
The Current Nature of Human Resource Accounting Predicaments

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Introduction:

Human Resource Accounting was developed in 1691. It was developed once human resource was recognized as an asset. Each asset has an investment to be made and companies were unaware about how much it had invested in brining human resources to work. Even if that was an initial step in accounting human resources, it has not covered the entire gamut. There are several industries and companies that are yet to implement Human Resource Accounting in India, since it is not mandatory as per law.

(Boss, 2018)Observedthat employee attrition had been the highest compared to past ten years. The author stated that human element was missing in organizations. In another sense, one could say that our annual reports talk about machine and materials and leave the human side.The paper tries to bridge this gap by reviewing the past literature on Human Resource Accounting.

Literature Review:

(Flamholtz and Main, 1999)Observed that management thinking had evolved from a product to process and finally it had turned into a knowledge based one. This evolution had prompted the organization to focus on Human Resource Accounting.(Gambling, 1976)Noted that Human Resource Accounting was used by the government to social audit these firms. It would question the firm’s policies on how it is treating the minority employees (women and transgender).

(Monday, 2017)stated that Human Resource Accounting is being shown only as appended information and not as a whole in the annual reports of the company. The author argued that this must change and wholesome information must be presented. (Rani, 2016)and (Naghshbandi et al., 2016)supported it by requesting all the accounting, regulatory and government bodies to issue clear guidelines on implementing Human Resource Accounting effectively in organizations.(Grove and Mock, 1977) noted that the standard set by accounting concepts to measure only that which is monetary in nature does not work here since, qualitative and non-monetary data too needs to be considered in Human Resource Accounting. (Cannon, 1974) insisted that Human Resource Accounting guidelines that are issued must have easier applicability, politically correct and robust methodology.

Human Resource Accounting had a 67.5% impact upon the human resource practices in a banking environment (Dhanabhakyaam and Mufliha, 2016). The disclosure of Human Resource Accounting had an adverse impact on the group relations because the employees stated that Human Resource Accounting information was unclear(Gordon et al., 1977).It was observed that releasing Human Resource Accounting information did have an impact on the pricing of company’s shares(Hansson, 1997).

(Ubha and Joshi, 2006) urged that if an efficient and wholesome Human Resource Accounting could be developed, it will act as a precursor to knowledge capital. (Kashive, 2013) compared and noticed that Indian firms were lagging in terms of knowledge capital disclosure in Human Resource Accounting reports. The author motivated the companies to disclose it stating that it would make both the company and the employees proud in terms of the wealth of intellectual wealth it possesses.

(Rahaman et al., 2013)Suggested that Human Resource Accounting must amortize the costs spent over the service period of the individual and not over a single year. This is because the benefit got out of the individual is long- term in nature for an organization. (Dawson a, 1994)pointed out that there was a missing link between the rewards system of the company with the external rewards market, while Human Resource Accounting reporting was done.(Islam et al., 2013)HumanResource Accounting faces a lack of highlighting current cost, since historical cost method is used. This causes a problem in knowing the current human resource value for any task. Human Resource Accounting was found to be a mixture of both financial and management accounting. Financial accounting by nature dealt with past information and management accounting dealt with future data. The author stressed a need for a clear distinction when Human Resource Accounting data was presented by companies (Trussell, 1976).(Ogan, 1988)stated that Human Resource Accounting helped the managers in deciding whether to lay off a person or not. The employee felt his or her true worth to the company through this information.(Schwan, 1976)found out that Human Resource Accounting did not help in preparing the company to face the challenges and

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opportunities of the future. The net income did not depend on this data. But it was found that the decisions of the investors who observed this data were different. The data was found to have an impact on the operating revenue for the oncoming financial year.(Steen et al., 2011)observed that if goodwill as an intangible asset could be valued as per accounting then the wealth of intellectual capital also can be valued. The author also suggested couplingboth the intangibles to show the real worth of the company. After all, what is a company worth without it's employees?All of us have heard an adage that employees are the assets of the company. True to the adage, accounting used to treat employees as assets. But the author suggested taking them as liabilities so that recording and reporting the accounting information became easier (Theeke, 2005).(Tomassini, 1976)cautioned that any Human Resource Accounting research must take into account three things- information attributes, organization attributes and employee attributes. This is because these attributes changed from industry to industry, culture to culture and place to place. Accounting rules like materiality, objectivity and information disclosure had relevance to Human Resource Accounting. But, accounting rules like prudence, going concern and money measurement did not have any relevance(Trussell and Dobbins, 1976).(Welling, 1977)tried to expand the realms of Human Resource Accounting by bringing in job productivity, job satisfaction and human resource development. The author integrated all of these in setting up a goal for each employee. It was a non- monetary exercise. It was integrated in order to bring in the real worthiness of each employee. It also removed thenumerical biasness that accounting data had. It was ascertained that such a presentation would gain more employee recognition.

Discussion:

The discussion section focuses on the general levelof problems that are surrounding organization in a globalized world. Although India has been a land wherein agitations have happened over labour welfare, labour unions have never urged for implementing Human Resource Accounting. The question to be asked here is whether Human Resource Accounting favors the corporate interest or the welfare of labourers?(Edmond, 1976)was of the view that Human Resource Accounting has been built to benefit the human resources since, the efficiency level of each employee will be maximized through the use of it.(Cannon a, 1974) warned that if the investments that are made do not serve the best interest of the employees, then it would negatively reflect in the Human Resource Accounting reports of the firm.Human Resource Accounting has increased the bargaining power of employees (Ratti, 2012).Human Resource Accounting specifically points out the human resources that are not in use. In another sense, it identifies those people that do not contribute to the welfare of the company. This is in contradiction with the labour unions that support labourers irrespective of whether they are efficient or inefficient. Labour unions view a job as a livelihood for a person whereas companies view it as a cost. The contradiction occurs because for a company, a human resource is an expense or a commodity (Dawson, 1989).The facilities to be provided to the human resources like health facilities, safety facilities and welfare facilities were all seen as company expenses made to sustain human resources. On the other hand, labour unions see it as the right of the labourers to get these facilities.

Companies compare the investments provided with the returns that each employee gives. This puts the employees in jeopardy, since it is not human effort alone, but business environment too plays a role in securing a higher return. A bad business climate is enough to make the returns of the employees to crash.Employees work in groups and not as isolated islands. Many a times a collective initiative is needed to complete a work. In such cases, human resource accounting is a failure, since it accounts for the contribution of an individual employee and not for a group.If work time is measured in Human Resource Accounting, then it is a bane, since new work environment involves work from home option, wherein time cannot be measured. Inter- departmental cohesive work places are being developed and at this juncture it is difficult to track the amount of returns that each department would have made towards the growth of the company.The growing culture of breeding intrapreneurs makes employees into both an owner as well as a worker. This creates confusion over whether to measure their contribution or not. This is a contradiction towards the business entity concept that accounting follows.The employees hired as interns work temporarily and do not add up to the overall growth of the company. It puts a question on whether to account it or not. Outsourcing is the norm of the day and companies cannot account for the services offered by the employees in other companies. The records needed to record travel and food has not been fully fledged. If work space is spruced up, even that cost is added onto human resource, rather than adding it onto the building or if technology is upgraded, even that is added onto human resources. A

prediction can be made on how much a machine is able to produce it's life time. But this is not the case in a human's case. A human being can die, quit the job or retire. This impedes prediction feature of accounting. A replacement takes time and thus causes chaos and confusion if human resource is tested for its future in the organization. In accounting, materials or money can be transferred instantaneously, but mobility of human resources is not possible. On top of all these human resource practice contradiction vis-a-vis Human Resource Accounting, it was found that Human Resource Accounting data was not audited. Unaudited data is obviously an unreliable data. The data was found to not following any standards and were not uniform in nature. This lack of uniformity made it incomparable with other companies (Kaur et al., 2014). Assets can be owned by a company, but there are restrictions in owning a human resource.

Conclusion:

Sl. No.	The nature of lacuna in Human Resource Accounting
1	The root cause was identified at the base of accounting viz- concepts and conventions, which needed a change.
2	The reporting of Human Resource Accounting puzzled managers. Is it a revenue or income? Was it a liability or an asset?
3	Human Resource Accounting became too quantitative that it lost sight of the intellectual capital that humans are made up of. It's not quantity that mattered, but it was quality. This is because like wealth, even intellectual capital was scarce and needed to be recognized.
4	(Turner, 1996) quoted Caplan and Landekich (1974) in stating that accountants have never moved from the traditional conventions of accounting and are still stuck to this age old practices. The author challenged accountants to break free from such conventions and further went onto warn that if not, Human Resource Accounting will turn into a show of pomp rather than a wisdom that come handy to all the users of accounting.
5	(Turner, 2000) warned that Human Resource Accounting was being used as a tool to earn profit whereas it was a tool to managing and enriching the talent resources that companies had.
6	The employees in a company viewed Human Resource Accounting as a tool that pointed out their inefficiencies. The authors stressed that implementation of Human Resource Accounting needs to done in an environment that fostered employees' trust and active communication (Van Den Bergh and Fischer, 1976).
7	The presentation of Human Resource Accounting as an add-on information and not as an essential information for decisions.
8	Companies and employees had a false notion that revealing Human Resource Accounting information would reveal their impotence. This thinking must be changed. Such information must show the opportunity that companies possess with them for the oncoming year.
9	The development of knowledge capital was stranded due to insufficient Human Resource Accounting data.
10	Human Resource Accounting was riddled with past and present data, that it has made confusion for decision makers in striking a perfect balance.
11	The problems of Human Resource Accounting are inter-disciplinary. Therefore, the focus on accounting alone would rid the full essence.
12	Human Resource practices were found to contradict with Human Resource Accounting rules.

The answers to the above lacuna need to be solved before Human Resource Accounting becomes evident in our society. Until then, it will be there as a utopian idea of prioritizing our human value over and above all other material aspects that companies are made up of. The article has used the words 'labourers or workers or employees' regardless of the level that they hold in an organization and has treated them as per se. The authors hope that this article serves well for future researchers who intend to keep the nature of Human Resource Accounting predicament nature in mind whilst undertaking research.

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