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Human Resources - HR

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12-15 minutes

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human resources (HR), Equal Employment Opportunity Commission (EEOC), health insurance, job satisfaction, COBRA

What is 'Human Resources (HR)'

Human resources (HR) is the company department charged with finding, screening, recruiting and training job applicants, as well as administering employee-benefit programs. As companies reorganize to gain competitive edge, human resources plays a key role in helping companies deal with a fast-changing environment and the greater demand for quality employees.

BREAKING DOWN 'Human Resources (HR)'

A human resources department is an essential, if not critical, component of any business regardless of the organization's size. It is primarily focused on maximizing employee productivity and protecting the company from any issues that may arise from the workforce. HR responsibilities include compensation and benefits, recruitment, firing and keeping up to date with any laws that may affect the company and its employees.

What does Human Resources Mean?

John R. Commons, a pioneering economist, first coined the term "human resource" in his book "The Distribution of Wealth," which was published in 1893. However, it was not until the 19th century when the term was developed to address misunderstandings between employees and their employers.

Research conducted by [The Conference Board](#) has found six key people-related activities that human resources must effectively do to add value to a company. These are:

1. Effectively managing and utilizing people.
2. Tying [performance appraisal](#) and compensation to competencies.
3. Developing competencies that enhance individual and organizational performance.
4. Increasing the innovation, creativity and flexibility necessary to enhance competitiveness.
5. Applying new approaches to work process design, [succession planning](#), career development and interorganizational mobility.
6. Managing the implementation and integration of technology through improved staffing, training and communication with employees.

HR departments are expected to perform human resource management (HRM) strategies. HRM is a strategic and comprehensive approach to managing employees and the organizational culture and environment. It focuses on the recruitment, management and general direction of the people who

work in an organization. HR is also more involved in improving the organization's workforce by recommending processes, approaches and business solutions to management. For example, in IKEA, HR shifted its focus on values and cultural fit rather than skills and experience in recruiting employees.

Outsourcing Human Resource Functions

The HR departments of large companies have been moving away from traditional personnel, administration and transactional functions since the start of the 20th century. These functions are increasingly outsourced to free the department to recommend and implement meaningful and value-adding programs that impact the business in positive ways. Functions typically outsourced include payroll administration, employee benefits, recruitment, background checks, exit interviews, risk management, dispute resolution, safety inspection and office policies. JP Morgan Chase & Co. had most of its core HR functions transferred to its sites in the Philippines. Emerson Electric Co. uses an online HR outsourcing company for its payroll services.

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