

## Chapter 3

# Legal, Ethical, and Risk Issues in Human Resources

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### ABSTRACT

*Human resources evolved after industrialization when labour welfare became the main social reform across industries. It deals with vast functions like employment, wage and salary administration, industrial relations, organizational planning and development, and employee services for the workforce. Therefore, human resources must frame their policies, rules, and regulations within the legal and ethical frameworks of the nation in which the organization is operating. Adherence to legal and ethical bases define organization's health such as productive efficiency, labour turnover, internal mobility, complaints and grievances, accidents, and other related parameters that indicate profitability, sustainability, social justice, and others. Historical growth and development underwent tremendous changes due to technological intervention in human resource functions. The major push in digital transformation was due to uncertainties and ambiguities resulting from the COVID-19 pandemic that caused changes in structure, workforce, and decision-making processes of organizations globally.*

### INTRODUCTION

Human resources, a modern term for personnel management evolved after industrialization when labour welfare became the main social reform across industries. Thereafter, emergence of trade unions and global competition recognized human resources as the most significant resource of any organization. Human resource management, as defined by Tambe et al (2019) means, 'the acquisition and retention of new skills, capacities and competencies of an organization through its personnel through the use of various management strategies.' Various approaches in human resource have been dedicated and embedded to normative, ideological and socio-political domains. However, Greenwood (2013) suggests that the very idea of human resource management raises ethical considerations that are to be placed as

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‘central warrants.’ Guest (2011) emphasizes the need to embrace ‘rational and material conceptualizations of actor behaviour’ because human resource management is an inherent ethical activity because it is fundamentally concerned with humans (Greenwood, 2013), their behaviours and different ways and methods to deal with and treat them. Further, the risks are high in the human resource management if it does not add serious ethical analyses (Budd & Scoville, 2005) into its domain as firms seek social legitimacy through its behaviour continuously. With such complexities, studies in United Kingdom (UK) and Australia focused on industrial sociology and critical management studies in early 1990s while in United States of America (USA) the focus was on business ethics, applied psychology and organizational behaviour (Greenwood, 2013).

The impact in human resource management such as transformation of workplaces (Ferris et al, 2004), shifts between labour and capital (Mueller & Carter, 2005) and other changes were reflection of Margaret Thatcher and Ronald Reagan’s drive for political, social and economic transformations of 1980s and 1990s (Greenwood, 2013). Thus, the modern human resource management had its origins in USA in 1980s and later spread to UK. Its emergence was mainly contributed to recessionary trends in 1980-82 that exerted considerable pressure in product market and declining power of unions. The economy in USA during these times were facing severe challenges from Japan and comparisons started emerging between the way American workers and Japanese counterparts were managed and handled by companies. In addition, American industries were experiencing declining rates of innovation and thereby it was of utmost importance to reorganize things and create work situations that were free from conflicts and tensions (Armstrong, 2004; Badwel & Holden, 1996; Dankert et al., 1948).

It was during these times that the words like employee ‘commitment’ and ‘empowerment’ became buzzwords in human resource management and it was realized that motivated employees can change the fortunes of the companies. This included involved management styles that responded to market changes and brought success stories of companies like IBM, Hewlett Packard, General Motors and others (Peters & Waterman, 1982).

In the meanwhile, in UK too the emergence of human resource management was driven by economic pressures in the form of increased product market competition, recession and introduction of new technology. It was during this time that the then Prime Minister of UK Margaret Thatcher restructured the economy, which saw a rapid decline of old industries, rise in service sector and new industries based on high-tech products and services. (Bratton & Jeffery, 1998; Badwel & Holden, 1996). This led to policies for privatization, deregulation, shareholder pre-dominance, trade liberalization, deregulation of industrial relations (Muller & Carter, 2005), thus leading to decline in unionization and collective bargaining and rising transformational shifts in intangible aspects of work saw growth in outsourcing and offshoring of jobs. Such changes had impact on occupational health and safety, wage payments, conflict and its management, training requirements, code of conduct and many other ethical rights and wrongs. Such embeddedness helped understand the continuum between ethics and risks along with the need of strong legal relationship because the human resource management worked as crucial point of intersection between society and business (Cappelli & Young, 2010).

Imprints of changes in USA and UK were also felt across various emerged and emerging nations in the world. In India, the need for human resources management was particularly driven when the economy opened to global competition in 1991. The human resource management progress in India had been rather slow as compared to many other countries. One of the main reasons being dominance of public sector undertakings, well entrenched unions and strong labour laws. It is interesting to highlight that even though India had been a latecomer to human resource management philosophy, it has some of the strong labour

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