



Evaluating Human Resource Accounting Practices: A Comparative Analysis of Pre- and Post- Pandemic Period

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ABSTRACT

HRA is a method of identifying and measuring the value of HRs within an organization. The COVID-19 pandemic has significantly impacted HR practices, necessitating a comparative analysis of pre- and post-pandemic periods. This paper attempts to evaluate the changes in HR accounting practices before and after the pandemic period in Indian companies. This research paper is primarily descriptive in nature. Data collecting consists of data that is both primary and secondary. Primary data is gathered through telephone interviews and queries posed to HR consultants, a select industry leaders in HR roles, and working professionals. The secondary data is dependent on the current database. Secondary data is gathered from numerous research papers, journals, and publications from 2018-19 to 2021-2022 financial year, as needed for the study. Understanding the evolution of HRA practices during the pandemic is crucial for organizations to adapt and improve their HR strategies. This paper will provide valuable insights for policymakers, HR professionals, and researchers to enhance human resource management in a post-pandemic world.

Keywords: Pre-and post-pandemic period, Covid-19, Human Resource Accounting information.

1. Introduction

“Human resource accounting is about recognizing and appreciating the worth of employees to the organization.” - Gary Dessler

“HRA, a branch of accounting, focuses on measuring and reporting the value of an organization's human capital” (Flamholtz, 1974). This contrasts with traditional financial accounting, which primarily emphasizes tangible assets. Technology will always assist in making activities easier and simpler, but effective human engagement is required for organizations to remain relevant and competitive. Human resource accounting practices have grown in India, and a significant study has been conducted on the successful use of HRA concepts in corporate growth. Several businesses have voluntarily begun valuing and disclosing the information related to human resources. “The COVID-19 pandemic has profoundly impacted the global business landscape, necessitating significant shifts in organizational strategies and human resource management (HRM) practices” (World Health Organization, 2020). “The pandemic has heightened the emphasis on employee mental and physical health, leading to increased investments in wellness programs and flexible work arrangements” (ILO, 2020).

Organizations throughout the globe were dealing with the COVID-19 epidemic; leaders faced significant problems due to fast changes in technology, goals, and organizational structure. The pandemic will result in a number of new policies, developments, modifications, and exercises through Department of Human Resources changes. Due to the unexpected changes in business practices brought about by the COVID-19 pandemic, human resource professionals are putting in a lot of effort to help and guide employees in adjusting to a new way of working. They also need to be prepared to handle any difficulties that may come up as the organization adjusts to the new routine. Decisions made by human resources provide the basis of how a business's finances will function.

2. Review of Literature

1. **Anjum N., Rahman M., & Rahman S. (2022)**, title “Challenges for HR Professionals in the Post-COVID-19 Era”. The study explained unique issues that any company’s HR department faced during the pandemic. The study was narrative literature in nature. This study identified remote working issues, workforce engagement, preserving work-life balance, and improving employee morale as long-term HRM difficulties in the COVID-19 new normal.
2. **Hlaciuc E., & Rata, D. (2022)**, title “Measuring the Impact of Covid-19 Pandemic Over the Human Resource Accounting and Fiscal Policy”. The purpose of this study is to illustrate the necessity to adapt accounting and tax policies in general, but notably in the sphere of labor mobility.

The researcher highlighted that due to the pandemic's negative effects and very pessimistic expectations for economic entities' performance and profitability, supervisors are inclined to "beautify" financial reports or to apply accounting practices to 'clean' their financial records.

3. **Manoj K., A., & Annisha. (2022)**, title, "An Empirical Study on Pre and Post Covid HR Practices in IT Industry with Special Reference to Bangalore". The objective is to examine pre and post Covid HR practices in the IT industry. Human resources specialists should be able to quickly promote changes, their consequences, and the resulting effects for the organization, its workers, and other interested parties (through the management process).
4. **Newstyle, D. & Harvest, I. M. (2022)**, title, "Pre-Post Human Capital Accounting and Financial Performance of Listed Oil and Gas Companies in Nigeria: Empirical Evidence from Pre and Post Covid19 Era", To examine the relationship between pre-post human capital accounting and financial performance of listed Nigerian oil and gas companies. The study was based on ex-post facto research design. The researcher found out that there was an insignificant relationship between human capital accounting and financial performance of listed Nigerian oil and gas companies.
5. **Kalogiannidis S. (2021)**, title, "The Impact of COVID-19 on Human Resource Management Practices and Future Marketing". To study the impact of Covid-19 on HRM & Future marketing. The primary data was used and collected through questionnaires from 150 participants. More than 96% of respondents agreed that HRM and marketing have been the most affected industries since the arrival of COVID-19, which has significantly altered traditional workplace practices and marketing tactics.
6. **Kaushik, M., & Guleria N. (2020)**, title, "The Impact of Pandemic Covid-19 in Workplace". To investigate the current state of employment from home and the effect of COVID-19 on employee job performance when working from home. Primary and secondary data was used to obtain information. The researcher concluded that working from home may not be as simple as it appears. To do this, complete devotion to job duties is required.

3. SIGNIFICANCE OF THE STUDY

The need for this study lies in its potential to provide a comprehensive understanding of the transformation in HRA practices due to the pandemic, enabling organizations to navigate the complexities of the post-pandemic world more effectively. Understanding the evolution of HRA practices during the pandemic is crucial for organizations to adapt and improve their HR strategies. Hence, this paper will provide valuable insights for policymakers, HR professionals, and researchers to enhance human resource management in a post-pandemic world.

4. OBJECTIVES OF THE STUDY

The purpose of this research paper is to evaluate the changes in HR accounting practices before and after the pandemic period in Indian companies. The specific objectives of the study are:

1. To study the human resource accounting practices in pre pandemic period.
2. To examine the human resource accounting practices in post pandemic period.
3. To analyze the impact of Covid-19 pandemic on human resource accounting practices.

5. RESEARCH METHODOLOGY

This research paper is primarily descriptive in nature. Data collecting consists of data that is both primary and secondary. Primary data is gathered through telephone interviews and queries posed to HR consultants, a select industry leaders in HR roles, and working professionals. The secondary data is dependent on the current database. Secondary data is gathered from numerous research papers, journals, and publications from 2018-19 to 2021-2022 financial year, as needed for the study.

6. PRE-PANDEMIC ERA

In pre-pandemic era, the Indian companies might have depended on traditional methods of human resource accounting practices mainly as cost-based approaches. This includes recruitment, training and retaining cost of employees. These companies have used various models for valuation of the value of human resource such as economic value-added, etc.

Indian companies likely invested in employee training and development programs to enhance skills and competencies, which would have been accounted for in HRA practices. Strategies for retaining talent, such as competitive compensation packages, employee benefits, and career development opportunities, would have been integral to HRA practices to ensure the retention of valuable human resource.

- **Traditional Methods**
- **Valuation Models**

- **Skill Development**
- **Employee Retention**
- **Employee Engagement on-site**



Figure 1 Pre-Pandemic Era

7. POST-PANDEMIC ERA

The post-COVID-19 era witnessed a heightened emphasis on the integration of human resource metrics into financial reporting frameworks. Organizations began to adopt innovative approaches to measure and disclose the value of their workforce, leveraging tools such as employee productivity indices, talent retention rates, and skill development metrics.

With the onset of the pandemic, Indian companies likely transitioned to remote work where possible. HRA practices would have adapted to account for remote work arrangements, including investments in technology infrastructure and remote collaboration tools.

Post-Covid-19, Indian companies would be a greater emphasis on employee health and well-being and might have increased investments in health and wellness programs, mental health support, and flexible work arrangements, all of which would be factored into HRA practices.

- **Remote Work Policies**
- **Health & Well Being**
- **Reskilling & Upskilling**
- **Workforce Planning**
- **Remote Employee Engagement**
- **Flexible Work Arrangements**



Figure 2 Post-Pandemic Era

Given the changing business landscape post-pandemic, Indian companies might have intensified efforts in reskilling and upskilling their workforce to adapt to new technologies and market demands. Companies may have become more strategic in workforce planning, considering factors such as remote work capabilities, automation, and emerging skill requirements.

Maintaining high levels of employee engagement and morale would be crucial in the post-Covid-19 era. Indian companies might employ innovative strategies to foster a sense of belonging and connection among remote and on-site employees, which would be reflected in HRA practices.

8. IMPACT OF THE PANDEMIC ON HRA

The COVID-19 pandemic has dramatically reshaped the global business landscape, forcing organizations to adapt and innovate in unprecedented ways. This has had a profound impact on Human Resource Accounting (HRA) practices, necessitating a re-evaluation of traditional methods and the development of new approaches to measure and manage human capital.

1. Increased Focus on Employee Well-being:

The pandemic has brought employee well-being to the forefront (ILO, 2020). Organizations have recognized the critical importance of employee mental and physical health, leading to increased investments in:

Mental health programs: Access to counselling services, stress management workshops, and mental health awareness campaigns.

Wellness programs: Subsidized gym memberships, healthy meal options, and on-site wellness centres.

Flexible work arrangements: Remote work options, flexible schedules, and increased paid time off.

HRA Implications:

New Metrics: Organizations must develop new metrics to measure the impact of these initiatives on employee engagement, productivity, and retention. This may include tracking employee absenteeism due to mental health issues, measuring employee satisfaction with wellness programs, and analysing the impact of flexible work arrangements on employee productivity.

Investment Tracking: Accurately tracking investments in employee well-being programs is crucial for demonstrating their return on investment (ROI) and justifying continued funding.

2. Rise of Remote Work:

The pandemic accelerated the adoption of remote work across various industries (Slack, 2020). This has presented significant challenges and opportunities for organizations:

Challenges: Maintaining employee engagement and collaboration, ensuring data security, and managing performance in a remote environment.

Opportunities: Increased access to a global talent pool, reduced office space costs, and improved work-life balance for employees.

HRA Implications:

New Performance Metrics: Traditional performance metrics may not be suitable for remote work environments. Organizations need to develop new metrics that accurately measure employee performance, such as:

Key Result Indicators (KRIs) aligned with remote work: Meeting deadlines, completing projects remotely, and effectively communicating with virtual teams.

Employee engagement surveys: Assessing employee satisfaction with remote work arrangements, levels of isolation, and access to necessary resources.

Measuring the ROI of Remote Work: Analysing the impact of remote work on employee productivity, costs, and overall business performance.

3. Digital Transformation of HR:

The pandemic has accelerated the adoption of HR technology, such as:

HR Management Systems (HRMS): Cloud-based HRMS platforms that streamline HR processes, improve data management, and enhance communication. (Deloitte, 2020).

Artificial Intelligence (AI) and Machine Learning: AI-powered tools for recruitment, onboarding, performance management, and employee development.

Data Analytics: Utilizing data analytics to gain insights into workforce trends, identify areas for improvement, and make data-driven decisions.

HRA Implications:

Improved Data Collection and Analysis: HR technology enables organizations to collect and analyze vast amounts of HR data, providing valuable insights into human capital value.

Enhanced Decision-Making: Data-driven insights can inform strategic HR decisions, such as talent acquisition, training and development programs, and compensation strategies.

New Metrics for HR Technology ROI: Measuring the return on investment of HR technology investments, such as increased efficiency, improved employee satisfaction, and reduced costs.

4. Re-evaluation of HRA Metrics:

Traditional HRA metrics may no longer be sufficient to capture the complexities of the post-pandemic work environment. Organizations need to:

Re-evaluate existing metrics: Determine if current metrics are still relevant and accurately reflect the value of human capital.

Develop new metrics: Create new metrics that address the evolving needs of the organization, such as:

Digital literacy and skills: Measuring employee proficiency in digital tools and technologies.

Adaptability and resilience: Assessing employee ability to adapt to change and navigate uncertainty.

Innovation and creativity: Measuring employee contributions to innovation and problem-solving.

9. FINDINGS OF THE STUDY

The study reveals that organizations have had to innovate and adapt their HRA practices to manage human resource effectively during and after the pandemic. Key findings include:

- ✚ Increased reliance on technology and digital tools for HR management.
- ✚ Enhanced focus on employee well-being and mental health.
- ✚ Adoption of flexible work arrangements and disclosure of remote work policies.
- ✚ Greater emphasis on diversity, equity, and inclusion (DEI) initiatives. (Taylor, 2023)
- ✚ Companies began to adopt innovative approaches to measure and disclose the value of their HRs.

10. CONCLUSION & RECOMMENDATIONS

Human resource accounting disclosure methods in India have undergone a change, transitioning from basic qualitative disclosures to more detailed and organized reporting systems. The COVID-19 pandemic has hastened this trend, prompting businesses to reassess their approach to assessing and reporting human resource value. The COVID-19 pandemic has significantly impacted HRA practices, prompting organizations to adapt and innovate. By understanding the changes and challenges faced during this period, organizations can develop strategies to manage human resource effectively in a post-pandemic world.

The study's insights and recommendations aim to guide Indian companies and HR professionals in enhancing and modifying their traditional working practices to meet the evolving needs of the workforce. Indian companies should invest in digital HR tools and technologies to streamline HR processes and prioritize employee well-being and mental health support.

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