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BUSINESS REPORTHUMAN CAPITAL REPORTAnumTable of Contents

## ABSTRACT

Understanding human capital and treating employees with planning help organisations and industries to expand and enhance their working capabilities and gaining economic benefits. Organisations are formed under great planning and working. It requires personnel’s knowledge and effective intellectual capital to gain expertise and generate revenue for economies. This report is based on understanding the importance of human resource capabilities and valuing human resources in order to generate wealth for the economy. It also aims to deliver the understanding based on exploring the ways of treating labour class and employees in order to sustain their interest within the productivity and performance. This report will also focus towards the key issues that a manager can face based on the environmental constraints and how these issues create an effect on the performance and structure of each industry/sector and organisation. It also focuses on the Doha Development Round in which the negotiations were done to reduce tariffs in order to give advantage to developing and underdeveloped countries. Based on the importance of personnel management, a contract is also made between employer and employee that help them to know the barriers and expectations from each other. This report is based on complete information about the human capital, its importance and necessity within the industrial development. Moreover, it also helps in knowing the contribution of human capital within the trading activities among cross border relations. It also helps in knowing the value of workforce/human resources within the organisation.

## INTRODUCTION

The formation of any organisation can only be successful when people within the organisation are competent and quick learner. The employees of any organisation play a vital role in the successful development and growth. It helps in sustaining the position and enhancing the internal capabilities that leads to corporate development. Hence, for this, it is essential for organisations train their employees effectively in order to utilise their skills for future sustainable development. Treating employees with care and respect motivates them to perform well and generate better results (Marrewijk and Timmers, 2003). For an organisation, there are several ways to treat employees, which include various benefits, compensations, rewards and promotions. Moreover, not only this, but giving them surety about their job helps them to take an interest in their work. In the organisational development, each department of the organisation plays a vital role. However, to implement effective work environment and grab the interest of the workforce, an organisation needs to fulfil economic and social needs of the workforce and employees. Various laws are made in order to protect the interest of the workforce and employees, but the efficiency of any law depends upon the environmental situation of any region (Marrewijk and Timmers, 2003). Besides managing employees, organisations use a common term that is about people management and managing the human capital. Human capital, for various industries and organisation is one of the valuable assets. It is one of the primary source of generating value for the industry and gaining productivity. Human capital has always given various benefits to the organisations in terms of productive development and market share. In the current era, it is relatively difficult for organisations to hire competent workforce due to increase in wages per hour. Hence, it is getting essential for organisations to train and teach their existing workforce in order to enhance their working capabilities and to expand their scope. It not only contributes to industrial growth, but also helps in the development of the economy (Stevens, 2010). There are some regions where the workforce and people management is specially considered (Europe, the US, so on). In such regions, it becomes essential for organisations and legislative bodies to develop a strong working environment based on strong rules, regulations and culture. These rules help organisations protect the rights of individuals and their intellectual capital, as well. For this, an organisation needs to develop strong HR policies, which include proper recruitment and selection, performance evaluation and control over workforce.

## LITERATURE REVIEW

## TRADITIONAL APPROACH TO ORGANISE THE WORKFORCE INFLUENCED BY NUMBER OF ISSUES

Organisations are formed in order to gain profit and provide customers with product or services. The organisation refers to all forms of co-operations that are formed with the help of several resources. In the formation of an organisation, the basic resources are [1] Land [2] Human capital [3] Machinery [4] Capital [5] Entrepreneur (Ebers, 1999). The members of the organisation are given with certain powers and designation according to their skills and abilities. The decision-making power is given to managers in order to stimulate the employees and make best strategies for future benefit. The managers need to treat the employees in an effective way, so that employee gets committed towards organisation and give their best outcome. The benefits and incentives given to employees help in empowering them. In order to carry out successful business, organisation needs to follow some type of approaches that can motivate their workforce. Therefore, the proper management of workforce helps in carrying out the business more effectively and efficiently. The organisations are influenced by various factors. The factors can be internal factor or external factors. The strategies, objective and approaches chosen by organisation help in achieving their goals and targets. It also directs the work force towards specific task. The factors that can influence on the formation of an organisation and workforce management includes [1] economic factors [2] Political Factor [3] Socio- economic factors [4] structure of the organisation [5] Nature of business and [6] Mission of business (Rookes, and Wilson, 2000). The human capital management approach must be more focused towards managing the human capital effectively. The employee management approach adopted by organisation must include recruitment of employees, payroll administration, performance appraisals, empowerment, training and development. It helps companies in focusing on job that they needed and offering. The traditional approach helps organisations in maintaining their human capital for future sustainability. The recruitment and selection is done through the procedure, which saves the time of managers and results in selecting the suitable employees. The maintenance of employee relation helps in understanding the problems that why any employees are not working effectively. The compensation given to employees empowers them and then they get motivated towards their work. The traditional approach is the practice adopted by organisations only to focus on achieving targets rather than providing an effective working environment (Pearn, 2003). The traditional approach helps in discipline the employees and directing their behaviour towards work. It also results in compromising state of employees because this approach manages the human capital through punishment for misconduct, which results in de-motivation. Moreover, the traditional approach is demanding but time-oriented. The managers focus on optimising the working schedule. The management integrates the employees with scheduling process and workload. The employees in this way feel exhausted and it results in decreasing the productivity. Therefore, the traditional approach of work forces needs to be more effective in order to maintain the productivity of employees.

## Socio- Economic Factor

The socio-economic issues include discrimination, tolerance, racism, living standard and employee behaviour. The productivity of the work force is not influenced by the abilities and their capabilities, but it is also influenced by various factors that motivates or de-motivate them. The focus of employees is towards the organisations and as well as the surroundings. The socio- economic factors play important role in conducting the business and managing the workforce. The socio-economic factor includes the ownership structure used by the organisation. It is based on the income level of the employee. In socio- economic factor the education and abilities of employees are also the basic factor that influence on employee performance (Pearn, 2003). According to Ochoti, Maronga, Muathe, Nayabwanga and Ronoh, (2012), the perception of the workforce also influence due to social factors. Therefore, the workforce morale can be increased by offering leadership program. The socio-economic factor includes the relationship with other colleagues at work place. The conflicts between employees can affect the performance. Therefore, in order to resolve the issues and the problem the organisation can offer training programs and team building tools. The workforce relationship can be encouraged by setting up proper structure. The leadership styles adopt by manager direct the employee towards organisational goals. In this way, employees learn new techniques and accept change in the organisation (Ochoti, et al, 2012). In order to improve the socio-economic factor in traditional style the organisation needs to organise the workforce through benefits and talent acquisition. The performance management can be adopted because it will help in forecasting the employee productivity. Moreover, the traditional approach does not focus more on production and supply chain management. Therefore, due to the lack focus towards these departments the organisation is facing economic problems because of cost pressure and competitors. However, the proper analyses of economic factor can reduce the uncertainty (Kim, 2001).

## Technological Factor

The technological factor can also influence on the workforce management. In traditional approach, the manager does not focus towards technology. They do not adopt new techniques for work management. The employees are working according to the orders given by top managers. Moreover, they cannot adopt any other tool or activity without the permission of the managers. Hence, the limited authority given to employees make them feel de-motivated and they become unsatisfied with the job. In order to keep the employees proactive organisation needs to adopt new tools and techniques to keep their employees engage in work. Moreover, employees must be given authority to do their work according to their own may. The communication must be done effectively, so that the employees can generate creative ideas in order to compete in the modern world. Now a day, organisations are successful due to the adoption of new technologies. In this way, they are rapidly changing their position in the market and gaining employee commitment through technical adoption of strategies.

## CHANGES OVER TIME AND RESPONE OF IT IN DIFFERENT INDUSTRIES

The factors in traditional approach are changing from one year to another. The industrial, agricultural, commercial and public sectors are responding towards these changes according to their own abilities and interest. The practices and strategies adopted by human resources management is based on the value of culture and religion. There are various perceptions and experience of the workforce, which arise from heritage, race, culture and religion. The strategies of workforce management adopted by UK organisation must be different from China or India. Therefore, the strategies are made according to the political, economic, social and technological condition in a country. These factors differ from one place to another (Foster, 2007). It is essential for organisations understand that how social, political, economic and technological factors can influence on their performance of the workforce. These factors can also become barrier if the organisation is unable to evaluate them properly. Whereas, these factors can become effective because it can motivate employees and make them interact with other individuals.

## SOCIO-ECONOMIC ISSUES

In China, the focus of commercial and agricultural industries is about hiring the talented and suitable employees for the organisation. The HR department makes strategies for training the workforce various skills. They are also investing in teaching cross-cultural relationship with their employees. In this way, the employees are working hard in order to benefit their offspring and ancestors. In China, employees do not pay much in their organisation. Moreover, due to social factors the employees are not committed towards their organisation. They are leaving the organisation if any other company is offering them better salaries. In India, the companies are investing in human capital for better growth. However, the issues are faced due to social- economic factors in India. The turnover rate is high in India due to threat. In India, the IT industry is focusing towards competition rather than health of employees. Due to rapid growth in technology, the companies are not stable. Moreover, due to the rigid values and believes the commercial and industrial sector in India is facing problems. The employee behaviour is influenced by the traditional values and they are not able to adopt change easily (Jones, and Spender, 2011). In the EU, the workforce is diverse because of multi-cultural communities in the country. The employees of different culture, religion and generations are working there together for the organisational success. The policies made by human resource are providing employees a harmonious workplace. The proper management of human capital results in high employee performance and business sustainability. However, few of the sectors are still facing issues due to conflicts between society and discrimination.

## POLITICAL ISSUES

In the UK, NHS is facing problems due to serious political issues. The health care of older people is increasing the burden. Therefore, due to this the health centre in the UK is facing financial problems. In the EU, the industrial, agricultural and commercial sector faces issues regarding the immigration (Jones, 1999). The success of an organisation is depending on fulfilling the laws and regulations made by the country. In the EU, the organisations need to follow all the laws even if they do not like it. Few of the organisations do not treat employees with dignity and respect. The trading rules are based on commitment towards liberalisation in international trade. The open and fair-trading policies are resulting in reducing the distortions against dumping and subsidisation. The adopting of Central European Free Trade Agreement (CEFTA) is making the trading activity legal. Therefore, the legal factors are developing change in the financial condition of the country (Chalmers, Davies and Monti, 2010). The organisation carries out import and export in order to make their trading and investment effective. In the modern era, the human capital can be outsourced in order to benefit the society (Bhagwati, 2008). Various organisations have established and outsourced their business and human capital in china because it is the fastest growing country in the world and the labour in China is working hard for success (Kawai, and Wignaraja, 2011). In the US, the North American Free Trade Agreement (NAFTA) is improving the energy firms. The barriers are eliminated and trading system has become more effective. The elimination of non-trading barriers results in protecting the right of products and services. The agricultural goods are imported and exported, which allows organisations to trade freely with other countries (Chambers, and Smith, 2003). The South America Free Trade Agreement (SAFTA) is helping South Asian countries to improve their trading policies and appreciating import and export among other countries. The countries are enhancing industrial and agricultural development through external trade. The organisation in India can easily export raw materials from another country in order to maintain the business. The agreement is benefiting the countries legally, which is bringing integrity and transparency among nations (Hussain, 2009).

## TECHNOLOGICAL ISSUES

In the growth business, the organisation is facing technological issues. The slow adoption of technology can decrease the organisational productivity. The organisations can also become unstable and they are unable in making long-term success. In the industrial sector, safer working environment is necessary in order to prove the job security to employees. In the UK, the technology factor is proving safe working equipments to labour (Rao, 2009). According to Analoui and Karami (2003), in commercial sector the technology is influencing on organisational performance and human capital management. The organisations are focusing on research and development in order to make their unique product and service. In automation industry, there are several technological barriers in order to enter into the market but the proper strategy can reduce these barriers. The organisations can make the efficient production by making proper decisions and adopting error free techniques.

## DIRECTIVES RELATED TO THE LIBERALISATION OF EUROPEAN COMMUNITY (DOHA ROUND NEGOTIATIONS) AND ITS FAILURE

The economic turmoil in many developing countries led an increase in the tariff just to protect national/domestic industries and to generate revenue for economic development and reinvestment in financial programs at domestic level. Based on this intent, countries imposed higher bounding rates for the year 1995 to 2008, which resulted in increased economic cost. Based on the protectionism acts and increased tariff rates, the Round conference was conducted, which was known as the Doha Round. This conference was a failure because it was a consequent rush towards the protectionism. Countries with developing economics protected their domestic industries and ensured trade on higher tariffs where it directly goes to the bound rates of tariffs, which consequently leads to decrease in world trade up to 7. 7%. In more unpretentious situation, where developing countries raised maximum tariffs on their trading in past 13 years, which resulted in decrease in world trade up to 3. 2% (Bouet, and Laborde, 2008). For trade and tariffs, the Doha Round took place on November 2001. This is also known as Doha Development Round (DDR) or Doha Development Agenda (DDA), which is based on the trade negotiations by the World Trade Organisation (WTO). This trade negotiation commenced in November 2001 and the key objective of this round conference was to ensure lower barriers on trading and lower tariffs all over the world that can facilitate countries and industries to generate revenue and enable global trading to reduce economic depression. By the year of 2008, the discussion also took place over other major issues related to economic growth and integration, which include trading remedies, industrial tariffs, agriculture, services and non-tariff obstructions. This trading negotiation took between developing countries (China, South Korea, South Africa, Brazil and India) and developed countries (the United States, the European Union and Japan). This negotiation took place at ministerial level on 2001. However, on July 2008, this negotiation failed to reach to some concession on agricultural importing rules. Due to this clash, it was unexpected to recommence the talk again until the year of 2009. The negotiations within the Doha Round were based on the following issues. However, the purpose of this negotiation was to develop benefits for economies and to raise human capital by analysing and managing the workforce and intellectual property (Daszkowska, 2007): Development issuesRules of WTOMarket (goods) accessOther issues / servicesTrading facilitationThe directives of Doha Round were based on trading as it is mentioned earlier. The EU is one of the significant regions in terms of trade. Since the beginning, the European Community involved in trading activities and played a vital role in global trading, specifically GATT and WTO. Following were the specific directives for the EU in Doha Round Table (Ismail, 2009): Liberalisation of the trading activities of services and other goods to ensure growth and development in trade for economic prosperity; Protection of the European community interest, specifically the industrial communities, agriculture, culture and public service division; Stipulation of framework for the liberalisation based on rules of protecting the society, the environment, protecting the rights of employees and ensuring that countries with least developed should enjoy equitable profit and share. There were two key reasons for the successfulness of the Doha Round. The foremost reason to implement subsidy and tariff is to enhance trading activities, sharing of human capital and intellectual property. Despite the efforts of eight years, this meeting failed and showed lack of interest by ministers based on two major reasons. Firstly, it gets difficult to garner the legal and political support that was needed for sanctions at this meeting. Another reason for which the implementation of the Doha Round was necessary was that it would help in forming a multi-lateral trading policies and practices. Moreover, there was a lack of coordination between the ministers of WTO and regional ministers. The compromise situation was weak and ministers were able to reach to some concrete resolutions (Ismail, 2009). However, the failure of the Doha Round was worrisome because it was creating a barrier to resolve financial crises and unemployment in the EU and the US. This also leads to exacerbate pressures from protectionists. The position of Doha Round by 2008 was standstill, but the Director General Pascal Lamy conducted the meeting on July 21st 2008 based on 153 members who belongs to the WTO, where the draft was prepared based on the compromise. This helped in resolving trade and investment issues faced by domestic nations. This draft comprises of the following points/reasons: Based on domestic support, the EU would cut down its agricultural subsidies up to 80% to 24 Billion Euros and the US would cut down its subsidies up to 70% that are 9. 3 Billion Euros. However, based on the agricultural tariffs, the reduction will take place based on the period of five years, where 80% reduction will be done for the EU, 50% - 60% for other developed nations, and 70% for Japan and the US. Based on market access, the EU would cut down its agricultural tariffs on importing to 70%, compared with the decrease of 36% for the developing nations. However, the Less Developed Countries (LEDs) would not reduce their tariffs. Expectations were also there based on the low custom duties, where the developed nations will be allowed with low custom duties in certain situations in order to protect the 4% of sensitive products. However, reduce on the duty in developing countries was up to 12% for all the products. A mechanism based on special safeguard will be allowed in such countries in order to protect certain goods lest of rise in the imports. The duty on industrial products would be 11%-12% in Brazil and India, and 3% of the developed countries. However, again the negotiation reached to no conclusion because there was no mutuality seen in from the US, India and China on agricultural import. The dispute was on the clause related to the mechanism of safeguarding where the threshold was introduced and above to the threshold the importing countries would allow to increase the tariffs on products, which would lead to fall or rice in the prices. Hence, China and India are in favour of applying the threshold for growth in their trading, but the US industries find it dangerously involves risk from protectionist’s ends. There were various other differences, which include: China refused later on to reduce its duty on agricultural products (three specific products: sugar, rice and cotton in order to raise benefits for human capital. This U-turn created many problems for other developing nations to negotiate and take suitable decisions. Banana issue, where South American goods are decisive of the EU to pertain exorbitant taxes on bananas, which may result in reducing the value of human capital. Cotton issue, in which where there was a dispute with China and African product against the US. The failure noticed in the Doha Development Round reflects that there was weak coordination to establish multi-lateral, commercial and rule-based system. However, currently, it is difficult to predict that when this negotiation will resume. Meanwhile, the clash in the negotiations leads to the propagation of bilateral settlement, which leads to castigating undeveloped countries. This would also lead to lack of raising effective human capital and weak trade liberalisation in the EU.

## EMPLOYMENT CONTRACT AND ITS IMPORTANCE

The employment contract is one of the essential contract done with anyone who is going to be employed or is employed by any organisation/firm/corporation/SMEs and working freelance. It is one of the important documents, which regulates some important terms and condition and certain clauses based on employment. This contract is made between the employee and employer. It specifically stipulates that what be offered by employers in terms of facilities, benefits and based on labour legislations of the state and specifically what an employee is allowed by the company. It clearly defines the policies, practices, benefits and rules of the company along with the labour legislation rules. It also helps in forming a relationship between organisation and employees. The relationship is formed based on management style of controlling (See figure 1) (Marrewijk and Timmers, 2003; Sabirau-Perez, 2000; Honeyball and Pearce, 2006). Figure : Relationship between Employee and OrganisationD: My DocumentsAnum KhanAssignmentsSamiaNewMBA\_MHC1. jpgSource: Marrewijk and Timmers, 2003Based on the nature and type of the job, various laws exist. These laws help in creating a contract that can help an organisation to hire employees (Bell, 2006). Based on the nature of job, there are different employment contracts, which include: Permanent employee contract; Probation employee contract; Fixed-term employee contract; Project employee contract. The key features that are essential for the employment contract for permanent employee include the sharing of written prospective of an employee. The employee acceptance based on the given prospective, then creating a permanent contract with an employee for the job (Moffatt, 2011). The employee based on the probation period also goes through with the employment contract where it clearly mentions that after the probation period (or temporary employee based purely on contract), the employment link to the organisation will be expired, and then it requires new contract. Moreover, the termination of an employee by the employer could take place anytime even during the time of the contract for any reason (such as misconduct, weak performance, any criminal act, incapacity or lack to fulfil organisation's needs) (Dale, 2003). The employment contract with the fixed-term employee is somewhat similar to the contract done with the permanent employment. The difference that is noticed in this employment contract is that it involves the joining and leaving date of an employee because such jobs, an employee joins for specific time and for specific job. Moreover, an employee in a fixed-term contract can get annual leaves because it is one of the basic conditions according to the employment act (Blanpain, Nakakubo and Araki, 2010). The project based employment contract involves mixed features of probation employment and fixed-term employment. This also involves the clear difference of starting and leaving date because an employee is hired for a specific period and for specific projects. Usually, the project time starts from six months and goes to above 12 months. Moreover, in this contract, it is also mentioned that if an employee is unable to give his/her quality time to project and fails to make efforts and to achieve targets on time, then this may lead to automatic withdrawal and the employee will not receive any salary or payments (Blanpain, Nakakubo and Araki, 2010).

## FEATURES TO BE ADDED IN THE NEXT EMPLOYEMENT CONTRACT

The employment contract helps in regulating the specific behaviour of an employee within the society and at the workplace. It defines certain limitations on an employee and violating those limitations may lead to strong penalty and sometimes firing from the job. However, the situation is different for an immigrant where they are bound to follow restriction, otherwise they are penalised or deported. The disciplinary codes, ethical procedures and policies are one of the parts of employment contract that depicts the culture and practices of the organisation and its structure. It also represents the HR practices that an organisation specifically follows. The employment contract gives some empowerment to employees where they feel safe and secure to work within the organisation premise (Persson, 2006). For companies and legislative bodies, it is important to implement these contracts and bring it to practice because if such contracts are not followed, then it will be difficult for law making bodies and organisations to take action against any unlawful act of an employee (Persson, 2006). However, for any act of which the employee is not being informed may conclude that there is no such law exist. Based on the existing contract, there are some additional features that I would advice my next employer to add into the contract: Adding up the clause based on confidentiality within the employment contract is one of the features. This helps in maintaining the confidentiality of an employee, which includes the avoidance to share trade secrets, business strategies, marketing strategies, operations, financial performance and client’s information. Another feature that could be added to the employment contract is based on sharing information about the past job(s). It is seen in the corporate sector that a person at managerial level leaves the organisation and join the rivals where the sharing of information becomes the gossip. Hence, to avoid this employee should sign a contract where s/he is prohibited to share and ask about the internal matters of past jobs organisations. For some technical position, the feature that could be added to employment contract could be the protection of intellectual property of an employee. In any case, an en employee should be assured that his/her intellectual property and skills would not be exploited by the organisation. This can help an employee to develop trust on the organisation and s/he feels safe and protected. In order to ensure the job security, employer should add one more clause based on compensation after the job. This clause explains that in any case of layoffs, the employee will be compensated with some good amount that can help him/her for at least two months. This should apply in the case of firing a competent employee and based on the performance appraisal. For the workforce, in case of any uncertainty or mishap, s/he should be refunded or provided with some good amount that can help their family to live their life. Moreover, some benefits should be given to retired employees, as they were the part of the organisation.

## CONCLUSION

From the overall report, it is concluded that the working culture of organisations and industries depends upon the level at which each region face environment (political, socioeconomic, technical and technological) issues and constraints. This working culture also helps in identifying the role that management plays in dealing with the people within the organisation, which include workforce and employees. The role of the management is influenced by the laws and contracts that are specifically made for the work. Employees at each level of the organisation are abiding to follow those laws and work according to the contract that they sign while joining the organisation. Similarly, these rules and regulations also apply to trading activities. Trade provides one of the sources for people to manage their resources and to share it across borders in order to generate mutual benefits. This is widely done by many organisations by hiring the labour forces from neighbouring countries and giving them employment, which not only generate wealth at domestic level, but also helps in incurring GNP of neighbouring countries. Understanding the performance of the EU and the failure of the Doha Development Round for the liberalisation of the EU committee explains that the sharing of resources were not acceptable to other regions. In the current situation, where the European communities are facing economic development requires more capital and resource generation in order to enhance their industrial performance. The HRM practices in the UK and the resource management within this region is strong, but due to talk of control and proper implementation, it is getting difficult for organisations and industrial sectors to manage their system. However, the EU is strictly to the laws of employment, which restricts them from various unethical acts. Moreover, to raise capital, trading can be one of the vital tools. Ignoring the need of human capital and significance of intellectual capital leads to various challenges for organisations. The corporate goals and economic benefits cannot be achieved unless organisations start realising the tools and effective techniques in managing people within the organisation. The relationship within the organisation and workforce can be strengthened when HR and management contributes to the effective development of employment and good treatment done to them. Managing personnel and dealing with their problems help organisations to overcome weaknesses at national and international level. However, to overcome economic challenges, the integration of the economies through trading practices helps a lot. Reduced tariffs and sanctions help industries to integrate with other industries over cross borders to raise human capital. However, with the rapid growth and advancement, the challenges and threats are rising related to intellectual capital. To overcome this, various employment contracts help the employee, employer protects their ethical and legal interests, and to avoid wrong means to achieve and attain the benefits (Stevens, 2010).