achieve this advantage in a rapidly changing and dynamic environment has further extended the focus of HRM to include developing organizational capacity to adapt to changing environmental contingencies. In this way, the effective deployment and management of people within organizations is purported to be a powerful tool to respond to complex and turbulent environments and achieve superior organizational outcomes.

In India, the private sector is said to include any self-employed person or any employer of labour who does not belong to the government or public sector. Put differently anyone who is an employer or self-employed and who does not belong to the government or public sector is believed to be operating in the private sector

The private sector also refers to all economic institutions, business firms, foundations, and

cooperatives etc that are not owned by the government. The private sector enterprises are often described by other names such as capitalism, free enterprises system, the voluntary exchange economy, the market system, and the profit system

Major Characteristics

(a) Private ownership of business: In private enterprise system, business or private enterprises are owned by individuals or groups rather than by the government or society as a whole. The owners of a business has certain rights which include: the right to operate the business with minimum of outside interference, the right to retain control over a large part of the profit generated by the business, the right to compete freely with other businesses for raw materials, personnel, customers, new products, new production techniques etc and the right to enter business freely, either personally or by investment of capital.

(b) Freedom of choice: the managers and workers are free to choose their occupations, to change job, and to negotiate salaries, wages and other benefits. Consumers are free to select the goods they buy with a minimum of government or social pressure.

(c) Private Property: This refers to the right of individuals or group to own and control physical resources as well as personal possessions. The right to private property has been justified on ethical and pragmatic grounds.

(d) Limited Role of Government: In a market economy, government is limited in its economic role but is not entirely inactive. Government functions such as administering justice, protecting individual freedom and providing for adequate national defense is to establish the economic rules of the game.

(e) Profit Motive: The efficiency allocation of resources in a market system is also affected by profit. Profit represents the difference between what a businessman receive for the products he sells and what he must pay to produce and market them.

Private Sectors & Economic Growth

In any economy whether developed or developing, the role of private sector for sustained economic development is always at the forefront. The present global economic experiences reaffirmed the place of the market in accelerating growth process in a sustained manner. For instance, in some transition economies in Eastern Europe and other parts of the world, the conviction that free market allocation through increased private sector prominence, contrary to central planning, guarantees higher efficiency, grows output and ensures better living standards, has been the driving force behind the desire to transform their economies.

The private sector could be activated through many ways and these include expansion of existing businesses, establishment of new companies as well as through the process of rapid privatization and



adequate attention to human capital development. In addition, market-oriented development strategies that encourage increasing private sector involvements in the development process and which limit government's roles to that of facilitating and developing a conducive environment, is another way to grow the private sector. Neo-liberal economic thought stresses the significance of the privatization as the most important factor of successful transition and durable growth. However, in many developing and transition economies, it could be said that it was grass-roots private sector expansion and so-called "organic" privatization and not denationalization that has been the decisive factor in rapid expansion of the private sector. In many of these countries, the contribution of the private sector to overall economic growth has been enhanced by overall liberalization, including free entry into and forced exit from business as well as favourable monetary and fiscal policies. Those policies, in addition, to other ones have encouraged the establishment and enlargement of various economic activities thereby enhancing positive supply response.

In recognition of their critical role in the economy, various policies and other numerous initiatives are usually undertaken by governments to create an enabling environment for increased private sector involvement in the economy. Some of such policies and initiatives include reforms in industrial policy and relevant legislation, adoption of liberal sectoral policies in consonance with overall economic policy as well as the establishment of institutions supportive to the private initiatives.

Private Sector Organizations Performance in India

The private sector in India has been dogged by weaknesses inherent in its skewed structure, indicated by a few multinational companies that are heavily import-dependent. They mostly operate as enclaves and a large segment of essentially, informal sector, small and medium scale enterprises with very little, if any linkage to the huge multinationals and a rent seeking and unproductive culture of over-dependence on government patronage and contracts.

India, though embarked on a periodic development planning exercise as early as the 1960s, failed to realize the importance of private sector and market oriented policy in the process of overall development of the nation till the late 1980s and this resulted to several economic distortions. However, a distinct departure took place in the overall development policy and strategies in the country, particularly after the adoption of the Structural Adjustment Program in the mid-80s and the subsequent deregulation and liberalization of the economy.

Consequently under the new policy paradigm, a liberal policy anticipating greater role of private initiatives in the economy has been in place replacing the controlled economic policies practiced under the Mixed Economic Approach.

The private sector did not live up to expectations, despite the then favourable environment.



During structural adjustment, the private sector was supposed to serve as an engine of growth. Rather sadly, after years of structural adjustment measures the private sector was not able to respond adequately to the desire for increased production, employment and stable prices. The share of manufacturing industries in Gross Domestic Product was still low, while capacity utilization was a little above 30 percent

Conclusions

Clearly, there is growth in the financial performance of private sector organizations. In recognition of their critical role in the economy, various policies and other numerous initiatives are usually undertaken by governments to create an enabling environment for increased private sector involvement in the economy. Organizations in this sector are witnessing increase trend in profitability ratios and recording healthy fluctuations in these ratios. Organizations by their very nature process and transform organizational resources (input) into products and services (output). To measure organizational performance is to measure how effectively and efficiently the transformation process takes place. The prospect for private sector organizations led growth in India is very high. The success of this hinged on all those series of initiatives and policies of the government to advance private sector led growth by encouraging enterprising Indians, to participate in the transformation of the country into an economy that is robust, stable, dynamic, competitive and export-led.

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