Extension Material 1.2

The employee as a resource

From an economic and business perspective, rather than employees being seen as people, people are seen as productive economic resources, or, to use the language of HR, 'human resources'. From this perspective, employees represent an input to the productive process; they are seen as an economic factor of production with a value and a cost. People are employed not because of employer altruism or because they deserve a job, but because they possess valued physical and intellectual capabilities that are needed in the production of goods and services. People as economic resources become, in one sense, commodities. That is, they have a value that expresses their importance to the productive process, which is reflected in the fact that they have a job and are paid a wage/salary. When their economic value as productive resources falls, they may well lose their jobs, or experience pressure for wage/salary reductions. It is more likely that the costs of employees as economic resources become more significant in shaping employers' employment strategies during a recession rather than during periods of economic expansion. But the cost of labour is also a factor in business decisions to offshore production facilities, where companies move from high- to low-cost economies (Reh, 2017).

As a commodity, people have no rights as such, although, as human beings in employment, they enjoy varying degrees of protection from the ability or desire of managers to treat them as a commodity. But even these rights do not prevent managers from terminating the employment contract for reasons to do with changes in the need for, or value of, an individual. As the demand for the goods and services falls, or the costs of production become excessive, the rationale for employing people is removed or is displaced from one location to another.

The current trend towards outsourcing the production of goods and services from the UK and other Western countries to the Far East reflects the economically rational decision of companies to move from employing high-cost workers to employing—at lower cost—workers abroad who may even be more compliant. These economic forces and business imperatives may take time to work through and affect the demand for labour in the UK. Managers may be constrained in how quickly they can respond to them, but only in the most protected of environments can they be ignored for long. However much we want to be treated as people, this underlying dynamic means that we are also a useable and disposable factor of production.

This acceptance that an individual has an economic value commensurate with his/her capabilities partly explains why some people are paid more than others. But does this also mean that some people are more important than others? Does it justify managers treating some differently and more favourably than others whose value to the organization is less obvious? From an economic perspective, the answer must be yes. While we, as employees, all share the same or similar requirements to be treated as human beings, as an economic resource and providers of productive inputs, we do have different values to the organization because the value of our contributions differs. This is an important point because it provides a rationale for the application of differentiated employment policies. Under these, certain groups or individuals are treated differently with regard to rewards, training, development opportunities, and promotion.

Although not well developed in the UK, the emphasis on the quantitative and financial aspects of employment, under which costs and asset values become key employment criteria, is very much part of mainstream HRM in the USA and is recognized as an academic discipline in its own right, with the titles of 'human resource accounting' and 'personnel economics' (Fitz-enz, 2000, 2010).

People as assets

The interest in, but difficulty with, 'seeing' people as commodities and treating them in the same way as other tangible assets is that they do not fit the strict definition of an 'asset'. According to Mayo (2001), employees have to be seen as intangible assets because:

- they cannot be transacted—i.e. bought and sold at will;
- their contribution is individual and variable;
- they cannot be valued according to traditional financial principles.

The inability or reluctance of many organizations to value their 'human assets' can, however, have important consequences. First, managers who are unable to estimate or calculate an individual's worth or value to the organization are also unable to develop HR practices that reflect these differences in employee performance and contribution. This effectively inhibits the development of an individual or of a differentiated approach to the management of people, with the implication that the 'one size fits all' mindset will continue to be adopted, almost on a default basis. Second, returns on investments in training and development will be difficult to calculate because of managerial inability to measure any changes in employee value, through increased competency, that might follow from such an investment.

The re-emergence of this interest in the economic value of people as resources and assets, through the growth in what has been described as the 'expense model' of human resource accounting (Fitz-enz, 2000; Mayo, 2001), confirms the importance to organizations of finding ways of allocating financial value to employees' asset value, and of being able to calculate the value of employing people through the systematic measurement and evaluation of their costs and the value of their contributions. This is by no means an easy task, but it is nevertheless one that is seen as increasingly important if HR is to engage with and support an organization's economic and financial agenda.

The enduring paradox that managers struggle to resolve and which is fundamental to understanding the challenge they face is that employees are both people, with human requirements and sensitivities, and economic resources, with differentiated and changing asset values. This dilemma, faced by successive generations of managers, is perfectly captured by Henry Ford, who once asked why he always had to deal with the whole person when he had only hired a 'pair of hands':

> **Hands were what he hired, but troublesome bodies with querulous minds were what he so often got.**
> (Clegg et al., 2008)

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