



Research Paper

International Human Resource Management and Industrial Relations: A Framework of Analysis

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ABSTRACT:

IHRM is set of organizational activities aimed at effectively managing and directing human resources/labour towards achieving organizational goals. Typical functions performed by HRM staff would be recruitment, selection, training and development, performance appraisal, dismissal, managing promotions and so on. IHRM can be defined as set of activities aimed managing organizational human resources at international level to achieve organizational objectives and achieve competitive advantage over competitors at national and international level. IHRM includes typical HRM functions such as recruitment, selection, training and development, performance appraisal and dismissal done at international level and additional activities such as global skills management, expatriate management and so on.

In simple terms, IHRM is concerned about managing human resources at Multinational Companies (MNC) and it involves managing 03 types of employees namely,

1. Home country employees- Employees belonging to home country of the firm where the corporate head quarter is situated.
2. Host country employees- Employees belonging to the nation in which the subsidiary is situated.
3. Third country employees- These are the employees who are not from home country/host country but are employed at subsidiary or corporate headquarters. As an example a American MNC which has a subsidiary at India may employ a French person as the CEO to the subsidiary. The Frenchman employed is a third country employee.

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I. BASICS OF INTERNATIONAL HUMAN RESOURCE MANAGEMENT

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Definition of IHRM

Boxall, P. (1992) defined International Human Resource Management (IHRM) as 'concerned with the human resource problems of multinational firms in foreign subsidiaries (such as expatriate management) or more broadly, with the unfolding HRM issues that are associated with the various stages of the internationalisation process. (Boxhall, P. 1992).

Mark Mendenhall (2000) sought to be more specific by outlining a number of criteria relevant to a definition of IHRM.

IHRM is concerned with HRM issues that cross national boundaries or are conducted in locations other than the home country headquarters.

IHRM is concerned with the relationships between the HRM activities of organisations and the foreign environments in which the organisations operate.

IHRM includes comparative HRM studies; e.g. differences in how companies in Japan, Thailand, Austria and Switzerland plan for upgrading of employee skills and so on.

Importance of IHRM

The importance of international human resource management is getting increase everyday as we have globalisation and internationalisation over the world. As a result, numbers of the multinational companies are getting increase. According to Brewster et al. (2007), the multinational companies are increasing and there is economic dominance as 80% of the industrial output for the world is produce by the world's 1,000 largest companies. Brewster et al. (2007) also mentioned that as the number of multinational company increases, global transferring is increasing such as sending works between team members of the company based everywhere over the world. In addition, through this trend, diversity is increasing within the organisation and the multiculturalism must be carefully considered by the organisation to utilise its human resources effectively in their organisation.

The one of crucial role of human resource manager is developing effective human resource management policies and practices for organisation such as recruitment, reward, training, development, flexibility, work-life balance, employee relations and communications (Brewster et al, 2007). However, these policies and practices can be varied between national cultures. Rosenzweig and Nohria (1994) argued 'that HR is the area of management most likely to be subject to national differences' (Cited in Brewster et al, 2007).

In these days, many large companies are trying to expand the company from their own country of origin to all over the world. These multinational companies are all facing same issues, which are developing policies and practices for the human resource management in their subsidiary overseas operations. In this paper, as a senior human resource manager of a multinational company in the Great Britain, will be discussed the main factors which will be considered while developing policies and practices for subsidiary in Latin America and also differences of policies and practices between the UK and the Latin America subsidiary operations.

Functions of IHRM

Globalization, the process of integrating a business's operations and strategies across a wide array of cultures, products and ideas, is having an impact on the role of human resource managers. Once concerned with the impact of local issues on employees, human resources must now consider the effects of workforce diversity, legal restrictions and the interdependence between training and professional development on the organization. As such, the five main functions of global human resource management are vital concepts to the strategic operation of a business.

Recruitment

Attracting, hiring and retaining a skilled workforce is perhaps the most basic of the human resources functions. There are several elements to this task including developing a job description, interviewing candidates, making offers and negotiating salaries and benefits.

Companies that recognize the value of their people place a significant amount of stock in the recruitment function of HR. There is good reason for this -- having a solid team of employees can raise the company's profile, help it to achieve profitability and keep it running effectively and efficiently.

Training

Even when an organization hires skilled employees, there is normally some level of on-the-job training that the human resources department is responsible for providing. This is because every organization performs tasks in a slightly different way. One company might use computer software differently from another, or it may have a different timekeeping method. Whatever the specific processes of the organization, human resources has a main function in providing this training to the staff. The training function is amplified when the organization is running global operations in a number of different locations. Having streamlined processes across those locations makes communication and the sharing of resources a much more manageable task.

Professional Development

Closely related to training is HR's function in professional development. But whereas training needs are centered around the organization's processes and procedures, professional development is about providing employees with opportunities for growth and education on an individual basis. Many human resource departments offer professional development opportunities to their employees by sponsoring them to visit conferences, external skills training days or trade shows. The result is a win-win: it helps the employee feel like she is a vital and cared-for part of the team and the organization benefits from the employee's added skill set and

motivation.

Benefits and Compensation

While the management of benefits and compensation is a given for human resources, the globalization of companies in the twenty-first century has meant that HR must now adapt to new ways of providing benefits to an organization's employees. Non-traditional benefits such as flexible working hours, paternity leave, extended vacation time and telecommuting are ways to motivate existing employees and to attract and retain new skilled employees. Balancing compensation and benefits for the organization's workforce is an important HR function because it requires a sensitivity to the wants and needs of a diverse group of people ensuring Legal Compliance

The final function of human resource management is perhaps the least glamorous but arguably of utmost importance. Ensuring legal compliance with labor and tax law is a vital part of ensuring the organization's continued existence. The federal government as well as the state and local government where the business operates impose mandates on companies regarding the working hours of employees, tax allowances, required break times and working hours, minimum wage amounts and policies on discrimination. Being aware of these laws and policies and working to keep the organization completely legal at all times is an essential role of human resources.

Differences between domestic HRM and International HRM (IHRM) are summarized below:

- Domestic HRM is done at national level and IHRM is done at international level.
- Domestic HRM is concerned with managing employees belonging to one nation and IHRM is concerned with managing employees belonging to many nations (Home country, host country and third country employees)
- Domestic HRM is concerned with managing limited number of HRM activities at national level and IHRM has concerned with managing additional activities such as expatriate management.
- Domestic HRM is less complicated due to less influence from the external environment. IHRM is very complicated as it is affected heavily by external factors such as cultural distance and institutional factors.

If, however, a more polycentric approach is taken, then the training may well be far more local, and more in line with the local culture

International Human resource management Employee relations

Human resource management and employment relations are at the heart of any modern organisation. Our Human Resource Management and Employment Relations major focuses on understanding people and relationships at work – what makes organisations work, what motivates employees, and what the future of work could be.

You explore how employees, employers, government and trade unions shape people's experience of work and the outcomes from work. Choose from a wide range of papers to tailor your study to your interests. You can investigate the relationship between strategic human resource management and organisational performance, inequalities in work and organisations, and ways to build inclusiveness in organisational life. You can also explore employment regulation issues, negotiation and conflict management, strategic career management; and work-related injuries and illness, and how to prevent them.

Approaches to international policy across countries

Human resource policies are the formal rules and guidelines that businesses put in place to hire, train, assess, and reward the members of their workforce. These policies, when organized and disseminated in an easily used form, can serve to preempt many misunderstandings between employees and employers about their rights and obligations in the business place. It is tempting, as a new small business owner, to focus on the concerns of the business at hand, and put off the task of writing up a human resource policy. All business analysts and employment lawyers will advise a new business owner to get a policy down on paper, even if it is a simple one drafted from a boilerplate model. Having policies written is important so that it is clear to all what the policies are and that they are applied consistently and fairly across the organization. Moreover,

when issues concerning employee rights and company policies come before federal and state courts, it is standard practice to assume that the company's human resource policies, whether written or verbal, are a part of an employment contract between the employee and the company. Without clearly written policies, the company is at a disadvantage.

Small businesses—and especially business startups—can not afford to fritter away valuable time and resources on drawn-out policy disputes or potentially expensive lawsuits. Having a human resource policy in place from the start can help to avoid this situation. The business owner who takes the time to establish sound,

comprehensive human resource policies will be far better equipped to succeed over the long run than the business owner who deals with each policy decision as it erupts. The latter ad hoc style is much more likely to produce inconsistent, uninformed, and legally questionable decisions that may cripple an otherwise prosperous business. For as many small business consultants state, human resource policies that are inconsistently applied or based on faulty or incomplete data will almost inevitably result in declines in worker morale, deterioration in employee loyalty, and increased vulnerability to legal penalties. To help ensure that personnel management policies are applied fairly, business owners and consultants alike recommend that small business enterprises produce and maintain a written record of its HR policies and of instances in which those policies came into play.

II. REVIEW OF LITERATURE:

Piyali Ghosh *et al.* (2009)ⁱ in their article have studied trade unions playing vital role in maintaining good industrial relations, but also involved adequately in improving the quality of work life of employees. In fact, the welfare of workers appears to be an indivisible component of the functions of trade unions. Finally, the concludes that ones roles considered secondary and ancillary are gradually metamorphosing into an extension of primary functions of unions at the unchahar plant.

Vijay, G. (2009)ⁱⁱ in his article tries to examine the nature of emerging labour relations in the global disintegration. The study argues that it is the control over value that determines the choice of the social mode that determines control over generation of value. It is not a value chains but value cycles that generate different social modes of production relations. Finally, he has concluded that overall social development and poverty reduction in underdeveloped economies are ridden with vulnerabilities and insecurities, traditional and new social hegemonies, structural dependencies. Crude and cruel forms of coercion operating in an unequal structure of accumulation and value cycle require more than mere innovation, or co-operation of capital, or improvement of competencies.

Venkat C.S. Ratnam (2002)ⁱⁱⁱ in his article has made an attempt to discuss the globalisation and labour-management relations Dynamics of change. The study is mainly based on the change perspectives and emerging issues in employer-employee relations in industry which have arisen as a result of economic liberalization and globalization. Globalisation has been defined as both a description and a prescription. As a description, it is widening and depending of international flows of trade, capital, technology and information within a single integrated global market. As prescription means the liberalization of national and global markets in the belief that free flows of trade, capital and information produce the least outcomes for growth and human welfare. However, any process of liberalization benefits countries that are efficient producers. There are divergent views regarding the relationship between globalization and economic development.

Gurdeep Singh Batra and Bhatia, B.S. (1993)^{iv} in their article has tried to examine dynamics of industrial relations. The study is based on management and labour appears to name different interests. Yet basically their interest is inter linked and both have to depend on the prosperity of the organization. It is imperative, therefore that relations between management and labour should be based on mutual respect and understanding. Then the differences and even conflicts need not necessarily produce bitterness and hence relations, if they are settled through negotiation

Objectives:

1. To Examine the key issues in labour relations as they related to multination firms and to compare industrial relations systems.
2. To identify the similarities between human resource management and industrial relations and in the domestic contest and require modification of the international human resource management and industrial relations practice by the multinational corporation
3. In order to overcome the barriers to effective international regulations for making active industrial relations.

Industrial Relations:

The term “industrial” is meant to include the labour-management relations that exist in service industries and in public service. In this sense, the term “industrial” is not meant to be limited to industry like, manufacturing, but harkens back to an older meaning of industry which refers to the way a person earns a living. Hence, “industrial” in industrial relations system refers to the workplace whatever and wherever it is.

“Industrial relations” may be defined as the processes by which human beings and their organisations interact at the workplace and, more broadly, in society as a whole to establish the terms and conditions of employment. Thus industrial relations system is seen to involve important aspects of the social, economic, and legal systems of a country as they relate to the industrial workplace and the relationships among employees and managers.¹³

Industrial relations are viewed as the “social relations” in production¹⁴. The term industrial relations,

in its broader sense, include the relationships among employees, their unions, managements and government. It is clear from these definitions that the term industrial relations was originally used as employee-employer relations. With the organisation and development of trade unions, the term industrial relations denotes the relations among employees, employer and trade unions. Later, the government started modifying, regulating and controlling industrial relations when industrial relations ceased to be private relations between employees and employer. Further, the term industry is no longer confined to small segment of economic activity but has come to include all gainful employment including service under state.¹⁵

The objective of maintenance of industrial peace is not to find out ways and means to solve conflicts or to settle differences but also to secure the unreserved co-operation and goodwill among different groups in industry. With a view to drive their energies and interest towards economically viable, commercially feasible, financially profitable.

IMPORTANCE OF INDUSTRIAL RELATIONS

Industrial relations system is one in which relationships between management and employees on one hand and between them and the state on the other are more harmonious. Co-operative and creates an environment conducive to economic efficiency and the motivation, productivity and development of the employee and generates employee loyalty and mutual trust. Industrial relations may be described as being concerned with rules, processes and mechanisms through which the relationship between employers, employees, and their respective representatives, as well as between them on one hand and the state and its agencies on the other, is regulated.¹⁶

The establishment of good industrial relations depends on the constructive attitude on the part of both management and the union. The constructive attitude in its turn depends on all the basic policies and procedure laid down in any organisation for the promotion of healthy industrial relations. It depends on the ability of the employers and trade unions to deal with their mutual problems freely and independently with responsibility.¹⁷

Industrial relations seek to balance the economic efficiency of organisations with equity, justice, and the development of the individual, to find ways of avoiding, minimising and resolving disputes and conflict and to promote harmonious relations between and among the actors directly involved, and society as a whole.

VALUES IN INDUSTRIAL RELATIONS

Industrial relations are not an 'objective' science. It is concerned with subjective, value judgements about concepts for which there are no universally accepted criteria. Different individuals and groups have different perceptions of what is 'good'/'bad', and 'right'/'wrong'.

Fairness and Equity

Although the concept of 'fairness' or 'equity' implicitly underlies the entire conduct of industrial relations, it is explicitly associated with considerations of salary differentials and termination of the contract of employment. Equity can be viewed from three different perspectives. Individual equity is the perception of individual employee about the fairness of the employer in compensating him commensurate with his skills and contribution. Internal equity is the perception of the employee about the fairness of the employer in compensating him relative to other employees who are similarly placed in terms of knowledge, experience, skill and performance. External equity is the perception of the employees as to the fairness of their employer in compensating them relative to what is being paid for similar level of knowledge and skills by other organisations in the region.¹⁸

Power and Authority

The concepts of 'power' and 'authority' occupy a central position in industrial relations. The power has the ability to influence, impose, or control. It implies the use of force. Power is a wider concept and can be defined as the ability to influence the others, where as authority means the formal power possessed by, or delegates to a person by virtue of the office he holds in an organisational setting. In the industrial relations context, power is primarily exercised over people in the service of collective interests. People frequently make judgements regarding trade unions having too much or too little power in relation to management and government; or unions having too little authority with in its own organisation.

Individualism and Collectivism

A frequently expressed value in modern industrialised society is the importance of the individual and human dignity. In the employment sphere this is reflected through a belief that employees are not to be treated impersonally. Rather they should be seen as individual human beings each with his or her own aspirations, attitudes, and beliefs, and employees can make a unique and significant contributions to the successful operation of the organisation. This philosophy appears to be at variance with the collective nature or industrial relations to

a great extent.

Rights and Responsibilities

A right is generally defined as 'a just or legal claim or title' or that which is due to any one by law, tradition or nature'. A right is something that a person is legally entitled to form certain other person or persons or the world at large. Perhaps one of the most fundamental 'rights' issues in industrial relations is that of managerial prerogative or managements right to manage. The term responsibility is defined as a 'duty, obligation or burden' or having control over something.¹⁹

Industrial relations system is regarded as comprised of certain actors, certain contexts and a certain ideology, with a body of rules to re-govern the actors at the workplace and community.²⁰

The ideology of the Industrial Relation System in India is governed as anywhere else by the ideological features of the society at large. The actors in the system are:

- The hierarchy of workers and
- The specialised government agencies.

DEFINITION OF INDUSTRIAL RELATIONS

The term "Industrial relations" refers to relationships between management and labour or among employees and their organisations that characterise or grow out of employment.

According to Dale Yoder definition it as "a relationship between management and employees (or) among employees and their organisations, that characterised and grow out of employment".²¹

Dunlop feels that industrial relations are the complex of inter-relations among workers, managers and government.²²

P.H. Casselman defines industrial relations as "the relations between employers and employees in Industry".²³

According to J. Henry Richards on "Industrial relations are the art of living together for purpose of production".

The definition given in the encyclopaedia Britannica underscores the fact that industrial relations cover both individual relations and joint consultation between employers and employees. At the place of work, collective relations between employees and their organisations and the trade unions, and the part played by the state in regulating the relations". The definition has added one more dimension of joint consultation to the subject of industrial relations. One aspect is that of individual or interpersonal relationships among the workers and between the workers and the employers. The other aspect pertains to consultation between the employees and the workers as a process of adjustment. The third aspect is the institutionalised relationships directed towards the regulation of relations. But in its wider connotation, industrial relations cannot merely be confined to common labour-management relations, or employer-employee relations²⁴.

'Industrial relations' may be defined as the process by which human beings and their organisations interact at the workplace and, more broadly, in society as a whole to establish the terms and condition of employment.²⁵

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