



A Survey of Managerial Uses of Human Resource Accounting

KEYWORDS

Decision-Making, Human Resources, Human Resource Accounting, Human Resource Management.

Rakholiya Nisha Rasikbhai

Assistant professor, Shree leuva patel Trust M.B.A college Amreli

Dr. Prashant Makwana

Director, Shree leuva patel Trust M.B.A college Amreli

ABSTRACT

Human resources are truly the most valuable resources a firm can possess because effective utilization of physical and financial resources depends upon quality of human resources. Effective Human Resource Management is important as people produce profit whereas machines and capital merely enhance the profit making capability. Human Resource Accounting is the process of identifying and measuring data about human resources and communicating this information to interested parties. Basically HRA is an information system that tells management what changes over time are occurring to the human resources of the organization. The present paper summarizes the result of the survey conducted to know the perception of managers regarding utility of human resource accounting in their different managerial decisions.

INTRODUCTION

Human Resource Accounting is accounting for people as an organizational resource. It involves measuring the cost incurred by business firms and other organizations to recruit, select, hire, train and develop human assets. It also involves measuring the economic value of people to the organization. Human resource accounting provides monetary data regarding the human resources of the organization that helps the management in taking various decisions. It can be useful in areas of recruitment planning, selection (Flamholtz 1971), allocation of financial resources, conservation of human resources, utilization of human resources (Gupta 1990), creation of a conducive organizational climate and better employee- employer relations etc.

REVIEW OF LITERATURE

Human Resource Accounting information can be useful for managerial decision making in different areas. Many research studies were conducted to prove this. Tomassini (1977) carried out a laboratory study to examine the effects of HRA cost data in personnel layoff decision context. He concluded that HRA cost estimates caused different managerial preferences in the personnel lay off decision context. Gul (1984) attempted to study the usefulness of human resources turnover cost information for labour turnover decision-making in a sample of Australian Accounting Firms. Bayes (1984) conducted an empirical investigation of the effects of HRA information on decision-making. Malik (1993) carried out an empirical investigation to know the impact of HRA information on decision-making. Sen et.al (2008) in their study make a

Scientific investigation into whether HR information has any impact on internal decision-making

OBJECTIVES OF THE STUDY

Human Resource Accounting helps the management in various decisions. Keeping this in mind the present paper is prepared with the objective to understand the perception of the management regarding utility of human resource accounting in decision making.

RESEARCH METHODOLOGY

For the present study, the top one hundred companies from public sector and the same number of organizations from the private sector (as per the Economic Times rating for 2007-08 on the basis of total capital employed) were selected. These organizations have been selected on the assumption that human resource accounting being an emerging field in accounting in India large organizations might introduce it in their annual reports.

To understand the perception of managers regarding the utility and problem areas a questionnaire was mailed to twenty four organizations that are presently disclosing HRA information in their annual reports and others that started HRA system but had now stopped disclosure in their annual reports with a request that only those managers should respond who have knowledge of the human resource accounting system and were associated with the designing of such system. Those companies that failed to respond to the mailed questionnaire were contacted in person to seek their response to the questionnaire.

RESEARCH TECHNIQUE APPLIED

Here Five-Point scale was applied in order to analyze the results. The percentage response for each category was calculated and the various weights assigned to different opinions as per Likert Five Point scale i.e. Strongly agree =5, Agree= 4, Neutral = 3, Disagree = 2, Strongly disagree = 1. The mean scores and standard deviation scores were calculated for the same. The result of the study is summarized in Table 1.

RESULTS AND DISCUSSION

TABLE 1: PERCEPTIONS OF RESPONDENTS RELATED TO VARIOUS ASPECTS OF MANAGERIAL USES OF HUMAN RESOURCE ACCOUNTING

Sl. No.	Response Questions	5	4	3	2	1	Mean	Standard Deviation	Ranks
1	HRA helps in recruitment and planning	15.79%	84.21%	0.00%	0.00%	0.00%	4.16	0.37	2
2	HRA provides measurements for budgeting human resource acquisition & development	15.79%	73.69%	10.52%	0.00%	0.00%	4.05	0.52	4
3	HRA helps in personnel selection process	5.26%	78.95%	15.79%	0.00%	0.00%	4.00	0.47	5
4	HRA helps in resource allocation among various HR development programmes	15.79%	68.42%	10.53%	5.26%	0.00%	3.95	0.71	6
5	HRA helps in providing estimate the cost of recruitment from outside & development from inside	26.32%	68.42%	5.20%	0.00%	0.00%	4.21	0.53	1

6	HRA helps management in human resources conservation	15.79%	57.89%	26.32%	0.00%	0.00%	3.89	0.66	7
7	HRA highlights the loss due to turnover of employees	10.53%	42.10%	47.37%	0.00%	0.00%	3.63	0.68	12
8	HRA leads to alienation	0.00%	0.00%	42.11%	57.89%	0.00%	2.42	0.51	13
9	HRA helps in utilization of HR's effectively & efficiently	15.79%	73.69%	10.52%	0.00%	0.00%	3.74	0.62	10
10	HRA creates conditions to the best treatment of personnel	15.79%	52.63%	26.32%	5.26%	0.00%	3.79	0.79	9
11	HRA helps in performance evaluation process.	26.32%	57.89%	15.79%	0.00%	0.00%	4.10	0.66	3
12	HRA helps in better reward administration	5.26%	57.89%	36.84%	0.00%	0.00%	3.68	0.58	11
13	HRA helps in evaluation of performance of personnel	5.26%	73.69%	15.79%	5.26%	0.00%	3.79	0.63	8

CONSERVATION OF HUMAN RESOURCES

An organization's human resources may take several forms such as technical capabilities of individuals or that of an effectively functioning management team. Conservation of human resources is a process of maintaining the capabilities of people as individuals and the effectiveness of the human system developed by the organization.

The conservation of human resources of an organization is typically a measurement of turnover of rates.

UTILIZATION OF HUMAN RESOURCES

Human resource utilization is the process of using human services to achieve organizational objectives. At present, the management of human resources in organizations is less effective than it might be because it lacks unifying framework to guide it. Managers have neither valid criterion to guide decisions affecting people nor a methodology for assessing the anticipated or actual consequences of such decisions. The criterions of productivity and satisfaction, which frequently underline strategies of human resource management, have not been entirely helpful in coping with the problems of managing people. Similarly, since it is exceedingly difficult to measure the productivity and satisfaction or to assess the trade-offs a manager should be willing to make to increase one by decreasing the other. The human resource accounting can provide framework to help managers utilize human resources effectively and efficiently. The next question seeks the perception of the managers in this regards. 89.48 percent of the respondents agreed with the statement that human resource accounting helps in utilizations of human resources effectively and efficiently and 10.52 percent remained neutral. The question

in this regard was that whether HRA creates conditions for an organizational climate conducive to the best treatment of personnel. The mean score for this question turned out to be 3.79 with standard deviation of 0.79.

EVALUATION AND REWARD OF HUMAN RESOURCES

Human resource evaluation is the process of assessing the value of people to an organization. It involves measuring the performance and promotability of people (Flamholtz 1979). Human resources are typically evaluated by non monetary methods. These methods cannot be used in most of the human resource acquisition, development, allocation and conservation decisions. For that monetary methods of human resource evaluation are needed. HRA can be useful in the

evaluation process by developing reliable methods of measuring the value of people of an organization. They permit human resource management decisions to be made on cost-value basis. The question number eleven concerned with this aspect showed that only 15.79 percent of the respondents are neutral and the rest either strongly agree or agree with the statement. The mean score for this question was 4.10 with standard deviation of 0.66.

Rewards include compensation, promotion and symbolic recompense such as performance appraisal. Human resource evaluation permits rewards to be administered in relation to a person's value to an organization. The mean score 3.68 and standard deviation 0.58 shows the favorable reaction of the managers that human resource accounting helps management to base compensation decisions on the value of people of the organizations.

Human resource accounting can be used to evaluate the efficiency of the personnel management by providing the standard costs of acquiring and developing people. 73.69 percent of the respondents agreed with the statement and 5.26 percent strongly agreed.

CONCLUSION

On the basis of the mean and standard deviation calculated for the various aspects of managerial uses of human resource accounting we can conclude that the usefulness of the human resource accounting in providing the estimates of the cost of recruitment from outside and development from within is perceived to be highest. The second best rating was assigned to the help provided by the human resource accounting information in recruitment planning. The calculation of human resource value helps in performance evaluation of employees got the third highest ranking. The least mean score assigned to the question that human resource accounting leads to alienation. The professionals responded to the question were of the opinion that human resource accounting is not responsible for this problem. Table 1 itself gives the overview of mean and standard deviation based on which we can give the weightage to each question.

Finally we can say that the output of HRA system can be used to take a variety of decisions in the area of human resource management. But the number of organizations that have adopted HRA system in India is low as it is not compulsory for the Indian organizations to value human resources.

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