



chapter 1

The development of HRM

Despite the fact that 'human resource management' outwardly appears to be a relatively neutral management term, the language used to talk about it is imbued with ideologies that reflect radical changes in society over time. As understood in the approach we are taking here, innovations in management must be analysed within a framework of existing social relationships and interdependencies in society. The notion that HRM is embedded in society helps to capture and express the importance of culture, national politics, practising law and indigenous business-related institutions, for example employment tribunals, in explaining how work and people are managed. Thus, developments in HRM respond to and are shaped by changes in markets, social movements and public policies that are the products of the economic and political changes in society.

Keynesianism: collectivism and personnel management

The roots of people management can be traced back to the Industrial Revolution in England in the late eighteenth century. However, we begin our discussion on this history with the economic and political conditions prevailing after the Second World War. The years 1950–74 were the 'golden age' of the Keynesian economic doctrine, as evidenced by the post-war Labour government's commitment 'to combine a free democracy with a planned economy' (Coates, 1975, p. 46). It was a period when both Conservative and Labour governments, anxious to foster industrial peace through conciliation, mediation and arbitration (Crouch, 1982), passed employment laws to improve employment conditions and extend workers' rights, which also encouraged the growth of personnel specialists. The Donovan Commission (1968) investigated UK industrial relations and recommended, among other things, that management should develop joint (trade union–management) procedures for the speedy settlement of grievances. The idea that there were both common and conflicting goals between the 'actors' – employers and trade unions – and the state's deep involvement in managing and regulating employment relations provided the *pluralist* framework for managing the employment relationship.

Neo-liberalism: individualism and HRM

In the 1980s and 90s, there was a radical change in both the context and the content of how people were managed. Western economies saw the renaissance of 'market disciplines', and there was a strong belief that, in terms of economic well-being, too much government intervention was the problem. The new political orthodoxy focused on extending market power and limiting the role of the government, mainly to facilitate this *laissez-faire* agenda (Kuttner, 2000). The rise of the political ideology of Thatcherism in Britain represented a radical break from the consensual, corporatist style of government, which provided the political backcloth to this shift in managerial ideas and practices. Whereas it was alleged that traditional personnel management based its legitimacy and influence on its ability to deal with the uncertainties stemming from full employment and trade union growth, HRM celebrated the *unitary* philosophy and framework. Strongly influenced by the up-and-coming neo-liberal economic consensus,

HRM subscribed to the idea that there was a harmony of goals and interests between the organization's internal members. The new approach was therefore to marginalize or exclude 'external' influences such as the state or trade unions.

The landmark publication *New Perspectives on Human Resource Management* (1989), edited by John Storey, generated the 'first wave' of debate on the nature and ideological significance of the normative HRM model. Debate focused on 'hard' and 'soft' versions of the HRM model. The 'hard' version emphasizes the term 'resource' and adopts a 'rational' approach to managing employees, that is, viewing employees as any other economic factor – as a cost that must be controlled. The 'soft' HRM model emphasizes the term 'human' and thus advocates investment in training and development, as well as the adoption of 'commitment' strategies to ensure that highly skilled and loyal employees give the organization a competitive advantage. For some academics, the normative HRM model represented a distinctive approach to managing the human 'input' that fitted the new economic order (Bamberger and Meshoulam, 2000); in addition, being much more concerned with business strategy and HR strategy linkages, it signalled the beginnings of a new theoretical sophistication in the area of personnel management (Boxall, 1992). For those who disagreed, however, the HRM stereotype was characterized as a cultural construct concerned with making sure that employees 'fitted' corporate values (Townley, 1994), even attempting to 'govern the soul' (Rose, 1999). In this way, the HRM model, among both its advocates and its detractors, became one of the most controversial topics in managerial debate (Storey, 1989). The displacement of personnel management by HRM can be seen as the outcome of neo-liberalism ideology, much as the 'social contract' of the 1970s was an outcome of Keynesian economic planning and the 'Old' Labour government-union partnership.