CHAPTER 1
An Overview of Human Resources

Chapter Overview

After reading this chapter, readers will:

- Understand the history of human resources in health care organizations, originating from a few scattered tasks to a centralized activity, assuming additional necessary responsibilities as they arose.
- Appreciate the rationale for having a human resources department.
- Describe or formulate the mission of a human resources department or area in a healthcare organization.

CHAPTER SUMMARY

The human resources department provides vital services to any organization. Health care providers are no exception to this rule. The origin of most contemporary human resources departments was an overworked administrator who struggled to hire a sufficient number of employees to maintain normal operations. Organizational growth and expansion of services provided far exceeded the original administrator’s ability to hire employees. Delegating this task created a personnel office. Compensation issues were soon delegated to personnel. As other legal requirements were imposed, the size and complexity of the personnel office increased. The name of the department became Human Resources. Formal college-level training programs for people wanting to spend their careers working in human resources have been developed in recent decades. Contemporary human resource professionals continue to struggle for equal status within the ranks of an organization. The process of change has been ongoing and is expected to continue in the future.
Case Study: Mrs. Jackson’s Dilemma

It is approximately 1930, give or take a year or two. A hospital located in a prosperous town was growing along with its community. Mrs. Clara Jackson was effectively the administrator of the hospital, although it is doubtful that the title Administrator was applied. Hospital administration had yet to emerge as a specialized field of study and a profession in its own right. This hospital had started as many others had begun, as a private clinic owned by physicians who eventually turned their operation over to a community board that would operate it as a not-for-profit institution.

In 1930, few professions were represented in a typical hospital. There were physicians, most of whom were in private practice and admitted some of their patients to the hospital. A pharmacist might have been in attendance at least part of the time as well as a few others working in occupations that later developed into the health professions that are known today. However, by far the dominant occupation in the hospital of that time was nursing. Nurses originally did nearly everything that was required by patients. Because nurses comprised the majority of the staff and the persons who were in the hospital all the time, it was natural for a senior nurse, in this case Mrs. Clara Jackson, to oversee the operation of the facility.

Growth was accompanied by the emergence of specialized tasks and activities such as housekeeping and food service. Despite their presence, Mrs. Jackson remained the principal manager in the hospital. Her administrative responsibilities, however, cut into the time she could spend where she felt she belonged, which was involved in the nursing issues of patient care. The task that especially consumed much of her time was hiring employees. Even though she was able to delegate the hiring of non-nursing personnel to other group supervisors, Mrs. Jackson was often swamped with activities related to hiring nurses. She felt that she was trapped. If she concentrated on nursing, where she believed she belonged, jobs went unfilled and conditions worsened. However, if she gave her full attention to hiring nurses, she had inadequate time available for her professional nursing responsibilities. Her dilemma intensified when the hospital’s sole bookkeeper and paymaster began to complain of having too much work to perform for a single person in keeping up with staff additions and departures. What options were open to Mrs. Jackson in 1930? What options would be available to her today? What other issues or requirements did Mrs. Jackson have to think about in 1930? With what other issues, requirements or regulations would a contemporary hospital have to cope?
AN EVOLVING DEPARTMENT

Common Origins

Many people refer to activities when discussing the duties and responsibilities of a human resources department within a larger organization. Persons with specialized training in human resources often refer to the same activities but use the name function (plural is functions) when referring to the duties and responsibilities. The word function is sometimes applied to an entire human resources group or organization. Using that nomenclature, a human resources department becomes synonymous with a human resources function. In this book, we have tried to avoid using the term function. We raise the issue so that readers will not be surprised when encountering a reference to a human resource function. Throughout this book, we will use the interchangeable terms human resources and HR.

The human resources department, or office, as it is known today, originated and developed in the same manner as other areas of a health care or any other kind of organization. That is, beginning from what now are considered to be a set of fairly narrowly defined responsibilities, human resources originated and grew in the same manner as finance, purchasing, and other organizational areas. Bits and pieces of necessary work that have some characteristics in common tend to be bundled or gathered together. This occurs partly because they are related to each other and partly because their common tasks suggest the need for specialized skills and expertise. For example, activities that involve money, such as paying salaries, paying bills, receiving payments, maintaining bank accounts, and handling investments, have been collected and centralized. Thus, the finance area evolved, and organizations acquired a division or department known as Finance. Activities that might once have been known as accounting, keeping track of money and reporting on its movements, and payroll, dispensing compensation to workers, were bundled under the broader heading of finance, the name ultimately given to the overall managing of money.

Before the title of human resources emerged, the bundled organizational activities related to people were called “personnel.” In what is likely a minority of organizations, this activity remains known as personnel. In some organizations, as the activities related to people have evolved and expanded, the change from personnel to human resources has indicated real changes in overall scope and direction. However, in many organizations, the change from personnel to human resources occurred in name only, with the activities continuing unchanged in depth or breadth. The more preferred title is being used but the scope of activities has not changed.
Development of the Employment Office

Before personnel existed, there was an employment office. Before the emergence of a formal employment office, managers like Mrs. Jackson of the opening case study did their own hiring. In many instances, organizations were extremely small by contemporary standards and the proprietor or most senior worker was often the sole manager. However, as businesses grew and the manager or managers became busier, they acquired help. The first assistance was clerical in nature: a person to assist with hiring.

The employment office came into being in such organizations because of the growth and accumulation of tasks related to hiring. When a sufficient number of these tasks emerged, it made sense to concentrate them into a single department. One of the reasons for bringing these tasks together in one place was to relieve proprietors and managers of the growing burden of work that did not generate revenue. Personnel work is essential but actually does little to produce an organization’s products or services. The two primary benefits of establishing an employment office included freeing managers from the necessity of personally having to find workers and being able to establish consistency in hiring practices.

Initially, two significant activities pertained to employees and their needs. Workers had to be hired, and they had to be paid. Before these employee-related activities became centralized, they were ordinarily accomplished by proprietors or their designees. In some instances, the task of compensating employees became centralized before hiring. Many proprietors established the position of Paymaster. In many organizations, the activities of the paymaster were merged into the newly established employment office. In this way, the new area became known as the employment office. The two primary activities became known generally as “employment” and “payroll.”

The responsibilities of employment and payroll both grew in scope and complexity as organizations were affected by legislation at all levels of their operations. With the introduction of wage and hour laws by state and federal governments and the advent of income tax and Social Security with their requirements for employers to withhold monies from employees, those who hired and paid employees acquired more and more tasks to perform within a business. These new tasks were in addition to complying with the requirements of other government agencies.

In a minority of organizations payroll remains part of human resources to this day. In most organizations of appreciable size, payroll has long been a subfunction of finance. The qualification “of appreciable size” acknowledges the practice by many smaller organizations of having the payroll activities provided by an outside vendor. This is an example of outsourcing. In such cases, the human resources office often retains the responsibility for transmitting necessary information to the payroll service.
Tasks were added to the employment office as needs arose. These additions had one significant dimension in common: all were related to workers and the process of finding qualified people, hiring them, and maintaining them as employees. The employment office finally reached a point at which it encompassed much more than simply employment (and often payroll). Its name became less and less of an accurate descriptor of the department’s activities and responsibilities.

Over time, the employment office began to be known as the personnel department. The title “Personnel Department” was considered to be far more descriptive of what the department’s activities had become. All in all, the label of personnel was appropriate. The word personnel essentially referred to people. All of the responsibilities of a personnel department revolved around an organization’s people.

The Expanding Personnel Department

Other forces emerged and additional external requirements were imposed. Employers began to offer forms of compensation other than wages. Some began to offer these on their own while others were spurred by unions. However, most instituted them as a result of competitive forces. These added forms of compensation came to be called fringe benefits. They imposed additional responsibilities on an organization. People to support the new tasks had to be placed somewhere in the organization. Because they related to employees and their family members, that is, to people, the personnel department was a natural location for them.

In the economic boom that followed World War II, health insurance programs became part of many organizations’ benefits offerings. Government mandates such as Workers’ Compensation entered the picture as statutory benefits. (Workers’ Compensation was originally called Workmen’s Compensation, but its name was changed in the 1960s.) Statutory benefits are those that an employer is required by law to provide. These include the employer’s share of Social Security taxes, participation in Workers’ Compensation and often state-mandated, short-term disability insurance programs. Retirement programs also proliferated, providing more work for personnel.

A major piece of government legislation that caused a great deal of work for some organizations was the National Labor Relations Act of 1935, more commonly known as the Wagner Act. This act provided legal protection to labor unions and made the task of organizing workers considerably easier for unions than it had been. It created a great deal of people-related work for organizations that became subject to union organizing efforts. Once one or more unions were established, their interactions with the employer had to be organized so that business could continue. Some union-related activities, such as running an anti-organizing campaign, conducting
negotiations or administering a contract, were occasionally taken on by line managers. In many organizations, these new activities fell to those who were already in the people business. In contemporary organizations that have unionized employees, an organizational entity known as Labor Relations may exist on its own or as a subsidiary operation within human resources.

Prior to the early 1960s, a typical personnel department was responsible for most activities related to employment, record keeping related to employees, some degree of compensation and benefits administration, and possibly labor relations. Over the years leading up to the early 1960s, personnel departments developed an image of a staff or service group that ran an employment office, kept records, and generally pushed paper. In the early 1960s, however, the importance of the personnel department began to expand. In 1964, personnel departments were required to adopt a significantly expanded and increasingly more important role. The pivotal event in dramatically changing the activities of the personnel department was passage of the Civil Rights Act of 1964. (A more complete chronology of this act and other relevant human rights legislation is contained in Chapter 3.)

Beginning in 1964, the work of the personnel department became increasingly more complex and the level of responsibility involved significantly increased. Much more specific knowledge was required of practitioners working in the personnel office. Specialized education began to develop, and personnel began to grow as a specific professional field. The title of human resources came into being but did not immediately enjoy widespread usage.

Even as personnel work grew more complex, more requirements were imposed on the operation. More and different kinds of problems emerged and additional but different varieties of work had to be performed. The former image of the personnel department, a group of people who found employees, kept files, and pushed paper, continued to prevail. In many instances this older image was reinforced by personnel practitioners who, after two or more decades in the field, were overwhelmed by the tide of change. Their knowledge fell well behind the times and quickly became obsolete.

In academia, personnel administration became a specialized educational field, joining labor relations that had already become a formal field of study. Several new sub-disciplines such as compensation analysis, benefits administration, employee testing and selection began to emerge. In the mid-1970s, the personnel department became responsible for interacting with a variety of external agencies and special interest groups involved in activities such as Affirmative Action, Equal Employment Opportunity, safety, and social responsibility. Many new professionals came from the field of industrial psychology. Others came from programs in management or administration.
Problems with Personnel: Real and Perceived

Most of the personnel practitioners of the mid-twentieth century, from approximately 1945 to 1965, were not educationally prepared specifically to enter that field. When the great majority of these practitioners received their education, most formal training in personnel administration consisted of one or two courses included in other programs of study.

Health care organizations, especially hospitals, were once seen as fundamentally low-pressure environments that offered an escape for individuals who have at times been described as industry dropouts. Many administrators, directors of finance, personnel managers, and others came to work in hospitals from businesses and industries in mid-career. Some personnel managers, for example, left manufacturing and industrial positions for hospital jobs as an escape from union involvement. Their previous experiences in health care working environments were extremely limited. A strong attraction for making such a career change was to escape from unions that, at the time, were not common in health care organizations.

Many of the problems experienced with the image of personnel departments were surely due to the performance and behavior of personnel practitioners of the time. The lack of educational training contributed to the antipersonnel bias occasionally encountered. Many of these persons found themselves in situations that far exceeded their training or experience as the field became more complex and the pressures of the 1960s and 1970s continued to mount.

Many people who spend their entire working lives in one particular job or working environment do not readily adapt to change. Some of the practitioners of the old-school who entered health care personnel work between 1945 and 1965 fell by the wayside as the field became more complex, tougher, and considerably more demanding. Some were unable to cope with unions and the demands of labor relations. Others became frustrated by Affirmative Action and newly introduced civil rights concerns and legislation. In the 1980s, some gave up when they perceived increasing government regulation of benefits as creating a technical and legal nightmare.

Some undeniable image problems related to the personnel department still exist. A minority of senior managers continues to view personnel as a relatively unimportant staff activity that does little more than hire people and file papers. A considerable number of employees view the operations of personnel as a necessary bureaucratic activity that exists primarily for the benefit of a corporation and not for them.

■ WHAT’S IN A (NEW) NAME?

Although today human resources, or HR, is the prevailing name for the department that handles personnel matters, the HR label is far from universally
used. Many departments fulfilling the same overall responsibilities are still called personnel departments. Other names are occasionally encountered, among them employee affairs, employee services, personnel informatics, benefits processing, and others. Most of the uncommon titles reflect a limited portion of the activities that are performed by a contemporary, full spectrum human resources department.

Is human resources more descriptive than personnel? Some experts contend that an organization’s ultimate resource is financial, and an organization uses financial resources to acquire both things (material resources) and people (human resources). Therefore, in an organizational context, human resources means people, as does the older, alternate title of personnel.

Why the Change?

Most scholars of the field agree that personnel became human resources in many organizations for one or more of the following reasons: the new name more appropriately reflects the workload of the department; the change in name improves the image and elevates the status of the work being performed; the new name enhances the professionalism of those who are accomplishing the work.

Did the personnel department become human resources to escape the existing and often negative image of personnel? For some practitioners and organizations, the change was made to overcome the outmoded and limited view of personnel and to gain both professional acknowledgement and a measure of respectability.

A parallel transformation of organizational image occurred in finance. Once there was only bookkeeping, which eventually became accounting as reporting and analytical tasks were added to the simple business of keeping track of money in and money out. As organizations grew there developed the necessity to raise money, invest money, and generally manage money well beyond the needs of day-to-day operations, so the finance function developed. In most instances those narrower money-related activities such as payroll and accounting were brought under the umbrella of finance. This particular transformation is incomplete and far from being universally accepted; many contemporary accounting and finance practitioners are dismissed as number-crunchers or bean-counters. Marketing professionals incur a similar lack of professional respect or identity. Despite extensive efforts to modify their image, many marketing departments are stereotypically referred to simply as sales, a term that has existed for decades and frequently carries derogatory connotations.

Practitioners in every field are required to learn and grow. The alternative is to fall behind and eventually fail. Change occurs at various rates in different occupational fields. In the field of personnel or human resources,
several bursts of change occurred within a sufficiently brief period to impact the career spans of many practitioners.

Bias, whether real or perceived, cannot be overcome by a simple change of name. Neither can respectability be acquired by a change of name. Respect, however, can be earned over time as a new image emerges, one that has nothing to do with the department’s title other than shedding the negativity that some associate with the name personnel. Human resources is taking its place among those activities now viewed as being essential to the success and survival of a modern organization. It required decades to form and solidify the image of personnel as being neither especially difficult nor demanding. The transformation of that image has been underway for years, yet it is far from complete.

Not everyone associated with the field has been enthusiastic about the name change to human resources. One personnel director described the trend to change the name of the company personnel office to the department of Human Resources as “An excellent example of corporate pomposity.”¹ The article argued that employees are human and special, not just another resource similar to real estate or spare parts. As an interesting side note, not long after the article appeared in the professional journal Personnel, the publication changed its name to HR Magazine. Regardless of whether or not one approves of the name change, no title alone will confer respect. That is a commodity that must be earned through performance. When performance is forthcoming, respect will follow.

Here to Stay

For a number of years, human resources has been the growing name of choice for this service activity of an organization. The HR name has been adopted by professional organizations, academic programs and publications formerly designated as serving personnel. This is a fairly good sign that the title of HR will probably dominate for the next few decades.

The changeover of name was most evident during the decade of the 1980s. Surveys indicated that in 1986, some 40% of such departments used the HR designation. Just 42 months later, the proportion using the HR designation was at 60% and still climbing. Also, the HR title was more prevalent in larger organizations, in use in 80% or more of organizations having 2,500 or more employees.²

The title of Human Resources is more prevalent in larger organizations. Professional organizations have also changed their names. The American Society for Personnel Administration has become the Society for Human Resource Management.

A number of additional surveys conducted by professional HR organizations during the 1980s and 1990s seemed to focus primarily on the degree to which the name change from personnel to human resources had affected the status of the department within its organization. Historically,
the position of the head of HR has carried the title of director or manager among supposed peers who enjoy the title of vice president. The head of HR frequently reports to a vice president rather than directly to the president or executive vice president.

The component duties and responsibilities of HR are not uniform across organizations. Changes are being made, but the relative status of HR within most organizations is improving only slowly. Many HR departments remain in stages of transition, and some have made little progress. However, they are changing and continuing to evolve to be better able to address new and more complex responsibilities.

Experts disagree as to the present status of an HR department within the health care industry. However, most do agree on several broad points. First and foremost, HR must continue to evolve so that it can remain current with the changing needs of health care organizations. Next, HR must strive to transcend its traditional reactionary role and adopt a more proactive outlook and approach. Human resources should be available to minimize undesirable occurrences to an organization through the systematic identification of potential problems. The next step is working to avoid them or similar ones in the future.

In addition to performing all of the expected duties in support of an organization’s employees, an effective contemporary HR department serves as a full-fledged partner on an administrative team, participates in organizational strategic planning as a full-fledged member, guides succession planning for an organization, and works as an agent for necessary and healthy change.

Throughout the remainder of this book, the title human resources will be used as the prevailing name for the department or functional area. This use is not to be construed as claiming that any group that is called personnel or another name is any less legitimate than a human resources department. True differences do not reside in labels.

THE FOCUS BROADENS

For all practical purposes, in the first half of the twentieth century human resources in the health care industry essentially meant human resources in hospitals. Until the 1960s, acute-care hospitals were perceived as being the center of the American health care system. Virtually all services provided to people were delivered in a hospital. Those that were not provided in hospitals were rendered in physicians’ personal offices. One has only to look briefly at the different health care provider organizations in existence today to appreciate that human resources in health care is now practiced in a variety of settings and organizations that are both large and small.
Identifying only a small sample of organizations that deliver health care services will help to make an important point. Contemporary components of the health care system include free-standing surgical centers; urgent care providers; community health centers; public health agencies; long-term care providers; groups specializing in imaging, physical therapy, laboratory testing, and other activities; and several forms of medical and surgical group practices of varying sizes. All of these organizations, from the smallest partnership or group practice to the largest acute-care hospital, require the presence of human resources knowledge and expertise. In larger organizations, this expertise is provided by a human resources department. In a small organization, HR expertise may be provided by an in-house individual whose time and duties wholly or partly focus on personnel-related activities. Human resources needs may be outsourced or met by an external consultant who provides them on an hourly basis or whose services are shared among several small health provider offices. Regardless of size, however, human resources needs are essential to organizational operating in today’s health care environment.

■ CONCLUSION

The typical human resources department has grown from a single-person operation into a multifaceted, complex organization. In some organizations, a single person continues to perform all of the needed tasks although this has become an exception rather than the rule. The volume of government regulations has greatly increased in recent decades. The scope of duties performed has also increased. Changing the departmental name from personnel to human resources reflects these developments. People are now receiving specialized training in colleges and universities for subsegments of human resource activities. However, they continue to struggle for professional recognition and equal status with their organizational counterparts.

Returning to the dilemma posed in the initial case study, the first step that Mrs. Jackson took in lightening her load of non-nursing responsibilities was to hire a helper. The selected person was a combination secretary and general assistant who coordinated most of the hiring activities for the hospital. In effect, this helper was the hospital’s first personnel worker. It is likely that the first personnel records section was a drawer in this individual’s desk or file cabinet. At the time, employee hiring was the only element of a personnel worker’s position description or list of job duties. No government regulations had yet been introduced in 1930. The Social Security Act and automatic withholding of employees’ contributions was not created until 1935. Affirmative Action and Equal Opportunity legislation was not enacted until the mid-1960s. The Americans with Disabilities Act added additional duties in 1990.
Mrs. Jackson’s helper was a staff of one that became the hospital’s employment office. Within a few years this office evolved into a personnel department. Mrs. Jackson was extremely relieved to be able to delegate the growing burdens of securing employees and looking after many of their needs. She continued to be involved in employee acquisition to the extent of interviewing potential employees for her own area, but she no longer assumed the responsibility to find and screen all job applicants. Furthermore, she did not have to process them into and out of the organization.

References

Discussion Points
1. Describe how you believe the business of locating, hiring, and maintaining employees was accomplished before the establishment of an employment office. List the activities that were probably performed and who was most likely to have performed them.
2. With specific reference to activities found within health care organizations, describe how three departments or functional areas other than human resources might have evolved in a manner similar to the evolution of HR. In each instance, describe the activities that might have initially existed and then accrued to form the basis of each activity as it is known today.
3. In your opinion, what did senior managers in the past believe were the primary benefits of gathering a variety of employee-related tasks together to form an employment office?
4. In your opinion, what were the two or three earliest changes that influenced the development of a centralized operation to address matters related to employees? Why?
5. Why might some people consider the term fringe benefits to be misleading at best or completely erroneous at worst? Why is the value of these benefits most appropriately included as part of total compensation?
6. Comment concerning the industry dropout phenomenon as it concerned earlier full-time human resources managers in health care. Is the somewhat derogatory label of “industry dropout” reasonably or unreasonably applied? Why?
7. Do you personally agree with changing the name from personnel to human resources? Why or why not?
8. Do you support or oppose the abolition of a central personnel department in favor of having individual managers assume the responsibility for all such activities for their own departments? Why?

9. Do you believe that changing the name of personnel to human resources substantially improved the image of the department or service area? Why?

10. Comment on the following quotation from *Up the Organization* (Townsend, 1970): “Fire the whole personnel department. Unless your company is too large (in which case break it up into autonomous parts), have a one-girl people department (not personnel department).”

   Keep in mind that this passage was written in the late 1960s.

**Resources**

**Books**


**Periodicals**


CHAPTER 1 AN OVERVIEW OF HUMAN RESOURCES


