

Importance of Human Resource Investment for Organizations and Economy: A Critical Analysis

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Abstract

Human resource is the most crucial asset of an organization. The successful performance of an organization, by and large depend upon the quality of its human resources. The quality of organization's human resources depends upon the extent of knowledge through training and education they have received and their motivational level. Organizations want to utilize their manpower through human resources management. Human resource development (HRD) is one of the most important functions of human resource management. The aim of human resource development in an organization is to maximize the productivity and increase the return on investment of all the organizational stakeholders. HRD is a combination of organizational endeavors including education, training, development, career planning and development that ensure continual improvement and growth of both the individuals and organizations. The foray of workers entering into public and private sector organizations in Baluchistan from various disciplines has necessitated the need for appraising the Human Resource Development situations in Baluchistan. Therefore this article is an attempt to investigate the human resource situations in the province.

Keywords: Human Resource Development, Human Resource Management, Training and Development, Human Resource Capital

Introduction

Human Resource Development is one of the key functions of an organization. It is the framework for the expansion of human resource talent within the organization. Human capital is an inventory of human

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talent, skills and education at the disposal of organizations while human resource development is usually based on the training and educational programs designed to ensure the continuous improvement of both the individuals and organizations. HRD is the systematic process through which employees of any organization learn new and improved skills and talent that can be beneficial for the organizations. HRD is not a defined object, but is based on the series of organized processes with specific learning objectives (Nadler 1984). Human resource development as a theory is a framework for the expansion of human capital within an organization through the development of both the organization and individual to achieve performance improvement (Elwood, Holton and Trott 1996). Human resource development allows the employees to progress in their careers and enables the organization to achieve its goals efficiently and effectively as well. It treats employees as an asset to the organizations whose value can be enhanced through the enhancement of knowledge and talent through education, development. The primary focus of human resource development is on the growth and employee development. Organizations have now replaced use of the word training costs with human resource investment showing human resource as a strategic long term asset of the organization. The investment in employees learning is aimed at progressively upgrading the skills to increase the organization's potential to efficiently achieve its goals. HRD activities aim to unleash the potential that lies within the employees of the organization.

In recent years, ideas and practices relating to HRD have moved beyond a narrow conception of training and development. Many organizations now attempt to take a holistic view that embraces the idea of learning at individual and organizational levels as a source of competitive advantage. Rapid changes in technology and fast changing administrative environment have all contributed to the view that learning is the only strategy to cope with change. The concept of knowledge economy has revolutionized the scope of HRD. HRD has moved out of training department into every aspect of organizational life as many organizations have attempted to become learning organizations.

There has been a growing emphasis on viewing an organization as a total learning system and the strategy of knowledge management. Organizations today rely on intangibles as source of competitive advantage. Further, new technologies typically require organizational changes, which a skilled workforce is better able to handle, (Bresnahan, Brynjolfsson and Hitt, 2002).

Capabilities like organizational flexibility are recognized as a source of value creators with increasing emphasis on innovation, speed

and flexibility and the associated increase in the importance of intangibles, the human resource has become a strategic asset.

Significance of Human Resource Investment for an Organization

Human resource is different in many aspects from other resources of organizations. Organizations' other resources can be hired, retained and discarded at any time but human resource needs special treatment. It needs to be carefully hired, deserve an extra effort to retain it and requires training & development to upgrade and improve its capabilities. Other resources depreciate with the passage of time but when the human resource gains more and more experience, it becomes more beneficial for the organizations. These characteristics have brought human resource to be the central element for the success of an organization. The organizations face a variety of challenges to whether invest on its human capital and then how to retain its employees. Organizations can spend huge amount to train and develop its newly hired employees; the departure of those employees mean the organizations suffer both the financial loss and the employees' loss. The aim of human resource development is to produce competent and qualified employees those who perform assigned job and contribute to the organizations' development and goals accomplishment efficiently and effectively. The quality of people working in an organization determines that how well or poorly the organizational tasks are accomplished. It is fact that the organizations' more experienced and qualified workers look for more lucrative opportunities elsewhere outside the organizations. This scenario has created a new challenge for the management of organizations. It has been observed that switching from one job to other job in the same organization can affect the organizational performance to some extent, but migration of employees from one organization to another, particularly in highly competitive environment can affect the organizational performance to great extent. Organizations attract experienced employees to improve their performance. Organizations can simply invest on physical capital like machines without much concern for their pay-offs. But investment on human capital requires some careful strategy for retaining the human resources after investing on them. Some organizations associate their human resource investment decisions with productivity & growth over a period of time. The simplified equation in such case for human resource investment decision would be:

Human resource investment = Productivity & Growth × Minimum stay
with organization.

Human resources are critical for effective organizational functioning, (David Terpstra, Elizabeth, 1993). ‘Without effective people, it is simply impossible for organization to achieve its objectives’, (George J. Milkovich, John W. Boudreau 1998). Unlike other assets, the human resources of an organization are more dynamic and can easily move from one organization to another organization. They can move their talents, skills, experiences and capabilities acquired through training and development from one organization to another organization easily. Therefore many organizations today avoid investing on their human resources directly but find it fruitful to rather attract the experienced workers from labor market on competitive wage rate. Organizations in a competitive labor market have no incentive for long term investment on their human resources because the trained and experienced workers would be easily competed away by other organization. The trained and developed human resource can impart external economies to the organizations receiving experienced human resources from labor market on competitive wage rate because they can use these workers without any investment expenses. This implies that organizations investing on their human resources will suffer capital loss whenever workers are bided away by other organizations.

Significance of Human Resource Investment for an Economy

When human resources are developed, their Knowledge, skills & abilities (KSA) are built in the society. In economic perspective, it is the accumulation of human capital, the effective use of which can facilitate the development process in the economy. “Development of human resources is unequivocally the first pre-requisite for both individual success and collective national progress” (Azhar, 2004). “More broadly, human resource development contributes to civil liberties, political stability... advancing economic development...” (Coppel, 2006). The development of human resources helps workers to utilize their capabilities and enables them to reach to the height of their professional career to lead fuller and richer lives. The human resource development process also unlocks the door of modernization in the economies. From the economic perspective, investment on human resource development is the key to progress. Countries can move from one level of economic development to another through human resource investment. Creativity and innovations in various professional areas in a country is the core element that determines the potential for being competitive in the world. The emergence of knowledge and its application to the complex social and economic problems is the chief determinant of competitiveness in the world. The quality of human capital determines the pace of development in a country.

Countries which have recognized and paid particular attention to developing their human resources well in time, have been able to pass through different stages of economic development. The knowledge and skills of a nation's workforce and the quality of its infrastructure are what make it unique and attractive in the world economy. Investments on human resource development are what chiefly distinguish one nation from another. A workforce that is knowledgeable and skilled at doing complex things is vital for social and economic development because it is the application of knowledge which determines the productivity of their society. Countries which aspire for the innovativeness require a very long term focus on their investment in human resource training and development. Human resource investments can have the benefits that are more than their costs. The private sector organizations' analysis of investment choices are based in their profitability and return on their investments. But the public sector investment on human resource development policies not only supports this sector but also effects on business investment decisions and determines their success from a wider development perspective. Human resource is the principal asset of every country and is required by all business enterprises and public enterprise for their successful performance. A more skilled workforce also gives business firms a stronger incentive to engage in growth enhancing activities, raising the living standards. However, there is also a danger that the benefits to society and local business community are forfeited to the extent that properly trained and developed workforce permanently migrates. The evidence indicates that this risk is greater in small sized economies. In the larger economies, high skilled workers migration is also indisputable, but its nature is more aptly described as "brain circulation", since return migration is common, likely further benefiting the business climate via new skills and work experience gained while abroad (Dumont and Remaitre, 2005).

Conclusions

Human resource quality is the competitive edge of an organization. Human resource development is the only way to equip human resources of an organization with the skills and expertise required to remain competitive in the challenging world. Human resources are the active agents of a nation who accumulate capital, exploit natural resources, build social, economic and political organizations and carry forward national development goals. Organizations have a choice to invest on their human resources to improve their quality and increase their productivity or to offer investment on their human resources is long term venture the benefits of which accrue to the organizations over a long span of time. This along with training & development requires proper

retaining policy; otherwise the organizations can have loss of money and capable employees. When trained employees leave the organizations it greatly leaves effect on the performance of organizations. Those organizations who offer competitive salary package along with lucrative and conducive working environment attract the best qualified professionals from other organizations without much concern about human resource investment.

For the social point of view, the investment on human resource development can have enormous benefits to the society in terms of economic, social and political stability. In those countries where the public sector have allocated sufficient amount to the human resource development have witnessed a steady increase in their gross domestic product. Every instance of investment on human resources can benefit the economy in one respect or other.

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