ALAGAPPA UNIVERSITY

[Accredited with 'A+' Grade by NAAC (CGPA:3.64) in the Third Cycle
and Graded as Category–I University by MHRD-UGC]

(A State University Established by the Government of Tamil Nadu)

KARAIKUDI – 630 003

Directorate of Distance Education

P.G. Diploma in Hospital Administration

I - Semester

418 12

HOSPITAL ADMINISTRATION

Reviewer	
Dr V. Sivakumar	Associate Professor

Authors

Dr Jaspreet Kaur, *Associate Professor, Trinity Institute of Management (GGSIPU)*
Units (1-3)

PG Aquinas, *Professor and Dean, Aloysius Institute of Business Administration, St. Aloysius College, Mangalore*
Units (4, 5.2-5.3, 6.2-6.3.1, 6.3.3-6.4, 7.2.2-7.3, 9, 10.2-10.5, 11, 12.2, 13.4, 14)

R.S. Dwivedi, *Ex- Chairman and Dean, Faculty of Commerce and Management, Kurukshetra University, Haryana*
Units (6.4.1, 8.2-8.3)

Prof S. C. Srivastava, *Secretary General of the National Labour Law Association*
Units (12.3-12.4, 13.2-13.3)

Vikas Publishing House: Units (5.0-5.1, 5.4-5.9, 6.0-6.1, 6.3.2, 6.5-6.9, 7.0-7.2.1, 7.4, 7.5-7.9, 8.0-8.1, 8.4-8.9, 10.0-10.1, 10.6-10.10, 12.0-12.1, 12.5-12.9, 13.0-13.1, 13.5-13.9)

VIKAS® PUBLISHING HOUSE PVT. LTD.
E-28, Sector-8, Noida - 201301 (UP)
Phone: 0120-4078900 • Fax: 0120-4078999
Regd. Office: 7361, Ravindra Mansion, Ram Nagar, New Delhi 110 055
• Website: www.vikaspublishing.com • Email: helpline@vikaspublishing.com

Work Order No. AU/DDE/DE1-484/Printing of Course Materials/2019 Dated 08.07.2019 Copies-500

SYLLABI-BOOK MAPPING TABLE

Hospital Administration

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INTRODUCTION

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Hospital administration relates to the planning, organizing, coordinating and executing of activities related to the procurement and delivery of services in hospitals. Hospitals, though are considered to be community and welfare organizations, need to be on top of their management activities so as to ensure that proper medical services are delivered to the customers, who in this case are mostly patients. Their administration activities include coordination between patients, doctors, trustees, medical staff; recruitment of medical professionals and other staff; coordinating between different departments to ensure the vision of the board is met; ensuring proper implementation of top class services and focusing towards expansion and growth of scientific research as well as medical services. Since, hospitals as organizations work like most of the other business organizations. We will learn the basics of human resource planning in this book.

Human resource planning is a structured and organized process in which the aptitude, levels of competence and capabilities of every single person are matched with the futuristic goals and economic opportunities within an organization. Like other similar activities, the creation of a human resource plan should comprise of the significant group of individuals, so that when they participate and provide their inputs, they will consolidate the combined effort of the group.

Human resource planning is an ongoing process that is a blend of both, the strategies and operations concerned with human resources. It does not restrict itself to a limited domain of the business planning process. Usually, people misunderstand human resource planning to be limited to the management of human resources instead of being a significant business activity. Frequently, managers who are operation-oriented tend to overlook the prime objective of planning. Ideally, the human resource faculty should function as a means to devise ways to enable the organization to surge ahead of its competitors in the market. These ways are usually translated in terms of the competence of a commercial venture to chase its goals. This competence is affected by human resource in basically three ways, they are: the ability to work efficiently, economics of costing and the ability to undertake new challenges and goals.

This book, *Hospital Administration*, is written with the distance learning student in mind. It is presented in a user-friendly format using a clear, lucid language. Each unit contains an Introduction and a list of Objectives to prepare the student for what to expect in the text. At the end of each unit are a Summary and a list of Key Words, to aid in recollection of concepts learnt. All units contain Self-Assessment Questions and Exercises, and strategically placed Check Your Progress questions so the student can keep track of what has been discussed.

BLOCK - I
BASICS OF HOSPITAL ADMINISTRATION

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UNIT 1 INTRODUCTION TO HOSPITAL ADMINISTRATION

Structure

1.0 INTRODUCTION

Hospital is known as social organization which functions with the aim of improving the health of patients. Organizing, in simple words, refers to the grouping activity which divides activities into small groups so that they become manageable working units which are governed by communication, control and authority. Since, hospitals like any other organization has several different departments working together, it too requires a set system of administration so that coordination is maintained and best quality services are delivered to the patients, who are the customers in this field. Whether the hospital chooses to work as a centralised, decentralized or mixed organization depends on the administration. This decision then specifies the roles and responsibilities as well as the span of control of different authorities in the hospital unit. In this unit, you will learn the objectives, functions, importance and need of hospital administration. You will also learn about the concept of change and management with special reference to hospital administration.

1.1 OBJECTIVES

After going through this unit, you will be able to:

- Explain the meaning, objectives, functions and importance of hospital administration

- Describe the implication and need of hospital administration
- Discuss the scope and features of management of change

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1.2 HOSPITAL ADMINISTRATION: OBJECTIVES, FUNCTIONS, MEANING AND IMPORTANCE

Hospitals are present at federal, state, or local level for a specified groups of individuals or diseases. The hospitals could be for the military, uninsured, the mentally ill, and others. Hospitals could also function as educational or academic hospitals where medical education is imparted.

Irrespective of the ownership (public or private), the hospitals are *community* organizations, that care for a wide range of episodes of illness.

Organization and Function of Hospitals

Hospital administration encompasses organizing and supporting the patient's total medical care during episode(s) of illness in the hospital, and is responsible for integrating the various functions and services. A hospital is a multifaceted organization comprising many committees, departments, types of personnel, and services. It requires highly trained employees, efficient systems and controls, necessary supplies, adequate equipment and facilities, and, of course, physicians and patients. It is a business as well as a caring, people-oriented institution and it has a similar structure and hierarchy of authority as any large business.

Board of Trustees: The 'board of trustees,' or governing board, operates the hospital in trust for the community and has a fiduciary duty to protect the assets of the hospital through efficient operation. The trustees are responsible for establishing the hospital's mission and establishing its bylaws and strategic policies.

Executive Administration: The chief executive officer (CEO) reports to the governing board and provides leadership in implementing the strategic goals and decisions set by the Board. The CEO also represents the hospital to the external environment and the community. In these tasks, the CEO must coordinate the collective effort of the hospital's personnel. The CEO delegates the clinical care and administrative duties to highly trained individuals and teams.

The Medical Staff: The physician is the leader of the clinical team and the major agent working on behalf of the patient. The physician's responsibility is to diagnose the patient's condition accurately and to prescribe the best and most cost-effective treatment plan.

Nursing Services: Nursing services employees are responsible for carrying out the treatment plan developed by the physician. Nursing services, also called patient care services, is the largest component of the hospital. Nursing services provide round-the-clock health maintenance, treatment, and support of the patient. Important roles of nurses today also include those of patient advocate and health educator.

Allied Health Services: A number of departments perform support functions that help with diagnosis and treatment. The clinical laboratory is a diagnostic center that performs a variety of functions, including autopsy, clinical cytology, and clinical pathology. Medical technologists perform most of the work of the laboratory under the supervision of a pathologist, who is a physician.

Clinical Support Services: The hospital pharmacy purchases and dispenses all the medications used to treat patients in the hospital. The pharmacist works directly with the medical staff in establishing a formulary, listing of drugs chosen to be included in the pharmacy.

Administrative Support Services: Nonmedical administrative services are necessary to the hospital's business and physical plant management. The CEO leads these administrative services and is directly responsible for the day-to-day operations of the facility.

1.2.1 Implication and Need of Hospital Administration

The implication and need of hospital administration can be judged through the role of a hospital administrator. A hospital administrator:

- Is the coordinator between the governing and regulating bodies, medical professionals, nursing staff and other departmental heads,
- Follows and implements the policies and directives set out by the trustees and board of directors,
- Undertake the task of recruiting and retaining quality medical staff and professionals at various positions,
- Assists in formulating plans and schemes of actions in research institutes,
- Evaluates the performance of all people employed in the hospital and takes steps to improve in needed areas.

Additionally, good hospital administration could be done for generating a good motivational environment in the hospital. The key terms 'motivational climate', 'organizational commitment', and 'organizational effectiveness' are explained in this section to help you understand the need of hospital administration. 'Motivational Climate' refers to the organisation climate with special regard to motivation. The concept of motivational climate provided by author Udai Pareek is used in this study. According to Pareek, assessing motivational climate means diagnosing organisation climate with special emphasis on motivation. Motivation is something that moves a person to action, and continues him in the course of action already initiated (Dubin,1974). Motivation is defined as an inner state that energizes, activates or moves and that directs behaviour towards goals (Berelson and Steiner, 1964).

The different degree of combination of the dimensions of the organizational climate for example reward, autonomy, risk taking, problem management, etc., prevailing in any particular organization detects the dominant motives (e.g. Achievement, expert-influence, dependence, affiliation, extension and control) present in that organization (Litwin and Stringer,1968, UdaiPareek).

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Hospital administration could also enhance the 'Organizational Commitment' which has been described as 1) a strong desire to remain a member of a particular organization; 2) a willingness to exert high level of effort on behalf of the organization; 3) a definite belief in and acceptance , of the values and goals of the organization (R.T. Mowdy, L.W. Porter and R.M. Steers, 1982).

Meyer & Allen, (1993) has defined 'organization commitment' as a psychological state that is representative of an employee's relationship with the organization, and influences the employee's decision to remain employed at a particular organization.

A committed employee is perceived to be one who stays with the organization through thick and thin, attends work regularly, protects company assets and share company goals (Meyer and Allen 1997). The committed employees are more innovative and creative and less likely to leave an organization than those who are not committed (Porter et al 1974).

The motivational environment of an organization, be it hospitals, is judged through organizational effectiveness. It merely assesses whether policies related to key areas like talent management, leadership development and organizational design areas are successful in meeting the pre-determined objectives.

Check Your Progress

1. Who is the leader of the clinical team in the hospital administration?
2. Name the largest component of the hospital administration.

1.3 SCOPE AND FEATURES MANAGEMENT OF CHANGE

In this section, we will discuss the concept of management of change. As mentioned earlier, hospital administration works like any other service providing business. This is why management of change is also relevant to hospital administration as it is important to other organization. Change is measured by its impact on all who are connected to it. Change comes into action when the employee is dissatisfied with where he/she are. Change is not a resting-place; but the next launching point. Change is opportunity to learn from it. It happens in the mind before it is proclaimed by actions. Change leads to organization moving slower than the change itself. If the employee can change before they have to change, there will be less pain. Change can flow or jerk, based on the resistance to it. It uses the power invested in the unseen to reinvent what is seen. Change is similar to driving in a fog – you can't see very far, but you can plan whole trip that way.

Change can also originate from within the organization. These changes could be new corporate vision and mission, the purchase of new technology, mergers and acquisitions and decline in the morale of the company. Consequently the most common and influential forces of organizational change are the emergence of new competitors, innovations of new technology, leaderships and evolving attitudes towards work (Vecchio and Appelbaum, 1995).

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German-American psychologist Kurt Lewin (1958) invented a fundamental description of change that has been taken into many organizational consultants' and managers' emergent models of organizations in to understand and bring about the process of systemic change. Lewin's perspective explains three basic steps that are a part of any change process. The first step involves unfreezing the present level of behaviour. For example, unfreezing would be a series of management training sessions in which the objective for change is incontrovertibly revealed. The second step is called movement and involves taking action to change the organization's social system from its original level of behaviour or operation to a raised level. Finally, the third step is called refreezing. Another academician Schein (1987) provides an example of a contemporary approach to change in the organization that develops Lewin's three stage process.

Change is a difficult situation which pushes one out of their comfort zone. It is inevitable; and may seem like a problem for some people. Change can be viewed as a situation for the better or for worse, based on from where one views it. Change goes through an adapting period which varies depending upon the individual. It is difficult, for changing from one state to the next loosens control over outcomes. Change has an adverse effect on those who won't let go. A roller coaster ride could be fun if one knows when to lean and create new balance along with the change. It is needed when all the props and practices of the past no longer effective. Change is not about the attitude that 'just hangs in there' but with the statement 'you can make it'. One does not grow in retreat, but through endurance. Change isn't fixed by crying, worrying, or mental treadmilling. Change is a challenge for victors not victims; and that choice is ours.

Change is weird initially. Change is a muscle that develops for us to enjoy the dynamics of the life set before us. Change is an examination of the employee strength beyond anyone in the company. Change pushes the employee to their personal best. Change draws out those poised for a new way. Change does have casualties of those employees who get defeated. Change will cause them to learn. Change is a phenomenon that changes the speed of time. Time is so slow for the reluctant, and yet it is a whirlwind for those who can adapt to it. Change is more fun to do than to be faced with. Change seeks a better place at the end and is complete when the employee realize that it is different.

Resistance to Change

Resistance to change can occur due to various reasons including low tolerance for change, misunderstanding, conflicting judgement of the scenario, parochial self-interest, habit or conformity. In this section, let's look at some of the theories about responses to change.

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The Coping Cycle

Changes which have a huge impact on the work that people do, will have an important impact on their self-esteem. So much is well established. The coping cycle of change, as proposed by Colin Carnell can be listed under five main stages:

1. Denial
2. Defence
3. Discarding
4. Adaptation
5. Internalisation

It is also known as the U-loop.

Employees build their performance by learning which is called learning curve effect and modifications brought in to enable the performance is assessed through progress effect. In addition to these performances, self-esteem effect occurs and it actually reduces when the change has occurred in the organization. This decline has an effect on performance of employee.

Approaches for Solutions

The introduction of any new change process in an organization reflects on its employees. The figure below will explain what measures has to be taken to overcome the challenge of change.

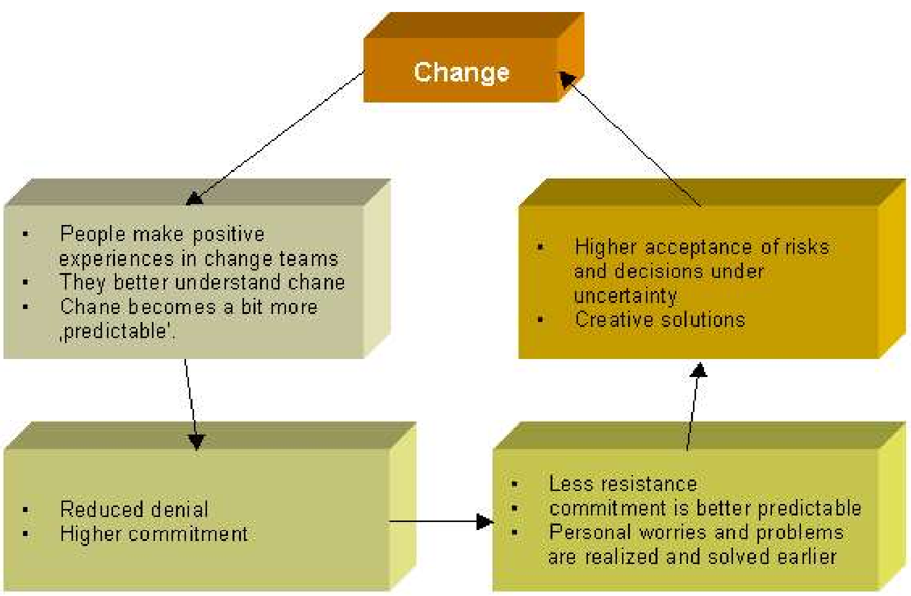

Fig. 1.1 *Solutions to change resistance*

If the employees are not a part of implementing the organizational change, it is possible that the entire process is extremely stressful for individuals. High work targets, threats of jobs loss, organizational change, change in job holders accountability, change in the balance of power are the features constitute sources of job stress explained by (Cartwright and Cooper 1993) and often the outcome of organizational efforts to cope up with the worse operating environment. But to help this many researchers (like Arroba and James (1990), Murphy (1995) and Newell in (1995), explain that problems related with work stress constitute a threat to the firm's health.

Let's have a look at some of the important learning models:

Kolb's experiential learning theory (learning styles) model

David A. Kolb's experiential learning theory defines four distinct learning styles, which are based on a four-stage learning cycle (Or 'training cycle'). Kolb's model is particularly elegant, as it offers both a way to understand individual people's different learning styles, and bring in an explanation of a cycle of experiential learning that applies to all employees.

Kolb explains this 'cycle of learning' as a core principle his experiential learning theory, typically expressed as four-stage cycle of learning, and 'immediate or concrete experiences' which form a basis for 'observations and reflections'. The 'observations and reflections' are grouped and distilled into 'abstract concepts' producing new implications for action which can be 'actively tested' in turn making new experiences.

In other words, Kolb explains this process with a learning cycle or spiral where the learner 'touches all the bases', i.e., a cycle of experiencing, reflecting, thinking, and acting. Parameters like immediate or concrete experiences result in observations and reflections. These reflections are then grouped (absorbed and translated) in the form of abstract concepts with conclusions for action, which the person can actively test and experiment, which then enables the creation of new experiences.

Kolb's model therefore works on two levels - a four-stage cycle:

1. Concrete Experience - (CE)
2. Reflective Observation - (RO)
3. Abstract Conceptualization - (AC)
4. Active Experimentation - (AE)

and a four-type definition of learning styles, (all representing the grouping of two preferred styles, as a two-by-two matrix of the four-stage cycle styles, as illustrated below), for which Kolb stresses on terms:

1. Diverging (CE/RO)
2. Assimilating (AC/RO)
3. Converging (AC/AE)
4. Accommodating (CE/AE)

Kübler-Ross model or 'grief cycle'

It is crucial to bear in mind that Kübler-Ross did not want this to be a series of sequential or uniformly timed steps. It is not a process; it is a model or a framework. There is a small difference: a process implies something which is fixed and consistent; a model is not very specific - more of a shape or guide.

He specified five stages of grief:

1. Denial. Denial is a conscious or unconscious refusal to accept facts, information, reality, etc., relating to the situation concerned.
2. Anger.
3. Bargaining.
4. Depression. Also referred to as preparatory grieving.
5. Acceptance

By way of example, people don't always experience all of the five 'grief cycle' stages. Some stages might repeat. Some stages might not come at all. Passing between stages can be more of an ebb and flow, rather than a progression. These five stages are not linear; nor are they equal in their experience. Employees' grievances, and reactions to emotional trauma, are very individual. Social work with groups: using the class as a group leadership laboratory.

Causes of Resistance and Inertia in the Formulation Stage

There are three main reasons that become causes of resistance for appropriate change strategies: (a) fast and complex environmental changes, that do not allow a proper situation analysis; (b) reactive mind-set, resignation, that is tendency to believe that obstacles are inevitable; and (c) inadequate strategic vision which is lack of clear commitment of top management to changes. Some of the other causes of resistance in the formulation stage are: wrong perception, refusal to include new information, implicit assumptions, organizational silence, communication barriers, costs, varied interests among the management, past failures, etc.

Causes of Resistance and Inertia in the Implementation Stage

Implementation is the important step between the decision to change and the regular use of it at the organization. In this stage, two more resistance groups can be seen. The first of them is related to political and cultural deadlocks to change. It consists of: (a) implementation climate and relation among change values and organizational values, considering a strong implementation climate in the values' relation is negative will bring in resistance and opposition to change; (b) departmental politics or resistance of those departments that will have problems with the change implementation , (c) incommensurable beliefs, or strong and definitive disagreement among groups about the nature of the problem and its resultant alternative solutions; (d) deep rooted values and emotional loyalty; and (e) forgetfulness of the social dimension in changes.

Many a times change is deliberate, which means that a change comes from a conscious reasoning along with conscious actions. By far in this type of change one could call it a planned change. Many a times a change unfolds in the apparently spontaneous or unplanned way. Here one could call this change as an emergent change. Let's take for instance a situation where the major drivers in the change was the need of change so that the company could excel. Performances in such cases could be one of the evidently major drivers in this change. The senior staff fails to bring in additional business. They are dependent on one set of existing customers, and nobody is venturing out for attracting more customers, and they are re-cycling business which was the only growing area. Here, the restrainers could be the staff changes which will be brought about. The staff might not take up to the new structure change of the company as it has been working with an old and set way operations.

Types of Change

Change can be categorized in number of ways and most are related to the extent of the change and whether it is seen as organic (often characterised as bottom-up) or driven (top-down).

Ackerman (1997) has distinguished between three types of change which could be developmental, transformational and transitional. Here, change can also be explained along another dimension: Many a times change is deliberate, which means that a change comes from a conscious reasoning along with conscious actions. This type of change could be called a planned change. Many a times a change unfolds in the apparently spontaneous or unplanned way. Here one could call this change as an emergent change.

Developmental change could be a planned one or an emergent one. This by far is the first order, and can also be called incremental. Here this type of change enhances and rectifies the existing aspects of the firm, which looks at improvement of a skill or a business process.

Transitional change looks at achieving a known desired state which is by far variant from the existing one. It is change made to replace the existing order of things. Thus, this type of change is episodic, and thus is planned.

The type of change much talked about in the organizational change literature, is the transitional pattern of change. Many academicians like Lewin (1951), as we have discussed before, have conceptualized this change in the form of a three-stage process which includes the

- unfreezing of the present organizational equilibrium;
- then on going to a new position; and
- again then the last step of refreezing in the latest equilibrium

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Organizational development professor, thinker E. H. Schein in 1987 developed Lewin's theory of three stages even further. Here thus he explains the unfreezing which involves:

- the disconfirmation in the expectations;
- the creation of guilt and also anxiety along with the
- psychological safety which can get the anxiety to be concerned into the motivation to change.

That is to say that when one starts moving to the next position this is done by the cognitive restructuring, in which one starts:

- identifying the new role model along with the
- scanning of the environment as one needs a new and relevant information.

Here the refreezing will come from a new point of view:

- a total personality or a concept of self; with the
- crucial relationships

Let us now come back to the three types of change. After developmental and transitional change comes another sort of change which could be the transformational change which could be radical and is considered a second order changing in nature. This type of change needs a shift in assumptions which have been made by the firm and its members.

This transformation could come in the firm which is different significantly as is the structure, strategy, processes and culture. Thus, here one could call it the creation of the firm which is now in the developmental mode and is learning to adapt and improve.

Now that we have dealt with developmental, transitional and transformational change. Let's study another dimension of change: planned and the emergent change.

As mentioned earlier, many a times change is deliberate, which means that a change comes from a conscious reasoning along with conscious actions. This type of change is called a planned change. Many a times a change unfolds in the apparently spontaneous or unplanned way. Here one could call this change an emergent change.

Many times decisions could be based on unspoken, or also by far unconscious, assumptions which pertain to the firm, the said environment along with its future thus then could be seen as unrelated for the first time . Many implicit assumptions are the base of a direction of the so called disparate and unrelated decisions, which brings in an effect in shaping the change process which is done by a 'drift' and not by a design.

In such situations, external factors like the economy, the competitors' behaviour, along with the political climate have a significant effect. Here the internal features also have a significant effect including the relative power of different interest

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groups along with the distribution of knowledge with the change and uncertainty that could then affect the change in directions that might just be not in control of managers (Morrison, E.W. and Milliken, F.J. (2000). Here thus this type of change is to be carefully planned and then on the change programs will bring in the emergent impacts.

A change agent is someone who 'alters human capability or organizational systems to achieve a higher degree of output or self-actualization. In the field of administration, the change agent would be the change manager. His main aim is change management. A change agent lives in the future, not the present. It is not important as to what is being done in the company today. What is important is the change agent who has a vision of what could be and then on he uses his governing sense of action. It can be seen to a certain extent, that a change agent could just be dissatisfied with what he is seeing around them. Thus, he always looks for a much better vision of the future.

Thus, when one looks at the future drive, this change agent could not surely lose their way. As we have learnt earlier, many a times change is deliberate, which means that a change comes from a conscious reasoning along with conscious actions which is also known as planned change. Other times change unfolds in the apparently spontaneous or unplanned way which is referred to as an emergent change. Change as a concept is a lot of hard work. It thus takes in a lot of energy. Thus, the change should not be underestimated.

We have learnt before that developmental change could also be a planned one or a emergent one. This by far is the first order and can also be called incremental. Here this type of change enhances and rectifies the existing aspects of the firm, which look at improvement of a skill or a business process.

A change agent needs a large amount of energy which cannot be done without passion. Thus, it is very difficult to bring up that energy to the change portfolio. A change agent shows the ability to self-motivate. It can be seen that many a times many a people around might not understand and thus might not offer support. A change agent has to understand people. It is true that change is about people in case on needs to change everything but people, this could be done effectively as a change agent. This change could 'stick' in case the people embrace it. Thus, the change is a part of counselling with encouragement. This is because change can only come from people.

One of the major model which needs to be studied in this context is the ADKAR which is a goal-oriented change management model. The ADKAR model was developed by Prosci in 1998 in which he conducted a research of more than 300 companies which had been going through a major change. In this model, it allows change management teams to stress on certain activities with specific business results. ADKAR is an acronym that represents the five tangible and concrete outcomes that people need to achieve for lasting change: awareness, desire, knowledge, ability and reinforcement.

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The model could initially be used as the right tool for determining in case the change management activities, which include the communications and training, could get the people the desired results in the tenure of organizational change. This model is a way of aligning the traditional change management performance to a get the said result or goal.

Like in case the awareness of the goal or the reason for the changes is a reason then the early communications could be related to business change. Here thus the aim would be to engage and encourage participation of the employees in the change. Thereby, the goal of sponsorship with the resistance management could be crucial.

One also needs a knowledge of how to change and also the training and coaching of the same. Thus, here by identifying the outcomes of change management one could reach a final conclusion. Thus the model of ADKAR is useful for change management and the related teams for the planning and execution of these said work. Important, here are also the goals which have been defined by ADKAR that have been organized in a sequential and cumulative manner. As we have studied earlier, ADKAR is an acronym that represents the five tangible and concrete outcomes that people need to achieve for lasting change: awareness, desire, knowledge, ability and reinforcement. The model explains that the individual has to obtain each element for the sequence and thus make a proper order for change to be implemented and then on to be sustained. It is true that when one is a manager one could take up this model for identifying gaps in the change management process and this could provide effective coaching and the same can also be done for the employees. The ADKAR model is useful to:

- diagnose the employee resistance to change
- help employees bring in the transition by the change process
- bring up a successful action plan which could relate to the personal and professional advancement in the phase of change
- develop a change management plan which could be right for the employees

The ADKAR model does have the ability to see the reason of the changes and why it is not working. Thus, this would be a way of taking the necessary steps for making the change successful. One must break down the change in phases or parts, to understand the area in which the change is failing and then on address the impact point.

The ADKAR model has been a coaching tool which is meant to help employees by this said change process. According to this model, the change happens in two dimensions: first one being the big business dimension which is the vertical axis and the next one being the people dimension which is the horizontal axis. According to this mode, successful change happens when these two dimensions of change happen simultaneously.

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The following are some points related to change in management and employee's motivation:

- Employees find motivational ways of adapting to the change: It is important and mandatory for the employee to adapt to the organization. Various motivational factors like money, appreciation, encouragement, promotion, etc., affect employee's work.
- Employees try to overcome fear after a change: The employees try and get out of the fear of a change. As said earlier, change is inevitable so the only option with the employee is to get rid of his fears and start working effectively for the organization's goal.
- Most employees resist change: Most of the employees resist change. As is clear resistance is a parameter that is to be judged here. But to what extent does the change affect the resistance should be studied to understand the underlying reasons.
- Training can help staff to get adapted soon : There has to be initiative from the organization too to help the employees get out of their fears. This can be done only through a constant communication and training. This can help the credibility of the employee as they feel the firm is helping them
- Change leads to a disloyal employee: Most of the employee find it difficult to cope up with massive changes. Thus, the next step for some employees would be to resist it. Yet others will not want to stay in this highly changed and challenging environment and will find new job options. This is what we call employee loyalty here. There are chances then that an employee undergoing major change in the organization will turn disloyal to the organization.

Check Your Progress

3. What are the sources of job stress as per Cartwright and Cooper?
4. What are the learner's bases in Kolb's learning cycle or spiral?
5. Who developed ADKAR model?

1.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The physician is the leader of the clinical team and the major agent working on behalf of the patient.
2. Nursing services, also called patient care services, is the largest component of the hospital.

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3. High work targets, threats of jobs loss, organizational change, change in job holders accountability, change in the balance of power. These features constitute sources of job stress explained by Cartwright and Cooper (1993).
4. In the learning cycle or spiral, Kolb explains that the learner 'touches all the bases', which are, a cycle of experiencing, reflecting, thinking, and acting.
5. The ADKAR model was developed by Prosci in 1998 in which he conducted a research of more than 300 companies which had been going through a major change.

1.5 SUMMARY

- Government hospitals are present at federal, state, or local level for a specified groups of individuals or diseases. The hospitals could be for the military, uninsured, the mentally ill, and others. Hospitals could also function as educational or academic hospitals where medical education is imparted. Irrespective of the ownership, the hospitals are *community* organizations, that care for a wide range of acute episodes of illness.
- Hospital administration encompasses organizing and supporting the patient's total medical care during episode(s) of illness in the hospital, and is responsible for integrating the various functions and services.
- A hospital is a multifaceted organization comprising many committees, departments, types of personnel, and services. It requires highly trained employees, efficient systems and controls, necessary supplies, adequate equipment and facilities, and, of course, physicians and patients. It is a business as well as a caring, people-oriented institution and it has a similar structure and hierarchy of authority as any large business.
- A good hospital administration could be done for generating a good motivational environment in the hospital.
- Change is measured by its impact on all who are connected to it. Change comes into action when the employee is dissatisfied with where he/she are. Change is not a resting-place; but the next launching point. Change is opportunity to learn from it. It happens in the mind before it is proclaimed by actions. Change leads to organization moving slower than the change itself. If the employee can change before they have to change, there will be less pain. Change can flow or jerk, based on the resistance to it.
- Lewin (1958) invented a fundamental description of change that has been taken into many organizational consultants' and managers' emergent models of organizations in to understand and bring about the process of systemic change. Lewin's perspective explains three basic steps that are a part of any change process. The first step involves unfreezing the present level of behaviour.

- If the employees are not a part of implementing the organizational change, it is possible that the entire process is extremely stressful for individuals. High work targets, threats of jobs loss, organizational change, change in job holders accountability, change in the balance of power.
- Kolb's learning theory defines four distinct learning styles, which are based on a four-stage learning cycle. (Or 'training cycle'). Kolb's model is particularly elegant, as it offers both a way to understand individual people's different learning styles, and bring in an explanation of a cycle of experiential learning that applies to all employees.
- Change can be categorized in number of ways and most are related to the extent of the change and whether it is seen as organic (often characterised as bottom-up) or driven (top-down).
- Developmental change could be a planned one or an emergent one. This by far is the first order, and can also be called incremental. Here this type of change enhances and rectifies the existing aspects of the firm, which looks at improvement of a skill or a business process.
- The transitional change looks at achieving a known desired state which is by far variant from the existing one. Thus, this type of change is episodic, and thus is planned. This thus is called second order, or radical.
- The transformational change could be radical and is considered a second order changing in nature. This type of change needs a shift in assumptions which have been made by the firm and its members. Transformation could come in the firm which is different significantly as is the structure, strategy, processes and culture. Thus, here one could call it the creation of the firm which is now in the developmental mode and is learning to adapt and improve.
- The ADKAR model was developed by Prosci in 1998 in which he conducted a research of more than 300 companies which had been going through a major change.

1.6 KEY WORDS

- **Hospital administration**: It encompasses organizing and supporting the patient's total medical care during episode(s) of illness in the hospital, and is responsible for integrating the various functions and services.
- **Nursing services:** In these services, employees are responsible for carrying out the treatment plan developed by the physician.
- **ADKAR model:** ADKAR is an acronym that represents the five tangible and concrete outcomes that people need to achieve for lasting change: awareness, desire, knowledge, ability and reinforcement.

1.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

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Short Answer Questions

1. What is organizational commitment?
2. Explain the steps in Lewin's change process.
3. What is the difference between process and model?
4. What are the five stages of grief as per Kübler-Ross model or 'grief cycle'?
5. How did Schein further develop Lewin's theory of three stages?

Long Answer Questions

1. Explain, in detail, the structure and hierarchy of hospital organization.
2. Discuss Kolb's experiential learning theory (learning styles) model.
3. Describe the ADKAR Model.

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NOTES

UNIT 2 ROLE AND STRUCTURE OF HUMAN RESOURCE FUNCTION IN ORGANIZATION

Structure

2.0 INTRODUCTION

Management of resources are important for any organization, but what is absolutely crucial for the successful functioning of the organizations is the human resource planning. For this is the aspect, which deals with the management of the human resources that are working in the organization. The human resource planning is crucial to hospital administration for the simple reason that people with different skills and roles work in the hospitals. Additionally, the customer feedback in terms of patients and their cure makes the human resource management even more critical to the hospital administration as the important role of recruitment, selection, retaining of human resources directly have a bearing on the life of the patients. Not only this, hospital administration as social organization cannot solely focus on providing top notch health care services, it also needs to take care of the business aspects and take crucial decisions at the right time so that the different changes in the sectors are adapted in the functions of the hospitals so as to retain the current lot of patients along with providing health care services to newer patient bases. Further, since hospitals also function as medical education institutions and training and research centres, it is important that the human resources are planned in such a way that the resources are used to their best potential. In this unit, you will learn the basics of human resource function in an organization.

2.1 OBJECTIVES

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After going through this unit, you will be able to:

- Explain the structure of HR in an organization
- Discuss the difference between personnel management and organizational structure
- Describe the challenges of hospital administration

2.2 STRUCTURE OF HR

Human resources management is a complex function because we are talking about an activity that takes a lot of time and generates no real income. In fact, the only monetary benefit that you can get from human resources is not losing more money. Since this is one domain that is filled with work that does not generate money, we need a good human resources strategy to use in order to turn everything to an advantage. There is a to keep a close control over this part of the company. Unfortunately this is a lot easier said than done.

According to Alfred Chandler, 'structure follows strategy' which needs there has to be a long-term coordination between the strategy, which is an important step towards formation of company structure, focus and direction. This idea of matching the organization's internal factors with external factors was further developed with the creation of the SWOT analysis, which was initially described by the Edmund P. Learned, C. Roland Christiansen, Kenneth Andrews, and William D. Guth in *Business Policy, Text and Cases*.

Some organizations have implemented their respective HR strategy, having been convinced that people are their most important asset. Other corporate entities mistakenly label what they are doing in HR as being strategic.

Linda Holbeche notes that the question of 'how "HR" issues can contribute to business success has not been aligned in managers' minds.' She argues that HR and the line management must work together to design and implement people strategies.

Mindset must change if the HR function is to truly play its important role in the development and implementation of the organizational human resource strategy.

Most problems with human resources strategy appear when an organization grows at a rate that it did not think of in the past. It is possible and there are many companies that have gained a lot more success than what their CEOs thought of in the beginning. In this case, most firms out there are left with not being able to handle all the human resources needs in the present. If the business owner did not think about implementing a human resources strategy that includes the possibility of using HR outsourcing in the future, developing a human resource strategy becomes imperative.

A human resources strategy is required if you have employees. As you can understand, this basically means that any company out there needs a human resources strategy. The problem is that most of them do not know how to properly create one. Even if they think they do, they might not. In order to make sure that the human resource strategy is good one needs to have the proper knowledge to create it. This requires an assessment of the organization's own capabilities properly laid down on paper specifying what one can and can not do. In some cases, it might be a lot better for an organization to hire the services of a consulting company.

Contrary to what one might believe, human resources involve so much work that it is hard to cope with it. A regular company on an average uses around twenty-five per cent of its work time through going through human resources problems. If the company's human resources strategy is bad that time will be even longer. It is crucial that one takes a close look at their strategy and analyse it to see whether or not it has flows. If the company does not even have one then it should immediately start building it.

The primary HRM issues must be very clear. Companies must adopt a lean, bottom-line approach if it wants to empower its employees.

The management stress must be a balance of the bottom line as well as conventional human resource practices which other companies rely on. Appropriate time must be spent in companies for team-building sessions and performance appraisals.

The following organization structure are important for activities: functional organization group, divisional organization and matrix organization. The matrix structure implies the most complex integration mechanisms. In total, seven designs are determined: functional and divisional groupings associated to each of the three linking strategies and the matrix form. Further linking mechanisms change as per the organizational structure adopted so the following linking mechanisms are important: linking roles, linking groups and integrators.

Centralization and Formalization

A centralized organization is one where the important decisions and processes are handled at the top-level management. Centralisation in the firm is flexible but the role management is the key to the same (Piderit, S.K., 2000):

- Centralisation believes in top down approach
- In centralisation the organization structure is organic
- Centralisation is oriented towards top management roles and has credibility in task oriented approaches
- Centralisation in top management roles sees long term prospective
- Centralisation in top management roles believes in facts and identified solution

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Certain suggestions are given to corporate to improve their centralization is top management roles which are:

- Stability, to appoint or replace key personnel executives with minimal loss
- Flexibility, capability to handle problems encountered within the enterprise.
- Simplicity, balancing the perfect line of relationship among the workers.
- Objectivity, feature of having definite objectives for all the levels or units in the enterprise.

Organization is a term for the business organization of today which help in to incorporate and develop personnel management tasks which are critical in the task to create and bring in efficient profits for the business competitive advantage *(Legge, Karen 2004).* Here the main objective of organizing is to enable employees to work to a maximum level of efficiency and thus establish a business competitive advantage. This should be done at both the functional responsibilities levels concerned with the personnel management namely managerial functions and operative functions.

Managerial organizing includes planning involving formulating policies for future development of the enterprise; developing programs to choose adequate number of persons who can work efficiently and accomplish the business objectives and providing training to the workers in the enterprise. Integration and maintenance of work force are all parts of HRM strategies that organizations can follow to lead to an effective personnel management.

Job design in organizing is an important function. Job design specification development through the recruitment of an effective manger to manage employees of lower levels in a company will make the changes better for the company. This will emphasize seeping down leadership faster than it does now. (McSweeney, Brendan, January 2002).

The delegation of authority and responsibility can make employees fulfil their idea after working with everyone up and down their hierarchal level. Also they will have to work with different operational people of different authority in the organization. This will solve the problem of company's being limited to one's own operational unit for learning which is presently being faced by global countries. Such a delegation of authority and responsibility will generate more effective result for the stakeholders . This is presently not done in many companies (Marshak, R.J., 1993).

Crucial parameters to organizing are Span of control, Ergonomics and Work schedule. Span of control is crucial in human resource management because to a large degree it will judge the number of levels and managers which an organization has. Also, the number of employees which a manager can efficiently manage can be determined by the same. Work scheduling and controls makes structures more focused, more concerned with results —and more creative, because they draw from different experiences. (Deci, E. L. (1975)

The work schedule and control activities of an organizational structure becomes effective in helping companies to accept the idea that culture can be moulded. Many a skills and talents are needed to take in a thriving enterprise. The organization has to know whether they can hire the right people to take control at the next level with effective business profit level.

In conclusion, one could sum up that management should be open to giving new suggestions rather than limiting this authority to the top management. A participative leadership will help employees see what they have to achieve. Mentors in turn should recognize and support the whole person. They should teach them to continually see where the greater balance in the job environment can be met.

When a firm is growing its structure, it can be positively influenced by it employee members from whom they will learn what is wrong or right. There are also in the global world, religion, culture and social norms, which are critical in formation of the right management structure. Also a participative culture would bring in a lesser level of hierarchy. These parameter influence the person's behaviour however other factors like friends, or idols may influence their choices of talking to a group of varied culture .Thus they become critical for the management structure of the company to function effectively.

Personnel Management Vs Organizational Structure: An Overview

When the flexible concept of organization structure emerged in the 1980s, in the times of Thatcherism and Reaganomics, it "could not help but look more desirable than personnel management" (Hope-Hailey). The attractiveness of the theory of managing personnel led to a proliferation of Organizational Structure language. Nonetheless, it remains to be seen if there is more to Organizational Structure than only a new and shining rhetoric. A number of authors stress the difficulties of identifying clear differences between personnel management and Organizational Structure, and maintain that the most obvious change is a "re-labeling process". Torrington agrees that 'a change of label' is obvious, though one cannot be sure that the content differentiates to any extent. However, the new terminology may at least rid personnel management from its unfavourable welfare image and other negative connotations and thus, save the ailing function of managing personnel from marginalization. Accordingly, some HR academics maintain that new labels on old bottles may have their uses, even if it is only for marketing purposes. Furthermore, a valuable contribution of Organizational Structure is to direct the attention to regarding people as the key resource of organizations and lending the management of personnel increased importance.

Here the similarities and differences between personnel and organizational management are analysed with regard to their theoretical approaches as well as their practical implementation.

Even textbooks on small business management pay considerably more attention to finance, marketing, and planning than personnel management Also, researchers report that managers of small firms lack training in formal personnel management practices and they do not consider the use of generally accepted Organisational Structure practices as essential for improving productivity.

Human Resource Outsourcing

Human resource outsourcing is one of the strategies increasingly being used by organizations. But it is advisable to be cautious what part of HR is outsourced. For example, once can outsource recruitment activities. But always arrange for a final interview by their own HR people before hiring the recommended candidate.

Some organizations outsource the payroll system. This is a very sensitive area of people management. Considering the consequences before making a decision is very crucial here.

The outsourcing industry evolves to meet the needs of clients firms, and there organizations to utilize outsource provider services.

According to Atul and Avinash Vashishta, the smart companies are choosing the right off shoring strategy, the right offshore process, the right country, the right firm for the job, or the right ownership option, and the right governance structure.

The essential logic behind human resource outsourcing lies in the fact that the company can focus on its 'core business', delegating specific areas to external experts and thus freeing up resources that can be dedicated to core aspects of its business. However, there are also certain problems related to human resource outsourcing:

1. Co-ordination costs relate to the increased costs and difficulties of coordinating production and exchange with several external service providers rather than in-house control;
2. Quality and service issues arise when there is an incentive for the contractor providing the service to renege on quality, especially where quality is difficult to verify;
3. Costs of transacting refer to search and selection costs to find out an appropriate contractor. Contractors can often extract post-contractual revenue in the event of unforeseen circumstances due to bargaining advantages. The whole premise of transactions cost theory is that internal transactions are less costly than external ones, which is why firms arise in the first place, to internalise and coordinate market transactions;
4. Costs of monitoring are an important issue as, with all contractual relationships ,the client firm may need to intensify the monitoring of the contracting firm's performance in order to minimise the latter's incentive to shirk or cut-back on quality and service;

5. Loss of control is another worry factor that may hit a client firm over key areas, including the employment relationship and the management of employees.

HR Strategy For Change Management

HR Strategic formulation is a combination of three main processes which are as follows:

- Performing a situation analysis, self-evaluation and competitor analysis: both internal and external; both micro-environmental and macro-environmental.
- Concurrent with this assessment, objectives are set. These objectives should be parallel to a time-line; some are in the short-term and others on the long-term. This involves crafting vision statements (long term view of a possible future), mission statements (the role that the organization gives itself in society), overall corporate objectives (both financial and strategic), strategic business unit objectives (both financial and strategic), and tactical objectives. These objectives should, in the light of the situation analysis, suggest an HR strategic plan. The plan provides the details of how to achieve these objectives:
    - o to ensure that business planning recognizes that the ultimate source of value is 'people'
    - o to make sure that all those involved in strategic planning understand the HR implication of their proposals and the HR constraints if they fail to take action
    - o to match the objectives of the HR function to the corporate business objectives
    - o to help bring about corporate culture and processes that enable people to do their jobs better
    - o to align the organization's competencies needs with the people who can satisfy those needs
    - o to ensure organizational resources contribute to the development of people's competencies
    - o to determine performance requirements to achieve the organization's objectives and how employees can satisfy those requirements
    - o to determine levels of employee commitment and ways for improving them.
- Measuring the effectiveness of the organizational HR strategy, it's extremely important to conduct a SWOT analysis to figure out the strengths, weaknesses, opportunities and threats (both internal and external) of the entity in question. This may require to take certain precautionary measures or even to change the entire strategy.

NOTES

In corporate strategy, Johnson, Scholes and Whittington present a model in which HR strategic options are evaluated against three key success criteria:

- Suitability (would it work?)
- Feasibility (can it be made to work?)
- Acceptability (will they work it?)

Suitability

Suitability deals with the overall rationale of the HR strategy. The key point to consider is whether the strategy would address the key strategic issues underlined by the organization's strategic position.

Feasibility

Feasibility is concerned with whether the resources required to implement the HR strategy are available, can be developed or obtained. Resources include funding, people, time and information.

Acceptability

Acceptability is concerned with the expectations of the identified stakeholders (mainly shareholders, employees and customers) with the expected performance outcomes, which can be return, risk and stakeholder reactions.

Structure of the firm for the effective change management

Many organizations today are diversified in different formation of business; this is mainly carried out so it can lower down the risk of failure. But according to John L. Colley and others there is also a disadvantage, which is the difficulty of achieving reasonably stable corporate results. Every industry has its own structure of intense investment, gross profit margins, degree of labour intensity, rate of new product development and introduction, etc. (Colley et al 2002).

In huge corporations, the management levels are differentiated, where the strategic management is above all, as it applies to all other parts of the organizations. The traditional levels in this hierarchies, are considered to be Corporate, Business and Functional levels (Burnes, 2002).

Let's look at some of the different types of strategies. Corporate strategy refers to the overarching strategy of the diversified firm. Such a corporate strategy answers the questions of 'which businesses should we be in?' and 'how does being in these businesses create synergy and/or add to the competitive advantage of the corporation as a whole?' Business strategy refers to the aggregated strategies of single business firm or a strategic business unit (SBU) in a diversified corporation. According to Michael Porter, a firm must formulate a business strategy that incorporates either cost leadership, differentiation or focus in order to achieve a sustainable competitive advantage and long-term success in its chosen areas or industries. Alternatively, according to W. Chan Kim and Renée Mauborgne, an organization can achieve high growth and profits by creating a Blue Ocean Strategy that breaks the previous value-cost trade off by simultaneously pursuing both differentiation and low cost.

Functional strategies are focussed on departmental level or functional level plans. Each units contributes to the overall corporate strategy through the fulfilment of their own functional objectives. Another strategy form is that of strategic business units which are reengineered form of functional strategies in the sense that they are semi-autonomous and functions as an independent profit centre. Yet another strategy is operational strategy propounded by Peter Drucker, which is management by objectives. This has a very narrow focus on only day to day activities.

2.3 CHALLENGES IN HOSPITAL ADMINISTRATION

Up till now, we have learnt about the basic structure of HR. There are several challenges associated with HR structure and policies selected.

Like all other business, management of hospitals or hospital administration too comes up with several challenges. The hospital administration needs to be prepared to brave competition and increase in expenses in its operations so that positive changes can be brought into the organization so that it beneficial not only in terms of efficient and quality service but also is a profitable and forward-looking organization. The following are some of the challenges which typically affects hospitals in maintaining a balance between improving patient care and stabilizing finances.

Improving patient care

Technology is involved in every aspect of the 21st century and hospitals are no less different. Apart from the actual medical treatment equipment, patient care services also include areas like electronic medical records systems. Electronic records harmoniously makes available the information regarding the treatment of the patient accessible to the doctor, patient and the hospital administration. Other technologies like order entry systems, electronic communication, and others should be integrated in the hospital administration functions efficiently so as to provide seamless and stress less service to the patients and their caretakers. This will also increase their goodwill a great deal.

Decision making will also become much improved and targeted when evidence based decision will be taken through proper information collected of the various patients.

Attracting best healthcare professionals

It is one of the crucial responsibilities of hospital administrators to ensure that the pool of healthcare professionals in their organization are competent. This ongoing activity puts a task on the shoulders of the hospital administrators to ensure that they are working on improving and capitalizing on three counts: recruiting, hiring and retaining. Hospital administrators for achieving these objectives can enter into tie ups with premier as well as local trusted institutions offering medical degrees for placement. They also need to go beyond the basics of competitive pay and benefits to improving their workplace so that better healthcare professionals are willing to work and continue to work for the hospitals.

Growth and Expansion

As hospital service also serves as a business unit. It is important that the hospitals strategize about competitive advantage and make themselves stand out in offering services their competitors may not. In today's times, the rise of several outpatient surgery centres, tests related labs, diagnostic centres and speciality hospitals. Specialized services attract a greater chunk of potential patients. This can be utilized by the hospital administration through proper studies and investigations of their local communities and its problems, the functioning and services of its competitors to arrive at a strategic plan for making their niche service area. This will then be developed further through recruiting personnel for speciality jobs identified by the management. And the final step would be to build a reputation and credibility for their hospital.

Future Planning

The dynamic environment in the field of hospital services in the context of demographics, technologies, acceptable practices, etc., make it imperative for the hospital administration to make the right moves at the right time so that they adapt to the changes as quickly as possible and not only protect their current patient base but also attract more patients to their hospitals. But all of this requires strategic financial planning without which none of the changes will be incorporated. The hospital administration, therefore, should plan in advance to manage financial resources as and when they face constraints.

Check Your Progress

1. When do most problems with human resources strategy appear?
2. Mention some of the crucial parameters of organizing.
3. What are the different functional responsibilities levels concerned with personnel management?
4. Mention the three main processes of HR Strategic formulation.
5. Name one technology employed in patient care important to hospital administration.

2.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

NOTES

1. Most problems with human resources strategy appear when an organization grows at a rate that it did not think of in the past.
2. Crucial parameters to organizing are Span of control, Ergonomics and Work schedule.
3. both the Functional responsibilities levels concerned with the personnel management namely managerial functions and operative functions.
4. HR Strategic formulation is a combination of three main processes which are as follows: Performing a situation analysis, self-evaluation and competitor analysis: both internal and external; both micro-environmental and macro-environmental.
5. One technology employed in patient care important to hospital administration is the electronic medical records systems.

2.5 SUMMARY

- Human resources management is a complex function because we are talking about an activity that takes a lot of time and generates no real income. In fact, the only monetary benefit that you can get from human resources is not losing more money. Since this is one domain that is filled with work that does not generate money, we need a good human resources strategy to use in order to turn everything to our advantage. We need to keep a close control over this part of our company. Unfortunately, this is a lot easier said than done.
- According to Alfred Chandler, 'structure follows strategy' which states there has to be a long-term coordination between the strategy, which is an important step towards formation of company structure, focus and direction.
- Mindset must change if the HR function is to truly play its important role in the development and implementation of the organizational human resource strategy.
- Most problems with human resources strategy appear when an organization grows at a rate that it did not think of in the past. It is possible and there are many companies that have gained a lot more success than what their CEOs thought of in the beginning. In this case, most firms out there are left with not being able to handle all the human resources needs in the present. If the business owner did not think about implementing a human resources strategy that includes the possibility of using HR outsourcing in the future, developing a human resource strategy becomes imperative.

- A human resources strategy is required if you have employees. As you can understand, this basically means that any company out there needs a human resources strategy. The problem is that most of them do not know how to properly create one. Even if they think they do, they might not. In order to make sure that the human resource strategy is good one needs to have the proper knowledge to create it. This requires an assessment of the organization's own capabilities properly laid down on paper specifying what one can and can not do. In some cases, it might be a lot better for an organization to hire the services of a consulting company.
- Organization is a term for the business organization of today which help in to incorporate and develop personnel management tasks which are critical in the task to create and bring in efficient profits for the business competitive advantage *(Legge, Karen, 2004).* Here the main objective of organizing is to enable employees to work to a maximum level of efficiency and thus establish a business competitive advantage.This should be done at both the Functional responsibilities levels concerned with the personnel management namely managerial functions and operative functions.
- Managerial organizing includes planning involving formulating policies for future development of the enterprise; developing programs to choose adequate number of persons who can work efficiently and accomplish the business objectives and providing training to the workers in the enterprise. Integration and maintenance of work force are all parts of HRM strategies that organizations can follow to lead to an effective personnel management.
- Crucial parameters to organizing are Span of control, Ergonomics and Work schedule. Span of control is crucial in human resource management because to a large degree it will judge the number of levels and managers which an organization has. Also, the number of employees which a manager can efficiently manage can be determined by the same.
- Work scheduling and controls makes structures more focused, more concerned with results —and more creative, because they draw from different experiences. (Deci, E. L.,1975).
- A number of authors stress the difficulties of identifying clear differences between personnel management and Organizational Structure, and maintain that the most obvious change is a "re-labeling process". Torrington agrees that 'a change of label' is obvious, though one cannot be sure that the content differentiates to any extent. However, the new terminology may at least rid personnel management from its unfavourable welfare image and other negative connotations and thus, save the ailing function of managing personnel from marginalization. Accordingly, some HR academics maintain that new labels on old bottles may have their uses, even if it is only for marketing purposes.

- Human resource outsourcing is one of the strategies is increasingly being used by organizations. But it is advisable to be cautious what part of HR is outsourced. For example, once can outsource recruitment activities. But always arrange for a final interview by their own HR people before hiring the recommended candidate.
- The essential logic behind human resource outsourcing lies in the fact that the company can focus on its 'core business', delegating specific areas to external experts and thus freeing up resources that can be dedicated to core aspects of its business.
- HR Strategic formulation is a combination of three main processes which are as follows: Performing a situation analysis, self-evaluation and competitor analysis: both internal and external; both micro-environmental and macro-environmental.
- In corporate strategy, Johnson, Scholes and Whittington present a model in which HR strategic options are evaluated against three key success criteria: Suitability (would it work?), Feasibility (can it be made to work?) and Acceptability (will they work it?).
- Like all other business, management of hospitals or hospital administration too comes up with several challenges. The hospital administration needs to be prepared to brave competition and increase in expenses in its operations so that positive changes can be brought into the organization so that it beneficial not only in terms of efficient and quality service but also is a profitable and forward-looking organization.

2.6 KEY WORDS

- **Corporate strategy:** It refers to the overarching strategy of the diversified firm.
- **Business strategy:** It refers to the aggregated strategies of single business firm or a strategic business unit (SBU) in a diversified corporation.

2.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short Answer Questions

1. What is one of the primary steps to make sure that the human resource strategy is good?
2. What is centralization?
3. Briefly explain the human resource outsourcing strategy.

4. Write a short note on the function of hospital administration related to the keeping the best medical professionals.

Long Answer Questions

NOTES

1. Explain the Johnson, Scholes and Whittington model of corporate strategy in which HR strategic options are evaluated against three key success criteria.
2. What are the decisions which are given direction through HR strategic plan?
3. Compare and contrast personnel management and organizational structure.
4. Describe the major challenges to hospital administration.

2.8 FURTHER READINGS

Goel, Sonu, Anil Kumar Gupta and Amarjeet Singh. 2013. *Hospital Administration: A Problem-solving Approach.* New Delhi: Elsevier India.

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UNIT 3 APPROACHES TO HOSPITAL ADMINISTRATION

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Structure

3.0 INTRODUCTION

Hospitals are not just health care providers who assist in restoring the health of sick patients, they perform significant functions in different areas like medical research, training as well as medical education. It is an organization which has several departments and types of personnel working in tandem. This makes it imperative that hospitals have efficient and highly trained individuals manning their designated roles. What makes hospitals unique to administration and management studies is the aspect that it is both a care and cure provider as well as a business. The services provided are personalised as well as irregular. The role of the different personnel too varies depending on their profile. There are many approaches to hospital administration. The systematic approach towards management stresses on the proper and efficient management of individual units at their own level as well as at their level in the overall structure. Another approach that of conflict management concentrates on the management and resolution of conflicts in the organization itself. Approaches to hospital administration are also classified as transformational, collaborative, shared leadership or conflict management. Where the transformational approach is concerned with working with clear and well-established vision to transform the organization, the collaborative approach focuses on making groups and working together to set and achieve goals. The shared leadership approach works well as an approach where specialized professionals take care of their specific areas and together as a team and conflict management as explained focuses on inefficiencies and ways to improve them. In this unit, we will learn about the importance and need of the hospital administration in reference to the steps involved.

3.1 OBJECTIVES

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After going through this unit, you will be able to:

- Discuss the meaning and importance of hospital administration
- Describe the scope of hospital administration
- Explain the features of management of change

3.2 MEANING AND IMPORTANCE

Hospital administration as we have learnt in Unit 1 refers to the efficient management of men and material in the hospital sector to attain predetermined goals. Hospitals and the business related to it are both getting more complex with the integration of several factors. Even though hospitals are still seen as a health service and care providing institution, the business side makes it crucial that the management of resources and proper coordination between the medical staff, patients and the health care community is synthesized for the betterment of all the stakeholders. Hospital administration is important as proper management is what will essentially lead to not only efficient but judicious services. The hospital administrator is important to the management of hospitals. He/she serves a crucial function by lending not only technical expertise related to marketing, financing, managerial skills; but also conceptual skills like planning, conceptualizing, organizing and executing; along with humane skills like leadership skills, negotiating skills as well as conflict management skills.

Hospital administration could ensure effective coordination and organizational functioning. As discussed before there are several approaches to hospital administration, crucial among them is the conflict management approach. The different conflict management techniques that can be used in hospital management are primarily segregated into structural and behavioral conflict resolution strategies. Some commonly used strategies include negotiation, persuasion, problem solving, co-optation, arbitration and mediation. Organizational members can also resolve conflicts by exchange of personnel between employees and by association with organizations. Leadership power is also frequently used as a conflict management tool. Power sources are usually effective when wielded by leaders. Leaders can use referent, expert, legitimate, coercive and reward power to minimize conflicts. Creative and effective leadership result in members moving towards shared goals. If this ideal situation is achieved, firms will be in a better position to satisfy the demands of target customers and maximize profits of individual members.

3.2.1 Implication and Need of Hospital Administration

We have already learnt in Unit 1, the administration of hospitals and their organization is very critical and requires proper management because, the hospitals

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not only offer diagonistic services but also deliver informational, therapeutic and support services. Even though hospitals differ from each other based on the services they provide. The administration too of the resources—human, material and financial— differ. But these steps included in the administration must be undertaken properly. As a part of approaches to hospital administration, we look at the seven steps to mastering hospital administration:

1. Create a co-operative team building climate – The manager has to first develop a comfortable and clean environment for the team to function in. There should be mutual respect and co-operation in the environment.
2. Objectives listed and defined – The manager has to now list the objectives of this team's work. Objectives will act as a guideline for the further job that one would have to do in a team in my job.
3. Amicability towards team members – The managers must ensure that come what one may have to be friends with his/her team members. If we do not have the synchronization with them then the team making abilities are a big failure.
4. Develop a plan for teams – A plan is an organized guideline to work, how it is to be done, which team member takes which responsibility. Plans for dealing with conflict must be prepared so that a proper system is in place.
5. Solve conflicts, clear areas of work – All conflicts which may arise out of area of work have to be solved at an earlier stage. As a team member, the manager must know clearly the job scope and responsibilities of different individuals working in the hospital.
6. Monitor progress – The administrator must make sure that proper monitoring and assessment of the team's performance on a particular assignment is done diligently and they are given appropriate feedback. This is particularly critical when a new assignment or responsibility is being handled by a team member.
7. Performance evaluation and amendments - At the completion of the project, the administrator must review the results to make sure that objectives were met. All flaws must be listed and appropriate strategies communicated with good concern to the other team member.

3.2.2 Scope

We have already learnt that hospitals deal with several different functions including information disbursal, treatment, diagnostics, research, training, education and sales. Hospital administration is crucial for the hospital management process, but traditional communication methods are not always effective for teams. There could be several barriers like against empowerment which could be possible in situations where the management did not bring to light the personnel policies and standards (such as flexible working time, personal time off, etc.) that could have alleviated work/life balance problems.

Let's see how hospital administration becomes crucial for employees and their work. We will take the example of how change which is brought about by hospital administration affects employees. With a series of change initiated at an organization, at the beginning, the extended work hours take its toll on all of the team members and affect team motivation. Issues take longer to progress, items or scope of services require reworking more often, and the quality of deliverables become ever increasingly sloppy. Although this continues to be an issue throughout the initial transition period, the change initiative ultimately succeeds. For example, small changes such as allowing people within the team to vary the start and end of their days slightly boosts morale. These seemingly small changes allow the employees in the team to better understand the vision and strive harder to make the vision a reality. In addition, later transition initiatives emphasize work arrangement flexibility.

Let's take an example of the division of hospital work transition into different phases. This is done to introduce checkpoints at different levels. Each of the phases of the knowledge transfer process needs to have separate objectives that will be verified at various checkpoints. The checkpoints serve to validate that competency levels that can be reached prior to exiting each phase. Although these intermediate steps could be designed to capture progress, but the guiding coalition structures the transition phases so that short-term wins could be realized. These checkpoint meetings serve a dual purpose: measuring performance and highlighting short-term milestones.

The short-term wins will be visible to everyone on the transition team and will be very clear and related to the change effort. In addition, recognizing the checkpoint accomplishments also serves to provide evidence that the hard work is worth it. Typically, upon successful completion of the checkpoints, for example the team would be rewarded with a company-paid lunch. This type of small reward helps the team realize that our accomplishments were not going unnoticed by management which in the end boosts momentum.

Another step in the change process that can be studied here is the process of producing more change. Realizing that the proclaiming success too soon can cause a decrease in momentum and a potential regression of change, the overall company will continue to strive to reinvigorate the process and continue rolling out positions in various global locations.

3.3 FEATURES MANAGEMENT OF CHANGE

Change management is a set of process, tools and techniques to manage the employee of the change processes, to achieve the desired outcomes, and to realize the change efficiently within the individual change agent, the inner team, and the wider system.

But the change management at times may not give good edge to the employees since it's impossible to the employees to immediately adapt to the new strategies and management. To overcome this management should always motivate and train the employees to new managerial activities. If merging and acquisitions take place in an organization the parent company should effectively train the new employees who has been transferred from the merged company.

Many authors stress that the reasons for the failure of many change managements are resistance to change. Resistance of change brings in costs and delays in the change process. Resistance is also the source of information and helpful in successful change process. So the resistance to change plays a vital role in change management and believed to assist the organization in reaching the goals of the transformation.

Change management is about changing or transforming organizations in order to maintain or improve their efficiency. This use of strategies is an important characteristic of change management (Hayes, 2007).

Many researchers find that organizations can face many problems in managing change effectively. So it is clear that change in management is not an easy going process.

As learnt before, there are many approaches to change management. For example, Cummings and Worley, suggest five kinds of activities that must be carried out when planning and implementing takes place:

- Creating approval to change and overcoming resistance to change
- Formulating a vision, by thinking of a compelling reason for the change
- Forming political support for the change
- Managing the change of the organization from its current state to the desired state
- Bringing in momentum for the changes so they are carried to completion

Check Your Progress

1. How are conflict management techniques categorized?
2. List some of the ways in which conflicts can be minimized by leaders.
3. What is the first step to mastering hospital administration?

3.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The different conflict management techniques that can be used in hospital management are primarily segregated into structural and behavioural conflict resolution strategies.

2. Leaders can use referent, expert, legitimate, coercive and reward power to minimize conflicts.
3. The first step to mastering hospital administration is creating a co-operative team building climate.

3.5 SUMMARY

- Hospitals are not just health care providers who assist in restoring the health of sick patients, they perform significant functions in different areas like medical research, training as well as medical education.
- Hospitals and the business related to it are both getting more complex with the integration of several factors. Even though hospitals are still seen as a health service and care providing institution, the business side makes it crucial that the management of resources and proper coordination between the medical staff, patients and the health care community is synthesized for the betterment of all the stakeholders.
- The different conflict management techniques that can be used in hospital management are primarily segregated into structural and behavioral conflict resolution strategies. Some commonly used strategies include negotiation, persuasion, problem solving, co-optation, arbitration and mediation.
- Organizational members can also resolve conflicts by exchange of personnel between employees and by association with organizations. Leadership power is also frequently used as a conflict management tool.
- Power sources are usually effective when wielded by leaders. Leaders can use referent, expert, legitimate, coercive and reward power to minimize conflicts. Creative and effective leadership result in members moving towards shared goals. If this ideal situation is achieved, firms will be in a better position to satisfy the demands of target customers and maximize profits of individual members.
- The seven steps to mastering hospital administration: Create a co-operative team building climate, Objectives listed and defined, Amicability towards team members, Develop a plan for teams, Solve conflicts, clear areas of work, Monitor progress, and Performance evaluation and amendments.
- Change management is a set of process, tools and techniques to manage the employee of the change processes, to achieve the desired outcomes, and to realize the change efficiently within the individual change agent, the inner team, and the wider system.
- Many authors stress that the reasons for the failure of many change managements are resistance to change. Resistance of change brings in costs and delays in the change process. Resistance is also the source of information and helpful in successful change process. So, the resistance to change plays

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a vital role in change management and believed to assist the organization in reaching the goals of the transformation.

- There are many approaches to change management. For example (Cummings and Worley) suggests that carry out five kinds of activities when planning and implementing takes place:
  - o Creating approval to change and overcoming resistance to change
  - o Formulating a vision, by thinking of a compelling reason for the change
  - o Forming political support for the change
  - o Managing the change of the organization from its current state to the desired state
  - o Bringing in momentum for the changes so they are carried to completion

3.6 KEY WORDS

- **Systems approach:** It refers to a line of thought in the management field which stresses the interactive nature and interdependence of external and internal factors in an organization.
- **Conflict Management:** It refers to the process of limiting the negative aspects of conflict while increasing the positive aspects of conflict.
- **Change management:** It is a set of process, tools and techniques to manage the employee of the change processes, to achieve the desired outcomes, and to realize the change efficiently within the individual change agent, the inner team, and the wider system.

3.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short Answer Questions

1. Write a short-note on the meaning and importance of hospital administration.
2. What is conflict management? Mention its subdivisions.
3. What are the activities suggested by Cummings and Worley that must be carried out when planning and implementing takes place?

Long Answer Questions

1. Explain the steps involved in establishing good hospital administration.
2. Discuss the features of management of change.

3.8 FURTHER READINGS

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UNIT 4 HUMAN RESOURCE PLANNING

Structure

4.0 INTRODUCTION

This unit will discuss human resource planning. Human resource planning is the predetermination of the future course of action chosen from a number of alternative courses of action for procuring, developing, managing, motivating, compensating, career planning, succession planning and separating the human element of enterprise. The starting point of effective human resource planning is the organizations' overall purpose or mission.

4.1 OBJECTIVES

After going through this unit, you will be able to:

- Elaborate on the meaning, importance, implication, scope and characteristics of personnel policies
- Discuss the types of HR policies
- Describe the process of formulating HR Policies

4.2 PERSONNEL POLICY: MEANING, IMPORTANCE, IMPLICATION, SCOPE AND CHARACTERISTICS OF HUMAN RESOURCE POLICIES

The dictionary meaning of 'policy' is a 'plan of action'. Policy is a predetermined and accepted course of thoughts and actions established as a guide towards accepted goals and objectives. Policies are generally framed by the board of

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directors or the higher management. Various authorities on the subject have defined the term 'policy'. A few definitions are reproduced here:

According to Flippo, 'A policy is a man-made rule of pre-determined course of action that is established to guide the performance of work toward the organization objectives. It is a type of standing plan that serves to guide subordinates in the execution of their tasks'.

Yoder is of the opinion that, 'Policy is a pre-determined selected course established as a guide towards accepted goals and objectives. They (policies) establish the framework of guiding principles that facilitate delegation to lower levels and permit individual managers to select appropriate tactics or programmes'.

According to James Bambrick, 'Policies are statements of the organization's overall purposes and its objectives in the various areas with which its operations are concerned – personnel, finance, production, marketing and so on'.

In the words of Calhoon, 'Policies constitute guides to actions. They furnish the general standards or bases on which decisions are reached. Their genesis lies in an organization's values, philosophy, concepts and principles'.

From the above definitions, we can say that policies are the statements of the organization's overall purpose and its objectives in the various areas with which its operations are concerned. Human resource policies are also known as personnel policies and the two words are used inter-changeably in this unit.

Meaning of Human Resource Policies

A policy is a predetermined course of action established to guide the performance of work towards accepted objectives. It is a type of a standing plan that serves to guide subordinates in the execution of their tasks. HR policies are statements of human resource objectives of an organization and provide a broad framework within which decisions on personnel matters can be made without reference to higher authorities. HR policies lay down the criteria for decision making in the field of personnel management. Thus, human resource policy is one of the policies in the organization, which lays down the decision-making criteria in line with overall purposes in the area of human resource management. An HR policy is a total commitment of the organization to act in the specified ways. We know that top management in any organization is responsible for making decisions regarding their human resources. To ensure that decisions made are consistent over a period of time, there is a need for HR policies. HR policies provide guidelines for a wide variety of employment relations in the organizations. These guidelines identify the organization's intentions in recruitment, selection, promotion, development, compensation etc. HR policies serve as a road map for managers.

Simply issuing a written statement of HR policy does not automatically make it policy. For the policy to be issued is one phase; when it is accepted, understood and used as a guide to decisions in actions, that is another phase. HR policies must be known and understood before they become guides to action. HR policies should receive a broad distribution, so that anyone who wishes may review the policy and the policy may become the positive reflection of the values of employees and management. Thus, HR policies refer to principles and rules of conduct, which govern the employees in the attainment of the organization objectives.

The following points describe the scope of HR polices:

(i) Provide determined course of rules or actions

(ii) Provide a positive declaration and a command to an organization

(iii) Suggest the values and viewpoints, which dominate the organization's actions

(iv) Provide the standard or ground for the decision

(v) Guide the performance of objectives

Need for HR Policy

A policy is a formal statement on corporate thinking, which serves as a guideline for action. It is meant to establish consistency in the application of the policies over a period of time so that each one in the organization gets a fair deal. HR policy needs to be specifically created because of the following reasons:

1. The management is required to examine its basic convictions as well as give full consideration to practices in other organizations.
2. Established policies ensure consistent treatment of all personnel throughout an organization. Favouritism and discrimination are thereby minimised.
3. The tenure of any manager is finite and limited but the organization continues and along with it continues the policy; and this continuity of policy promotes stability in an organization.
4. Policies serve as standards or measuring yards for evaluating performance. The actual results can be compared with the policies to determine how well the members of an organization have lived up to their professed intentions.
5. Policies are control guides for delegated decision-making. They seek to ensure consistency and uniformity in decisions on problems that occur frequently.

Factors Influencing HR Policy

The following factors will influence the HR policy of an organization:

1. ***Laws of the Country:*** The various laws and legislations pertaining to labour have to be taken into consideration. Policies should be in conformity with the laws of the country otherwise they are bound to cause problems for the organization.
2. ***Social Values and Customs:*** Social values and customs have to be respected otherwise the employees may be offended. Thus, the values and customs of all communities should be taken into account while framing policies.

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3. ***Management Philosophy and Values:*** Management philosophy and values influence its action on matters concerning the employees. Therefore, without a clear broad philosophy and set values, it would be difficult for the employees to understand management.
4. ***Financial Impact:*** HR policies cost money, which will reflect in the price of the product. Thus, the prices set the absolute limit to organization's HR policies.

Essential Characteristics of a Sound HR Policy

HR policies should possess the following characteristics:

1. The HR policy should present the principle that will guide the organization's actions and reflect a faith in the ethical values of employees. As Peter Drucker has observed, 'The policies of an enterprise have to be balanced with the kind of reputation an enterprise wants to build up with special reference to the social and human needs, objectives and values'. It should be consistent with the overall philosophy and objectives of the organization, as well as with labour laws and public policy.
2. The HR policy should be formulated after considering the long range plans and needs of the organization. The policy should be definite, positive, clear and easily understood by everyone in the organization so that what it proposes to achieve in the long term is evident. Only a clear policy statement can serve as a guide to thinking and decision-making.
3. The HR policy must be reasonably stable but not rigid. It should be flexible to cover a normal range of activities. Change in a policy should be made only when it is essential and at fairly long intervals.
4. The HR policy should be formulated with due regard for the interests of all the concerned parties – the employers, the employees and the public community. It should be stated in the broadest possible terms so as to serve as a guide in practice now and in the future.
5. The HR policy must be developed with the active participation and support of the management and the co-operation of employees at the shop floor level and in the office. It should be formulated with active participation of the trade unions as well.
6. The HR policy should be definite so that it is easy to understand. It should be stated in clear, definite and easily understood terms so that what it proposes to achieve is evident.
7. The HR policy must provide a two-way communication system between the management and the employees. It should be communicated in writing so as to remove any confusion. This is necessary to prevent misunderstanding and to ensure uniformity of application.
8. The HR policy should be consistent with public policy.

9. A good HR policy should recognise individual differences and respect human dignity. It should be based on consistency in treatment to all employees without any favouritism or discrimination.

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Advantages of HR Policies

HR policies are set up by the management to achieve the following advantages:

1. It helps managers at various levels of decision making to take decisions without consulting their superiors. Subordinates are more willing to accept responsibility because policies indicate what is expected of them. They can quote a written policy to justify their action.
2. It ensures long-term welfare of employees and makes for good employee relationship as favouritism and discrimination are reduced. Well-established policies ensure uniform and consistent treatment of all employees throughout the organization.
3. It lays down the guidelines pursued in the organization and thereby minimises the personal bias of managers.
4. It ensures prompt action for taking decisions because the policies serve as standards to be followed. They prevent the wastage of time and energy involved in repeated analyses for solving problems of a similar nature.
5. It establishes consistency in the application of the policies over a period of time so that each one in the organization gets a fair and just treatment. Employees know what action to expect in circumstances covered by the policies. Policies set patterns of behaviour and permit employees to work more confidently. Arbitrary actions are minimised.

Principles of HR Policies

HR policies are based on the following principles:

1. ***Principle of Common Interest:*** The management as well as workers should think that their interests are not separate and that they can be achieved only through common effort. Personnel policies must be based on the principle of common interest.
2. ***Principal of Participation:*** Workers should be allowed to participate not only in the formulation of policies but also in their implementation. Problems can be minimised with the co-operation of workers.
3. ***Principle of Security:*** Policies set patterns of behaviour and permit employees to work more confidentally. Arbitrary actions are minimised. As a result employees feel a sense of security.
4. ***Principle of Work and Accomplishment:*** Workers not only want security but they also desire good pay, satisfaction and appraisal of their work. The policy should fulfil the above cited aspirations of the workers.

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5. ***Principle of Development:*** Workers should be given proper occasions for development so that their social and economic status is increased. The worker should feel responsibility towards himself and towards the organization.
6. ***Principle of Recognition:*** A well-prepared set of personnel policies enables workers to see the overall picture and how their actions relate to the organization's goals. Participation of employees in policy formulation promotes mutual understanding throughout the organization.

4.2.1 Types

HR policies may be classified on the basis of sources or description.

1. **On the Basis of Source**

On the basis of their source, policies may be classified into:

(i) *Originated Policies*: These policies are usually established formally and deliberately by top managers. Senior managers initiate such policies to guide their subordinates.

(ii) *Implicit Policies*: These policies are not formally expressed. They are inferred from the behaviour of managers. These policies are also known as implied policies.

(iii) *Imposed Policies:* Imposed Policies are sometimes imposed on the business by external agencies such as government, trade associations and trade unions. For example, the policy that nobody below the age of fourteen years will be employed has been adopted because of the Factories Act.

(iv) *Appealed Policies:* Appealed policies arise because the particular case is not covered by the earlier policies. In order to know how to handle some situations, subordinates may request or appeal for the formulation of specific policies.

2. **On the Basis of Description**

On the basis of description, policies may be general or specific.

(i) *General Policies*: These policies do not relate to any specific issue in particular. General policies are formulated by top management. Such policies are called 'general' because they do not relate to any specific issue in particular.

(ii) *Specific Policies:* These policies relate to specific issues like staffing, compensation, collective bargaining etc. Specific policies must conform to the broad pattern laid down by the general policies.

4.2.2 Process of HR Policies

The development of HR policies depends upon the day-to-day problems arising in an organization and their solutions. The main purpose of formulating the HR policy is to assist the top executives in reaching the decision in a given situation. The process of policy formulation involves the following steps:

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1. Identifying the Need

If an organization does not already have an appropriate personnel policy, the personnel manager should feel its needs. He should also convince the chief executive of the need of a personnel policy. Policies are required in various areas of personnel management such as hiring, training, compensation, industrial relations, etc. A staff expert, a first-line supervisor, a union leader or a rank-and-file employee may voice the need for revision of an existing policy.

2. Gathering Information

Once the need for a policy has been accepted, the next step is to collect necessary facts for its formulation. A committee or a specialist may be assigned the task of collecting the required information from inside and outside the organization.

Facts may be gathered from any of the following sources:

(i) Past practice in the organization.

(ii) Prevailing practice among the companies in the community and throughout the nation in the same industry.

(iii) The attitudes and philosophy of the top management.

(iv) The attitudes and philosophy of middle and lower management.

(v) The knowledge and experience gained from handling countless problems on a day-to-day basis.

The HR department should study existing documents, survey industry and community practices and interview people within the organization to collect appropriate information. Special attention should be paid to attitudes and philosophy of top management, social customs and values, aspirations of employees, labour legislation, etc. Widespread consultations and discussions at this stage prove helpful later on when it comes to applying the policies.

3. Examining Policy Alternatives

On the basis of data collected, alternatives are appraised in terms of their contributions to organizational objectives. It is necessary to secure active participation of those who are to use and live with the policies.

4. Putting the Policy in Writing

After the necessary information has been gathered and the alternatives examined, the HR department can begin the actual work of formulating the written expressions of the company's HR policy. While writing the policy, emotional phrases should be avoided.

5. Getting Approval

The HR department should send the policy draft to the top management for its approval. It is the top management which has the final authority to decide whether a policy adequately represents the organization's objectives or not.

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6. Communicating the Policy

After getting the approval of the top management, the policy should be communicated throughout the organization. A real education programme should be set up to teach people how to handle various personnel problems in the light of this newly formulated policy.

7. Evaluating the Policy

From time to time the policy should be evaluated in terms of experience of those who use it and of those who are affected by it. There may be situations when an organization is not getting the expected results. This requires modifications in the policies. Any serious difficulty with a policy along with suggestions should be reported to the top management. Such knowledge will enable the management to decide whether there is a need to restate or reformulate the policy.

Check Your Progress

1. List some of the organization's intentions which are identified in the HR policies.
2. What is the source of implicit policies?
3. State the principle of recognition guiding HR policies.
4. Mention some of the sources from which the HR department should collect appropriate information for the HR policy.
5. What are the various areas of personnel management where policies are required?

4.3 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. HR policies as guidelines identify the organization's intentions in recruitment, selection, promotion, development, compensation, etc.
2. Implicit policies are inferred from the behaviour of managers.
3. The principle of recognition states the HR policies must be a well-prepared set which enables workers to see the overall picture and how their actions relate to the organization's goals. Participation of employees in policy formulation promotes mutual understanding throughout the organization.

4. The HR department should study existing documents, survey industry and community practices and interview people within the organization to collect appropriate information.
5. Policies are required in various areas of personnel management such as hiring, training, compensation, industrial relations, etc.

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4.4 SUMMARY

- A policy is a statement or general guidelines for employees to make decisions in respect to any course of action. Personnel policies provide guidelines for a variety of employment relationships and identify the organization's intentions in recruitment, selection, development, promotion, compensation, motivation etc.
- All activities connected with employees of an organization and all decisions related to human relations come within the functional areas of personnel management. It has now been fully recognized that the basic role of the personnel manager is the management of manpower resources. He undertakes all those functions which are concerned with human element.
- Organizations are economic and social entities in which a number of persons perform multifarious tasks in order to attain common goals. Organizations are effective instruments in that they help individuals accomplish personal objectives that they (persons) cannot achieve alone.
- It is said that HRM is a line manager's responsibility but a staff function. Since management is getting things done through and with people, the responsibility of managing people rests with line managers. The HR Department provides specialised advice, assistance and information to line executives so that they may concentrate on their respective functions.
- HR audit involves a formal, systematic and in-depth analysis, investigation and comparison. The primary aim of HR audit is to determine whether the personnel policies and practices are consistent with organizational objectives. It also determines how effectively the personnel policies and programmes have been implemented.
- HR policies are statements of human resource objectives of an organization and provide a broad framework within which decisions on personnel matters can be made without reference to higher authorities. HR policies lay down the criteria for decision making in the field of personnel management.
- The HR policy of an organization is affected by many factors which include laws of the country, social values and customs, management philosophy and values and financial impact. They may be classified on the basis of source as implicit, originated, appealed and imposed policies or on the basis of description as general and specific policies.

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- The HR department should study existing documents, survey industry and community practices and interview people within the organization to collect appropriate information. Special attention should be paid to attitudes and philosophy of top management, social customs and values, aspirations of employees, labour legislation etc.
- There can be little doubt that a written statement of a company's HR policy constitutes a very practical aid to organizational operations. Yet relatively few companies in India have in fact drawn up such statements. The reason for this is perhaps their awareness that living up to the HR policy is something difficult. In India, there are varied formal and informal human resource policies. Formally, the HR policy seeks to create and evolve conditions, which would lead to employee satisfaction, motivation and development as individuals.

4.5 KEY WORDS

- **HR Policies:** HR policies are formal rules and procedures that dictate how certain matters should be addressed in the workplace, including employee rights and duties.
- **Personnel:** It refers to the body of persons employed by or active in organizations, business or service.
- **Wage:** It means payment for labour or services to a worker especially remunerations on hourly, daily or weekly basis.
- **Procurement:** It means requiring the required number of employees with due qualifications and experience keeping in view the importance of achieving the objectives set before an organization.

4.6 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short Answer Questions

1. What are HR policies?
2. List the advantages of HR policies.
3. State the factors influencing HR policies.
4. Why is there a need for HR policy?

Long Answer Questions

1. Discuss the essential characteristics of a sound HR policy.
2. Explain the principles of HR Policy.

3. Describe the types of HR policies.
4. How are HR policies formulated?

4.7 FURTHER READINGS

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BLOCK - II
HUMAN RESOURCE PLANNING AND DEVELOPMENT

UNIT 5 HR PLANNING, NEED AND SCOPE

Structure

5.0 INTRODUCTION

The need and scope of HR planning deals with the entirety of personnel related policies which guides the actions in the organization. HR planning aims to specify the organization's approach towards several areas including recruitment, selection, promotion, development, compensation, and much more. HR planning emphasizes its necessity through its assistance in ensuring the fair and equitable treatment of the personnel throughout the organization, creating an environment of stability, serving as a yardstick for activities going on in the organization and forming the guidelines for delegated decision-making. Human resource planning is the predetermination of the future course of action chosen from a number of alternative courses of action for procuring, developing, managing, motivating, compensating, career planning, succession planning and separating the human element of enterprise.

We have already seen the types and process of HR Planning, in this unit, we will pick up certain major areas which form a significant constituent of HR planning: succession planning, job analysis and job description.

5.1 OBJECTIVES

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After going through this unit, you will be able to:

- Describe the meaning of job analysis
- Explain the procedures of job description and job specification
- Discuss the concept succession planning

5.2 JOB ANALYSIS

The growth and development of an organization structure results in jobs that have to be staffed. 'Work' is an organization's primary function. The 'basic work activities' may relate to three categories—data, people and things. Data includes synthesizing, coordinating, analysing, compiling, computing, copying and comparing activities. People relate to monitoring, negotiating, instructing, supervising, diverting, persuading, speaking, signalling, serving and taking instructions. Things are concerned with setting up, precision working, operating-controlling, driving-operating, manipulating, feeding-off bearing and handling.

Before we proceed to discuss job analysis in detail, certain terms relating to job need to be understood. These terms are as follows:

- **Job:** A job may be defined as a 'collection or aggregation of tasks, duties and responsibilities which as a whole is regarded as a regular assignment to individual employees'.
- **Job Analysis:** It is a procedure by which pertinent information is obtained about a job, i.e., it is a detailed and systematic study of information relating to the operations and responsibilities of a specific job.
- **Job Description:** It is a written record of the duties, responsibilities and requirements of a particular job. It 'is concerned with the job itself and not with the work'. It is a statement describing the job in such terms as its title, location, duties and working condition hazards.
- **Job Specification:** It is a standard of personnel and designates the qualities required for an acceptable performance. It is a written record of the requirements sought in an individual worker for a given job. In other words, it refers to a summary of the personal characteristics required for a job. It is a statement of the minimum acceptable human qualities necessary for the proper performance of a job.
- **Job Design:** It is the division of the total task to be performed into manageable and efficient units — positions, departments and divisions — and to provide for their proper integration. The subdivision of work is both on a horizontal scale with different tasks across the organization being performed by different people and on the vertical scale, in which higher

levels of the organization are responsible for the supervision of more peoples, the coordination of sub-groups, more complex planning, etc.

Purpose and Uses of Job Analysis

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A comprehensive JA (Job Analysis) programme is an essential ingredient of sound personnel management. It is the major input to forecasting future human resource requirements, job modifications, job evaluation, determination of proper compensation and the writing of job descriptions. It is of fundamental importance to manpower management programmes because of the wider applicability of its results. The information provided by JA is useful, if not essential, in almost every phase of employee relations.

(i) **Organization and Manpower Planning:** It is helpful in organizational planning, for it defines labour needs in concrete terms and coordinates the activities of the workforce, and clearly divides duties and responsibilities.

(ii) **Recruitment and Selection**: By indicating the specific requirements of each job (i.e., the skills and knowledge), it provides a realistic basis for the hiring, training, placement, transfer and promotion of personnel. 'Basically, the goal is to match the job requirements with a worker's aptitude, abilities and interests. It also helps in charting the channels of promotion and in showing lateral lines of transfer.'

(iii) **Wage and Salary Administration:** By indicating the qualifications required for doing a specified job and the risks and hazards involved in its performance, it helps in salary and wage administration. Job analysis is used as a foundation for job evaluation.

(iv) **Job Re-engineering:** Job analysis provides information which enables us to change jobs in order to permit their being manned by personnel with specific characteristics and qualifications. This takes two forms, which are as follows:

(a) *Industrial engineering activity*, which is concerned with operational analysis, motion study, work simplification methods and improvements in the place of work and its measurement, and aims at improving efficiency, reducing unit labour costs and establishing the production standard which the employee is expected to meet.

(b) *Human engineering activity*, which takes into consideration human capabilities, both physical and psychological, and prepares the ground for complex operations of industrial administration, increased efficiency and better productivity.

(v) **Employee Training and Management Development:** Job analysis provides the necessary information to the management of training and development programmes. It helps it to determine the content and subject matter of in-training courses. It also helps in checking application information, interviewing, weighing test results and checking references.

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(vi) **Performance Appraisal:** It helps in establishing clear-cut standards which may be compared with the actual contribution of each individual.

(vii) **Health and Safety:** It provides an opportunity for identifying hazardous conditions and unhealthy environmental factors so that corrective measures may be taken to minimize and avoid the possibility of accidents.

Contents of Job Analysis

A job analysis provides the following information:

(i) *Job identification:* Its title, including its code number.

(ii) *Significant characteristics of a job:* Its location, physical setting, supervision, union jurisdiction, hazards and discomforts.

(iii) *What the typical worker does:* Specific operation and tasks that make up an assignment, their relative timing and importance, their simplicity, routine or complexity, the responsibility or safety of others for property, funds, confidence and trust.

(iv) *Which materials, and equipment a worker uses:* Metals, plastics, grains, yarns, milling machines, punch presses and micrometers.

(v) *How a job is performed:* Nature of operation, e.g., lifting, handling, cleaning, washing, feeding, removing, drilling, driving, setting up and many others.

(vi) *Required personnel attributes:* Experience, training, apprenticeship, physical strength, coordination or dexterity, physical demands, mental capabilities, aptitudes, social skills.

(vii) *Job relationship:* Experience required, opportunities for advancement, patterns of promotions, essential cooperation, direction or leadership from and for a job.

Job Analysis
(A Process for Obtaining All Pertinent Job Facts)

Job Description	**Job Specification**
Statement containing items, such as:	A statement of the human requirements for doing a job:
(a) Job identification (job title, location, occupational code, alternative name in use, name of division, department and unit where it exists)	(a) Physical make-up or characteristics
(b) Job summary (gives a quick capsule explanation of the contents of a job, its hazards and discomforts)	(b) Psychological characteristics

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(c) Duties performed (says the what, how and why of a job; also describes a worker's responsibilities with regard to custody of money, supervision of other workers, training of subordinates, etc.)	(c) Personal characteristics
(d) Relation to other jobs (gives how many persons may be supervised)	(d) Responsibilities
(e) Supervision given/taken (helps in locating a job in the job hierarchy)	(e) Other factors of a demographic nature
(f) Machines, tools, equipment (what type of tools/ equipment material is used)	
(g) Materials and forms used	
(h) Conditions of work	
(i) Hazards (accident hazards)	

The Steps in Job Analysis

There are five basic steps required for doing a job analysis, viz.,

Step 1: Collection of Background Information

Step 2: Selection of Representative Position to be Analysed

Step 3: Collection of Job Analysis Data

Step 4: Developing a Job Description

Step 5: Developing Job Specification

Methods of Collecting Job Analysis Data

The determination of job tasks, the concomitant skills and abilities necessary for successful performance, and the responsibilities inherent in the job can be obtained through such methods or approaches as the following:

(i) *Personal observation*: The materials and equipment used, the working conditions and probable hazards, and an understanding of what the work involves are the facts which should be known by an analyst. Direct observation is especially useful in jobs that consist primarily of observable physical ability, like the jobs of draftsman, mechanic, spinner or weaver.

(ii) *Sending out questionnaires*: This method is usually employed by engineering consultants. Properly drafted questionnaires are sent out to job-holders for completion and are returned to supervisors. However, the information received is often unorganized and incoherent. The idea in issuing questionnaires is to elicit the necessary information from job-holders so that any error may first be discussed with the employee and, after due corrections, may be submitted to the job analyst.

(iii) *Maintenance of log records*: The employee maintains a daily diary record of duties he performs, marking the time at which each task is started and finished. But this system is incomplete, for it does not give us any desirable data on supervisor relationship, the equipment used and working conditions. Moreover, it is time-consuming.

(iv) *Personal interviews*: Interviews may be held by the analyst with the employees and answers to relevant questions may be recorded. But the method is time-consuming and costly.

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Job Design

The enthusiasm with which HRM has been embraced by many working within the theory and practice of job design is founded upon its prediction and promise that individuals will be provided with stimulating and enriching jobs. Not only will individual employees perform far more varied and skilled jobs but through the resulting quantitative and qualitative performance improvements, organizations will become far more competitive. Hence, one of the most important components of organizational effectiveness and economic prosperity is the attention and paid to the detailed designing of work tasks.

The Two Approaches to Job Design

The first approach is a focus, that is, the discrete and autonomous active interventions made by the management in the employment relationship designed to increase performance by, for example,

- Increasing motivation
- Commitment
- Placating discontent and alienation
- Improving the flexibility of employee utilization

The second approach is called structuralist approach, which emphasizes constraint and the economic necessity of restructuring and redesigning jobs.

Check Your Progress

1. What refers to a statement of minimum acceptable human qualities necessary for the proper performance of a job?
2. How is job analysis related to performance appraisal?
3. What is the structuralist approach to job design?

5.3 JOB DESCRIPTION

Job description is an important document, which is basically descriptive in nature and contains a statement of job analysis. It provides both organizational information (location in structure, authority, etc) and functional information (what the work is). It defines the scope of job activities, major responsibilities and the positioning of

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the job in the organization. It provides the worker, analyst and supervisor with a clear idea of what the worker must do to meet the demands of the job.

Job description is different from performance assessment. The former is concerned with functions such as planning, coordinating and assigning responsibility; while the latter is concerned with the quality of performance itself. Though job description is not assessment, it provides an important basis for establishing assessment standards and objectives.

Job description describes the 'jobs,' not the 'job holders.' The movement of employees due to promotion, quits, etc., would create instability to job descriptions if people rather than jobs are described.

Uses of Job Description

Job description has several uses, such as:

(i) Preliminary drafts can be used as a basis for productive group discussion, particularly if the process starts at the executive level.

(ii) It aids in the development of job specifications, which are useful in planning recruitment, in training and in hiring people with required skills.

(iii) It can be used to orient new employees towards basic responsibilities and duties.

(iv) It is a basic document used in developing performance standards.

(v) It can be used for job evaluation, a wage and salary administration technique.

A job description enables the manager to frame suitable questions to be asked during an interview. It is particularly helpful when the application form is used as a tool for eliminating unfit personnel. According to Joseph E. Zerga, who did an analysis of 401 articles on job description, says that a job description helps in:

(i) Job grading and classification

(ii) Transfers and promotions

(iii) Adjustments of grievances

(iv) Defining and outlining promotional steps

(v) Establishing a common understanding of a job between employers and employees

(vi) Investigating accidents

(vii) Indicating faulty work procedures or duplication of papers

(viii) Maintaining, operating and adjusting machinery

(ix) Time and motion studies

(x) Defining the limits of authority

(xi) Indicating case of personal merit

(xii) Facilitating job placement

(xiii) Studies of health and fatigue
(xiv) Scientific guidance
(xv) Determining jobs suitable for occupational therapy
(xvi) Providing hiring specifications
(xvii) Providing performance indicators

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Components or Contents of Job Description

A job description contains the following data:

(i) *Job identification or organizational position* which includes the job title, alternative title, department, division, plant and code number of the job. The job title identifies and designates the job properly. The department, division, etc., indicate the name of the department where it is situated - whether it is the maintenance department, mechanical shop, etc. The location gives the name of the place. This portion of job description gives answers to two important questions: to what higher level job is this job accountable; and who is supervised directly?

(ii) *Job summary* serves two important purposes. First, it provides a short definition which is useful as an additional identification information when a job title is not adequate. Second, it serves as a summary to orient the reader towards an understanding of detailed information which follows. It gives the reader a 'quick capsule explanation' of the content of a job usually in one or two sentences.

(iii) *Job duties and responsibilities* give a comprehensive listing of the duties together with some indication of the frequency of occurrence or percentage of time devoted to each major duty. It is regarded as the heart of a job. It tells us what needs to be done, how it should be done, and why it should be done. It also describes the responsibilities related to the custody of money, the supervision of workers and the training of subordinates.

(iv) *Relation to other jobs*: This helps to locate the job in the organization by indicating the job immediately below or above it in the job hierarchy. It also gives an idea of the vertical relationships of work flow and procedures.

(v) *Supervision:* Under it is given the number of persons to be supervised along with their job titles, and the extent of supervision involved — general, intermediate or close supervision.

(vi) *Machine, tools and equipment* define each major type or trade name of the machines and tools and the raw materials used,

(vii) *Working conditions* usually give information about the environment in which a job holder must work. These include cold, heat, dust, wetness, moisture, fumes, odour, oily conditions, etc. present inside the organization.

(viii) *Hazards* give us the nature of risks to life and limb, their possibilities of occurrence, etc.

Writing a Job Description

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Opinions differ on how to write job descriptions. Some experts are of the view that these should be written in detail and in terms of workflow. Others feel that these should be written in terms of goals or results to be achieved, in other words as performance standards (or what is popularly known as 'management by objectives'). The prevalent thinking is that job descriptions should be written in terms of duties and responsibilities, i.e., in terms of functions performed.

Job descriptions are written by the personnel department or its representatives.

Although there is no set way of writing a job description, the following pattern is fairly typical, and used by many companies:

(i) A paragraph is allocated to each major task or responsibility.

(ii) Paragraphs are numbered and arranged in a logical order, task sequence or importance.

(iii) Sentences are begun with an active verb, e.g., 'types letters', 'interviews the candidates', 'collects, sorts out, routes and distributes mail.'

(iv) Accuracy and simplicity are emphasized rather than an elegant style.

(v) Brevity is usually considered to be important but is largely conditioned by the type of job being analysed and the need for accuracy.

(vi) Examples of work performed are often quoted and are useful in making the job description explicit.

(vii) Job descriptions, particularly when they are used as bases for training, often incorporate details of the faults which may be encountered in operator tasks and safety check-points.

(viii) Statements of opinion, such as 'dangerous situations are encountered', should be avoided.

(ix) When job descriptions are written for supervisory jobs, the main factors (such as, manning, cost control, etc.) are identified and listed. Each factor is then broken down into a series of elements with a note on the supervisor's responsibility.

The British Institute of Management publication adds four more guidelines:

(i) Give a clear, concise and readily understandable picture of the whole job.

(ii) Describe in sufficient detail each of the main duties and responsibilities.

(iii) Indicate the extent of direction received and supervision given.

(iv) Ensure that a new employee understands the job if he reads the job description.

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Limitations of Job Description

In any use of job descriptions, it should be remembered that these descriptions are not perfect reflections of the job. 'The object of a job description is to differentiate it from other jobs and set its outer limits.' Further, executives tend to carry work patterns with them into new jobs, thus modifying the job drastically.

To avoid such problems, care must be exercised in writing a job description to make it as accurate as possible, and at the managerial or professional level, it should be reviewed and discussed after the job. Jobs tend to be dynamic, not static, and a job description can quickly go out of date. Therefore, a job should be constantly revised and kept up-to-date and the personnel and other departmental heads should be apprised of any changes.

5.3.1 Job Specification

The job specification takes the job description and answers the question 'What human traits and experience are needed to do the job well?' It specifies what kind of person to recruit and for what qualities that person should be tested.

Job specifications translate the job description into terms of human qualifications, which are required for a successful performance of a job. They are intended to serve as a guide in hiring and job evaluation. As a guide in hiring, they deal with such characteristics as are available in an application bank, with testing, interviews and checking of references.

Job specification is developed with the cooperation of the personnel department and various supervisors in the whole organization. The personnel department coordinates the writing of job descriptions and job specifications and secures agreement on the qualifications required.

These specifications relate to the following:

(*i*) *Physical characteristics*, which include health, strength, endurance, age range, body size, height, weight, vision, voice, poise, eye, hand and foot coordination motor coordination, and colour discrimination.

(*ii*) *Psychological characteristics* or special aptitude which includes such qualities as manual dexterity, mechanical, aptitude, ingenuity, judgment, resourcefulness, analytical ability, mental concentration and alertness.

(*iii*) *Personal characteristics or traits of temperament*, such as personal appearance, good and pleasing manners, emotional stability, aggressiveness or submissiveness, extroversion or introversion, leadership, cooperativeness, initiative and drive, skill in dealing with others, and unusual sensory qualities of sight, smell, hearing, adaptability, conversational ability, etc.

(*iv*) *Responsibilities,* which include supervision of others: responsibility for production, process and equipment; responsibility for the safety of others; responsibility for generating confidence and trust; and responsibility for preventing monetary loss.

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(*v*) *Other features of a demographic nature*, which are age, sex, education, experience and language ability.

Job specifications are mostly based on the educated guesses of supervisors and personnel managers. They give their opinion as to who they think should be considered for a job in terms of education, intelligence, training, etc. One of the most extensive 'judgmental' approaches to developing job specifications is contained in the *Dictionary of Occupational Titles*, published by the US Training and Employment Service. Its description for a personnel managers' job is as follows:

Personnel Manager: director personnel; manager, employee relations; personnel supervisor. 'Plans and carries out policies relating to all phases of personnel activities.'

5.4 SUCCESSION PLANNING

Succession planning was first introduced by Henri Fayol, who believed if succession planning needs were ignored, organizations would not be prepared to make necessary transactions. Human Resource Succession Planning (HRSP) is a deliberate and systematic effort by an organization to ensure critical personnel continuity in key positions and encourage individual advancement (Rothwell, 1994).

Succession planning allows an organization to prepare for the absence, departure, death, retirement or termination of an individual. It provides for continuity of culture and the evolution of necessary skills (Balskey, 2002).

Objectives of Succession Planning

There are two important objectives of succession planning:

(a) Key to organization continuity - The organization continuity is done by-

  (i) Identifying appropriate skills

  (ii) Retaining knowledge

  (iii) Integrated leadership development

(b) Replacing retiring employees while evaluating organizational needs. The positions of those retiring are fulfilled by analyzing organizational needs and offering development programmes for leadership and training for employees. This also provides inputs for targeted recruiting.

Succession Planning Model

1. Determine the functions and when positions will be available.
   - Review the associated functions and anticipated future work requirements.
   - Fully understand how real and anticipated change in functions and new technologies will impact the future job requirements.

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2. Determine initial competencies required for each position.
   - Determine the skill, knowledge, ability, aptitude, values, motivation, initiative, self control, work style, and attitudes that contribute to exemplary job performance.
3. Competency Gap Analysis–
   - Identify the job competencies that will be required for future positions in the organization.
   - Determine the type of tools used to gather data on whether current employees possess the competencies that will be required for the identified positions.
   - Analyse the difference (if any) between current employee competencies and future organizational needs.
   - Document the findings. The 'gaps' should be the competencies that developmental opportunities are identified for.
4. Design developmental opportunities for each set of competencies.
   - Tailor opportunities to develop each competency and future work requirements.
5. Develop and maintain a talent pool.
   - Acquire volunteers.
   - Conduct individual gap analysis.
   - Prepare individual developmental plans.
   - Reassess and track individual progress.
6. Reassess and track overall progress and maintain a skills inventory.
   - Continually monitor skills and needs to determine any gaps, and develop plans to meet deficiencies.
   - Track individual progress overtime to use for reporting and determining, adding or changing developmental opportunities.
   - Maintain an inventory of current and future needs along with the information for individual and group development.

Check Your Progress

4. What is the difference between job description and performance assessment?
5. How is the job summary useful?
6. How is job specification developed?
7. Who introduced the concept of succession planning?

5.5 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

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1. Job Specification is a statement of minimum acceptable human qualities necessary for the proper performance of a job.
2. Job re-engineering can take two forms: industrial engineering activity and human engineering activity.
3. The structuralist approach to job design emphasizes constraint and the economic necessity of restructuring and redesigning jobs.
4. The difference between job description and performance assessment is that the former is concerned with functions such as planning, coordinating and assigning responsibilities while the latter is concerned with the quality of performance itself.
5. Job summary serves two important purposes. (i) It provides a short definition which is useful as an additional identification information when a job title is not adequate. (ii) It serves as a summary to orient the reader towards an understanding of detailed information which follows. It gives the reader a 'quick capsule explanation' of the content of a job usually in one or two sentences.
6. Job specification is developed with the cooperation of the personnel department and various supervisors in the whole organization.
7. Succession planning was first introduced by Henri Fayol, who believed if succession planning needs were ignored, organizations would not be prepared to make necessary transactions.

5.6 SUMMARY

- Job analysis is a procedure by which pertinent information is obtained about a job, i.e., it is a detailed and systematic study of information relating to the operations and responsibilities of a specific job.
- Job description is a written record of the duties, responsibilities and requirements of a particular job. It 'is concerned with the job itself and not with the work'.
- Job specification is a standard of personnel and designates the qualities required for an acceptable performance. It is a written record of the requirements sought in an individual worker for a given job.
- Job design is the division of the total task to be performed into manageable and efficient units — positions, departments and divisions — and to provide for their proper integration.

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- A comprehensive JA programme is an essential ingredient of sound personnel management. It is the major input to forecasting future human resource requirements, job modifications, job evaluation, determination of proper compensation and the writing of job descriptions.
- There are five basic steps required for doing a job analysis, viz.,
  - o Step 1: Collection of Background Information
  - o Step 2: Selection of Representative Position to Be Analysed
  - o Step 3: Collection of Job Analysis Data
  - o Step 4: Developing a Job Description
  - o Step 5: Developing Job Specification
- A job description enables the manager to frame suitable questions to be asked during an interview. It is particularly helpful when the application form is used as a tool for eliminating unfit personnel.
- Opinions differ on how to write job descriptions. Some experts are of the view that these should be written in detail and in terms of workflow. Others feel that these should be written in terms of goals or results to be achieved, in other words as performance standards (or what is popularly known as 'management by objectives').
- In any use of job descriptions, it should be remembered that these descriptions are not perfect reflections of the job. 'The object of a job description is to differentiate it from other jobs and set its outer limits.'
- Job specifications translate the job description into terms of human qualifications, which are required for a successful performance of a job. They are intended to serve as a guide in hiring and job evaluation.
- Succession planning was first introduced by Henri Fayol, who believed if succession planning needs were ignored, organizations would not be prepared to make necessary transactions.
- Succession planning allows an organization to prepare for the absence, departure, death, retirement or termination of an individual.

5.7 KEY WORDS

- **Job Analysis:** It is a procedure by which pertinent information is obtained about a job, i.e., it is a detailed and systematic study of information relating to the operations and responsibilities of a specific job.
- **Job Specification:** It is a written record of the requirements sought in an individual worker for a given job.
- **Job Description:** It is an important document which defines the scope of job activities, responsibilities and the positioning of the job in the organization.

- **Succession planning:** A strategy for passing each key leadership role within a company to someone else in such a way that the company continues to operate after the incumbent leader is no longer in control.

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5.8 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short Answer Questions

1. What do you understand by job analysis?
2. List the steps in job analysis.
3. What is job design? What are the two approaches to job design?
4. Define job description.
5. List any two uses of job description.
6. State the limitations of job description.
7. List the objectives of succession planning.

Long Answer Questions

1. Enumerate the purposes of job analysis.
2. List the contents of job analysis.
3. Discuss the methods for collecting job analysis data.
4. Describe the components of job description.
5. How will you write a job description?
6. Discuss the meaning of job specification with its characteristic features.
7. Explain the succession planning model.

5.9 FURTHER READINGS

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UNIT 6 RECRUITMENT AND SELECTION PROCESS

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Structure

6.0 INTRODUCTION

Up till now, we have learnt about the concept and process of job analysis, description and design. In this unit, we will move on to the next step in the HR policy ladder. We will discuss the nuances of recruitment and selection. Recruitment is acritical HR function. It is the process of identifying qualified and skilled persons for actual or anticipated vacancies in organizations. It is important for organizations to have a recruitment policy. Selection can be of two kinds — internal or external. It is the process of selecting a certain number of people, from a large number of applicants, who are most likely to perform their jobs with maximum effectiveness and remain with the company. After selecting a candidate, he/she should be placed in a suitable job.

6.1 OBJECTIVES

After going through this unit, you will be able to:

- Explain the concept of recruitment and selection
- Discuss the different sources of recruitment and selection
- Describe the selection process
- Examine the different selection techniques

6.2 RECRUITMENT AND SELECTION

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There are two denominators to the recruitment process. One is that in all cases recruitment involves locating and attracting adequate human resources to fill existing vacancies. The other is that recruitment is an absolutely critical management activity. If the right people cannot easily be identified, sooner or later there will be no tomorrow for the organization. No employer can survive in the absence of human resources. Recruitment is also an area in which there are important social and legal implications.

Vacancies in an organization occur through someone leaving or as a result of expansion. Recruiting a new employee may be the most obvious step when a vacancy occurs but it is not necessarily the most appropriate. Some of the other options are as follows:

1. ***Reorganize the work:*** Jobs may be rearranged so that the total amount of work in a section is done by the remaining employees without recruitment.
2. ***Use of overtime:*** Extra output can be achieved by using overtime. Few HRD managers like the extensive use of overtime and it lacks logic at a time of high unemployment but it may be the best way of dealing with a short-term problem, i.e., during sickness or maternity leave of an employee.
3. ***Mechanize the work:*** There are ways in which the work of a departing employee can be mechanized, though it is seldom feasible to mechanize a single vacancy.
4. ***Make the job part-time:*** Replacing full-time jobs with part-time jobs has become a widespread practice. It also provides flexibility by turning one full-time job into two part-time posts.
5. ***Sub-contract the work:*** This means, the employer avoids ongoing costs and obligations of employing people by transferring those obligations to another employer. It is easy to do this, when the work can be easily moved elsewhere, such as computer programming.
6. ***Use an agency:*** Another strategy is to use an agency to provide temporary personnel, who is not a permanent liability to the company.

Once the employer has decided that external recruitment is necessary, a cost effective and appropriate method of recruitment must be selected.

Recruitment or employee selection is the first step in the employment of labour and the methods through which labour is brought into the organization has much to do with the ultimate success or failure of the company.

Recruitment is a process that not only helps to fill a vacancy physically, mentally and temperamentally but also helps to develop an employee into a desirable asset. The selection process finds persons with potential to grow in the organization.

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If the HR department fails to identify the quality and the number of persons to be recruited and also fails to procure the services of persons with required qualifications, skill and caliber continuously, a time may come when all the qualified persons would have retired and no qualified person would remain in the organization. Therefore, the importance of recruitment and selection of the right type of persons at the right time is indispensable to the organization.

According to Flippo, recruitment 'is a process of searching for prospective employees and stimulating and encouraging them to apply for jobs in an organization'.

In the words of Mamoria, 'recruiting is the discovering of potential applicants for actual or anticipated organizational vacancies'.

Recruitment and Selection

Technically speaking, recruitment and selection are not synonymous. Recruitment means announcing job opportunities to the public in such a way that a good number of suitable people will apply for them. Selection means choosing from that number, those applicants who are most likely to succeed in the jobs. An interview is the most widely used technique for selection.

Selection is a process of weeding out the unsuitable candidates and finally arriving at the most suitable one. In this sense, recruitment is a positive process while selection is a negative process of rejecting most of the candidates, leaving only a few who are considered suitable.

A properly planned and systematic recruitment policy is necessary to minimize disruption of work by constantly changing personnel and achieve equitable distribution of employment opportunities.

Recruitment policy should take into account that high caliber personnel are essential to have but hard to find. Despite tremendous unemployment, it is not easy to find the right type of personnel. In the expanding industrial economy of India, the demand for top management, technical and scientific personnel is expanding at a fast rate with the result that an all-round shortage of such personnel is being felt. Many companies indulge in 'pirating' i.e., attracting executives from sister organizations on higher salaries. But this does not, in any way, expand the supply of such personnel. Therefore, a sound recruitment policy has to be based on a comprehensive programme of management development.

Recruitment needs fall into three broad categories — planned, anticipated and unexpected. The planned needs arise from changes in organizational decisions and retirement policies, unexpected needs arise from individuals' decisions to leave the company and from ill health, accidents or deaths. The anticipated category comprises those jobs which the organization, by studying the trends within and outside the company, can predict.

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Careful recruitment of employees is particularly important in India for two reasons: first, under the existing legal conditions, when an industrial worker is discharged, an industrial dispute can be made by the employee in regard to such discharge and the Tribunal would determine whether the termination of service was justified and to order reinstatement if the order was not appropriate. As a precaution against unjustified discharge, certain rules of procedure are required to be strictly followed by the employers before the order of discharge is passed. Failure to carry out this procedure undermines the case if it goes to an industrial court. Secondly, the chances of mismatching the job and the person are much higher in India. Matching the job with the suitable applicant is naturally a two-way process. Under the present labour market conditions in India, the employee's choice is very much limited and he will accept any job irrespective of his suitability. Under such conditions, the pressure to properly match man and job is only one-sided — from the employer's side only.

In India the organizational practices in selection vary widely. The private and public sector organizations differ in their selection practices. Selection for public sector undertakings is done through Public Service Commission, Banking Service Commission, Subordinate Services Commission, etc.

Forecasting

Recruiters commonly make use of two tools to ascertain their staffing needs, taking account of the sales projections and historical sales to personnel relationships. These are the ratio analysis and trend analysis methods.

The most basic process involves forecasting revenues first of all and then estimating the number of personnel required to meet these revenue goals. For this, the HR managers have several techniques at their disposal.

1. **Trend analysis:** Trend analysis involves examining and analysing the changes in an organization's employment levels over the last few years. This can be done by computing the number of workers in your organization at the end of each of the last five years, or may be the number in each sub-category (such as sales, production, secretarial and administrative) at the end of each of those years. The chief aim is to recognize and pick up trends that are capable of continuing into the future. With the help of trend analysis, the HR manager can easily get an initial estimate of staffing requirements, but employment levels can hardly be derived based only upon the passage of time. There are several other factors such as variations in the volume of sales and productivity that influence the recruitment needs of an organization.
2. **Ratio analysis:** Another common approach to forecasting staffing needs is ratio analysis. This involves forecasting staffing requirements based upon the ratio between (i) some causal factor like sales volume and (ii) the number of employees required (for instance number of sales people).

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For example, say a sales personnel usually generates ₹5,00,000 in sales. If the ratio between sales revenue and sales personnel has to remain the same, you would require six new salespeople next year (each of whom produces an extra ₹5,00,000) to produce an expected extra ₹3 million in sales.

One underlying assumption between trend analysis and ratio analysis is that there is no change in productivity. It argues that the sales personnel cannot be instigated to increase productivity. If there is a variation in sales productivity, there would also be a variation in the ratio of sales to sales personnel. In this case, a forecast based on historical ratios would then no longer be accurate.

Check Your Progress

1. State the denominators to the recruitment process.
2. What are the three broad categories of recruitment?
3. Define ratio analysis.

6.3 SOURCES OF RECRUITMENT

In this section, we will study in detail the sources of recruitment. This will include internal and external sources as will as domestic and global sources.

6.3.1 Internal vs External

There are two main sources of recruitment from which employees may be recruited: (1) Internal sources, i.e., recruitment from within the organization and (2) External sources, i.e., recruitment from outside the organization.

Table 6.1 *Comparative Advantages and Disadvantages of Internal Sources of Recruitment*

Advantages	***Disadvantages***
1. The cost of recruiting internal candidates is the minimum because no expenses are incurred on advertising paying TA/DA to the candidates to attend the written test and advertisement.	1. The internal sources are limited as there may be very limited source from which the organization has to choose from. Therefore the organization may have to settle from what is available to them.
2. The organization can pick the right candidates having the requisite skills as they (the candidates are very well known to the organization and we don't have to make a decision in an interview.	2. As the source is very limited we may not be able to get the right type of candidates. The entries of talented people available from outside are discouraged. It results in inbreeding and the organization may lose out on dynamism.

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3. The organization has sufficient knowledge about the candidate and hence can make good choice. There is a saying 'known devils are better than unknown angles!'	3. Promotions based on length of service rather than merit may prove fatal for the organizations. Candidates know that they need not work hard and prove their worth.
4. A policy of preferring people from within motivates them to work hard and earn promotions. It provides career progression for the employees.	4. Recruitment form within may lead to infighting among employees aspiring for limited higher-level positions in an organization.
5. Internal recruiting offers regular promotional avenues for the employees. They will be more loyal and committed to the organization and will work with enthusiasm.	5. There is a possibility of favouritism practiced by higher level officers who may select candidates for higher level positions not based on merit but because of personal consideration.

Internal Sources

It is better to look for the candidate first within the company by examining the list of personnel for jobs being considered. Sometimes suitable candidates can be found within the organization itself. Recruitment from within the organization should be encouraged as a method of recruitment because it contributes to building up good morale among workers. Existing employees should be given an opportunity to switch over to another job which they consider more congenial. A planned promotion policy will take care in many vacancies in the higher grade. Many progressive organizations of India follow this practice and whenever a vacancy arises it is filled by promoting a suitable employee from the lower cadre.

Promotion from within has several advantages, such as the following:

(a) It builds up morale.

(b) It encourages efficient people who have ambition.

(c) It is less costly than outside recruitment.

(d) It improves the probability of a good selection, since information on the individual's performance is readily available.

The policy of preferring internal candidates, however, suffers from some disadvantages. It may lead to inbreeding, discouraging new blood from entering an organization. If promotion is based on seniority, the really capable hands may be left out.

External Sources

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Table 6.2 Comparative Advantages and Disadvantages of External Sources of Recruitment

Advantages	*Disadvantages*
1. The organization has the freedom to select candidates from a large pool. Thus the choice is larger and persons with requisite qualifications could be picked up. There will be no compromise on quality.	1. The cost of hiring could go up substantially as advertisements have to be put in the media and candidates paid TA/DA to attend the interview.
2. External sources of recruitment could help in injection of fresh blood. Thus, external sources of recruitment discourage inbreeding and help organizations to select people with special skills and knowledge.	2. External sources of recruitment is very time consuming process. It takes time to advertise, screen, test and select suitable employees. If suitable ones are not available the process has to be repeated after some time which again results in delay in filling up vacancies.
3. It encourages in motivating internal employees to work hard and compete with external candidates while seeking career growth. Such a competitive atmosphere would help an employee to work to the best of his abilities.	3. Existing employees who have put in considerable service in the organization may feel they are not suitably rewarded. They may feel unmotivated and will work with less enthusiasm.
4. There are long term benefits in external sources of recruitment. Talented people could join the organization with new ideas and this would compel internal people to give their best to the organization in a competitive atmosphere.	4. Though external sources have a wide choice there is no guarantee that the organization will hire suitable candidates. It might end up hiring someone who does not fit into the organization culture.

Employment exchanges Employment exchanges have been set up by the government for bringing together seekers of employment and the employers who are looking for workers. Compulsory notification of all vacancies up to the level of supervisory positions to the employment exchanges is now required by law; but while notification of vacancies is compulsory, selection of applicants rests with the management who are at liberty to call on other sources as well.

Employment Exchanges are however still unpopular sources of recruitment among most private sector companies. This source has not been found effective, particularly for skilled personnel.

Advertisement Advertisement in newspapers is the most widely used method for attracting qualified and experienced personnel. The higher the position in the organization, the more widely dispersed the advertisement is likely to be.

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When qualified and experienced persons are not available through other sources, advertising in newspapers and professional and technical journals is resorted to. Whereas all types of advertisements can be made in newspapers, only particular types of posts should be advertised in the professional and technical journals. For example, only accounting jobs should be advertised in the journal of Chartered Accountants. In preparing an advertisement, great care has to be taken to ensure that only qualified people will think of applying. If the advertisement is clear and to the point, candidates can assess their abilities and suitability for the post and only those who possess the requisite qualifications will apply. Important newspapers like the Statesman, The Hindu, the Times of India publish classified advertisements and certain days of the week are fixed for recruitment advertising.

Many firms use what it called 'blind advertisement,' in which the organization does not reveal its identity. Blind advertisements use Box NO. and do not publish the name of the company that is advertising. Respondents are asked to reply to a Box No. The use of box number will prevent a large number of applicants from canvassing for the job but they do not attract good candidates who feel that it is not worthwhile to apply without knowing the name of the organization. That is why large organizations with a national reputation do not use blind advertisement.

Casual applications Candidates send applications for jobs on their own initiative or after learning about vacancies from reliable sources. The personnel manager should see all such casual callers, for sometimes a most desirable type of employee could be discovered in this way. This source is clearly inexpensive and it can fill vacancies, particularly of the clerical variety.

Candidates of present employees Candidates introduced by present employees may be a good source from which employees may be drawn and many firms recruit such persons as something of their background is known. Moreover, if the candidate of an existing employee gets preference in the matter of recruitment, it is sure to develop a sense of belonging amongst workers. Many organizations actively encourage 'employee referrals.' This, however, is likely to encourage nepotism i.e., persons of one's own community or caste may only be employed. This may create problems for the organization.

Educational institutes: Educational institutions are an important source of recruitment. For technical, managerial and professional jobs, specialized institutes like the IITs and IIMs and university departments are used. The specialized institutes have a placement officer who normally provides help in attracting employers and arranging for campus interviews.

Employment agencies: These days special agencies or consultants are emerging for searching out suitable candidates for their clients. They are retained by companies to select suitable candidates for vacancies. Very often these agencies also recruit on behalf of the organization without necessarily disclosing the identity of the organizations. They go as far as short-listing the candidates for the organization, but the final selection is made by the representative of the organization.

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Generally, services of such consultants are utilized for filling specialized and managerial vacancies. Sometimes services of agents or consultants are taken by companies in foreign countries (i.e. recruiting for Gulf) to fill in vacancies there from India.

This is an expensive method of recruitment and as such it is restricted to high level job openings. The consultant, using its own name, can serve a company that does not wish to be identified until suitable candidates have been found.

Raiding Raiding means attracting the employees working elsewhere to join the organization. Even though many hiring companies believe that it is unethical to directly contact the employees of other organizations, some companies do engage in such raiding. This is particularly true where the need to recruit is especially pressing.

The above mentioned sources of recruitment are commonly used by both the public and private sectors in India. While there is little difference in policy, the public sector depends more heavily on the institutionalized sources. In many cases public sector undertakings follow the policy of giving preference to scheduled castes and scheduled tribes and displaced persons. Certain percentage of vacancies is reserved for them. As per Mandal Commission's recommendations, 50% jobs in the public sector are to be reserved for scheduled castes, scheduled tribes and other backward classes.

A large number of companies in India are family-controlled. In these companies managerial personnel are selected from among members of the controlling family and their position as well as upward mobility is determined by family considerations. Thus in many Indian firms, managers are selected not on the basis of degree but by pedigree. The required qualifications for managerial posts are 'good family connections' or recommendation by an influential minister. Since Indian companies encourage aristocracy instead of meritocracy, of rewarding status rather than talent, many well qualified young men without pedigree feel frustrated. Since widespread nepotism is found prevailing in them is well-known, they cannot attract talented people from the market.

However, the employer in this country is not always free to choose the best candidate. Agreement with unions may influence the selection process. Sometimes, it may be necessary to take candidates from the union. Moreover, the Government's influence in the recruiting process should not be overlooked. In public sector appointments, a small percentage of posts are kept reserved for schedule castes and tribes, OBCS and sometimes for the physically handicapped.

Headhunting Very senior managers are sometimes recruited by a process known as 'executive search' or 'headhunting.' Its advocates believe that the best candidates are not only those who reply to advertisements or look for new jobs but also those who are successful in their present jobs and are not thinking of moving elsewhere.

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On receipt of a commission from a client the headhunter will search for potential candidates:

(i) In competing businesses

(ii) In the membership lists of professional bodies, newspapers

(iii) Through confidential headhunting network

Selected candidates are then approached discreetly and one or two of them are introduced to the client firm.

The advantage in headhunting is that, top managers already in employment will not bother to read job advertisements, newspapers and other media and can be reached only by this means. Secondly, senior managers prepared to consider a move sometimes make this known to leading headhunters, even though they would not openly apply for the post.

Headhunting has its disadvantages.

1. Headhunting is highly disruptive to successful business, which stands to lose expensively trained senior managers.
2. A headhunted individual might subsequently be enticed by other headhunters to leave his new firm after a short period. To avoid this, some companies attach golden handcuffs to senior management position i.e., they pay large cash bonuses which are only available to executives who stay with the firm for a certain number of years.
3. An unsuitable candidate might bribe the headhunter to recommend him for the vacant job.

6.3.2 Promotion from Within: Sources

Job opening for employees within the organization stimulates the possibility of transfer or promotion, increases the general level of morale, and provides more information about the candidate through analyzing his performance in the organization. Personal data bank of employees can identify a list of those with minimum qualifications for the job requirements. This provides exibility and greater control over career progress.

Job Posting Jobs are posted on the bulletin boards, internal circular or on the internet. Some carry listing in the company newspapers and newsletters. Internal applicants are often restricted to certain employees. Such guidelines include: 1) performance review of the last 3 to 5 years, 2) dependable attendance record, 3) having been in the present position for certain years, 4) has had no disciplinary action or penalty, 5) has had certain specific work experience in the organization.

The present supervisor must at some point be informed of the subordinates interest in another job. Some require immediate notification while others inform only if the employee becomes a prime candidate for the listed opening.

Job posting can reduce turnover by sending the message to the employees that they do not have to go elsewhere in order to and opportunities for advancement

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and development. Posting jobs create an open recruitment process which helps to provide equal opportunities for advancement of all employees. But job posting, though with definite advantages, is not foolproof. If decisions are already made when posting appears, the system loses credibility. At Citigroup, internal job advertisement policy is diligently practiced for all job openings. Internal staff is encouraged to apply for positions across the franchise locally and globally.

Talent Inventories HR department has the data of all the employees. Some organizations identify high potential employees to create talent pools and replacement charts for succession planning, while other organizations have devised a systematic method of keeping track of talent at all levels and all functions. The employer monitors the internal talent and facilitates the process of matching internal applicants to suitable positions. They ensure that all the suitable employees for various positions are considered. IBM and Citibank use their talent inventory to identify suitable positions for employers who wish to transfer or who are seeking another job because of technological displacement reorganization, or new openings. At Citigroup, the Talent Inventory Review (TIR) process is one of the most successful sources of recruitment for executives and managers with proven records.

Transfers Transfers involve moving from one position to another of a similar status, and generally there is no increase in the pay. These are lateral job transfers. These are considered valuable opportunities for employees as it gives a broader perspective of the working of various functions in an organization, which may play an important role in the long-term development of employees.

6.3.3 Domestic Vs Global Sources

Recruitment practices differ depending on the type and level of employment employee require, of course, but they also differ between countries. Recruitment is an issue that is becoming more international. Not only has the growth of multinational enterprises meant that they now recruit in many countries, but there has also been a growth in organizations that recruit for their domestic workforce. This is particularly the case in the European Union, where work permit and other barriers have been abolished. It applies to such areas as business services and IT, and to the public sector for staff such as nurses. It is more common in the smaller EU countries, and it is dynamic. The Republic of Ireland, or example, which used to export labour through emigration, now imports qualified workers.

Governments are also involved in the recruitment process, through both the provision of recruitment services and legislation—mainly concerned with discrimination. Discrimination against job seekers for reasons of race, gender, age or legal history, or because they belong to a disadvantaged group in society, is seen as undesirable from a moral, legal and, sometimes, organizational point of view. Monitoring staffing practices and outcomes to avoid discrimination is, therefore, relevant to many HR managers.

There are three specific areas of country difference that international HR managers must be aware of:

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- The type of labour legislation—which varies from one country to another in terms of scope, whether it conveys an employer or employee bias, the recency of codification and particular areas of deficiency in the behaviour of individuals, organizations and institutions
- The type of labour market—which may be internal or external
- The recruitment sources usually tapped to attract people

The Scope of Labour Legislation

The scope of labour legislation and associated collective agreements or customs and practices varies markedly. For example, some constitutions convey rights of the individual in relation to appointment. In Norway, the Employment Act, 1947, specifies that every citizen has the right to make a living. Article 1 of the Italian Constitution defines the country as a democratic republic based on labour, in which the employer is the provider of work and the employee the lender of labour. In France, a range of collective agreements at national and industry level shape recruitment practice. For example, in the chemicals sector, the re-hire arrangement gives priority to candidates who have been ex-employees for the previous six months. The motive is to stop companies from rationalizing and then re-hiring on new terms and conditions. In India too, we have a similar provision in the Industrial Disputes Act, 1947, whereby retrenched employees should be given preference over others when, at a future date, the company intends to hire new hands for similar or same jobs. In Germany, work councils have to agree to the use of personnel questionnaires, they can see personal information on all short-listed candidates and can veto an appointment within one week of offer. The motive is to ensure fairness and absence of nepotism. In Spain, high salary indemnity rates have been associated with a shift by organizations towards temporary employment.

Internal and External Labour Markets

There are also marked differences across countries in terms of labour markets. Germany, Japan, France and Switzerland are noted for generally having internal labour markets where recruitment tends to be focused on specialized entry points at low levels of the hierarchy, and wherein promotion is through internal assessment. Internal labour markets are considered to have such benefits as improved morale, commitment and security among employees, more opportunities to assess (and more accurate assessment of) competencies and accrued knowledge, more control over salary levels given the lower exposure to market forces, and more specialized HR skills around dedicated entry points (such as graduate recruitment). The downside, however, can be high levels of political behaviour associated with advancement, informal 'glass ceilings' that go unchallenged, complacency and structural shocks when major market and technological changes force changes in the whole vocational educational and training system and require a significant overhaul of the whole HR system.

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Britain, the US, Denmark, the Netherlands and Hong Kong tend to be characterized as external labour markets where candidates can move in and out of the hierarchy at any level. How do you get promoted in Britain? You change jobs. The advantages of such labour markets can be the opportunity to bring in new blood as part of culture-change processes, insights into competitor capabilities, and the ability to respond to equal opportunities.

6.3.4 IT and Recruiting on the Internet

In accordance with the research by the Society for Human Resource Management, the Internet is used by 96 per cent of all job seekers. This makes it the most commonly used mode of searching. On the other hand, the Internet is used by 88 per cent of recruiters to advertise for new opportunities and vacancies. This approach is considered cheaper, faster and highly efficient by firms and candidates. Applicants can make use of a number of websites that can be availed on the Internet, for this purpose. The applicants can make use of these websites for submitting their resumes and similarly, prospective employers can check these resumes for candidates who may suite their requirements. These websites also have a system to match the requirements with the skills of the candidates. Recently, firms have found it more convenient and effective to construct their own websites, wherein they advertise the job vacancies. Websites prove to be speedy, convenient and cost-effective for applicants who use the Internet to submit their resumes. The resumes are then converted into a standard format that uses the software to make a short list of candidates. This is in accordance with the set criteria such as qualifications, experiences, etc. The requirements are furnished by the HR department which also generates the profiles of candidates from the company's database.

Recruitment alternatives: Recruiting sources are equipped for locating and hiring full-time and permanent employees. Nevertheless, economic facts, combined with the trends of management such as rightsizing, have caused the emergence of slightly different focus. A large majority of companies is presently hiring temporary employees, leased employees and are using independent contractors.

Temporary help service: Temporary employees prove to be specifically valuable when meeting short-tem fluctuations in the need for human resource management. Though they are traditional in their way of handling office administration, yet temporary staffing services have expanded to a broad range of skills. It is possible to hire temporary computer programmers, accountants, technicians, administrative assistants, etc.

Leased employees: Leased employees tend to be with a firm for a long time. They work are employed with the organization in accordance with a leasing arrangement. If a firm is on the lookout for employees who are specifically skilled, it gets in touch with leasing firms. These firms cater them with leased employees. Leased employees are trained well. The leasing firm screens them, as required and gives them proper training. They are assigned to organizations with absolute guarantee. In case a leased employee does not perform, the organization is given a replacement or the paid fee is returned. This is also beneficial to the employee who is being leased. There are a few workers who like their lives to be flexible. When they are on lease, it allows them the choice to work at their convenience and for as long as they desire.

Independent contractors: Independent contracting is an alternative method of recruitment. Firms may prefer hiring of independent contractors for specific jobs that are located within or outside its premises. The system of independent contracting is beneficial for the organization as well as for the worker. In this case, the worker is different from an employee, since it is more economic for the company with full or part-time employees, in terms of social security schemes such as provident fund, insurance, gratuity, etc. In addition, this is also a good way to keep ideal workers in association with the firm. If an individual is allowed the freedom to work from home, as per his convenience of time, it is beneficial to both, the firm and the individual.

6.4 SELECTION PROCESS

Selection, either internal or external, is a deliberate effort of organizations to select a fixed number of personnel from a large number of applicants. The primary aim of employee selection is to choose those persons who are most likely to perform their jobs with maximum effectiveness and to remain with the company. Thus, an attempt is made to find a suitable candidate for the job. In doing so, naturally, many applicants are rejected. This makes selection a negative function.

According to management author Dale Yoder, 'the hiring process is of one or many 'go-no-go' gauges. Candidates are screened by the employer and the short-listed applicants go on to the next hurdle, while the unqualified ones are eliminated.'

Essential Elements of Selection Procedure

The selection procedure adopted by an organization is mostly tailored made to meet its particular needs. The thoroughness of the procedure depends on three factors:

First, whether the nature of selection is faulty or safe because a faulty selection affects not only the training period that may be needed but also results in heavy expenditure on the new employee and the loss that may be incurred by the organization in case the job-occupant fails on his job.

Second, the policy of the company and the attitude of the management. As a practice some companies usually hire more than the actual number needed with a view to removing the unfit persons.

Third, the length of the probationary or the trial period. The longer the period, the greater the uncertainty in the minds of the selected candidate about his future.

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The hiring process can be successful, if the following preliminary requirements are satisfied:

(i) Someone should have the authority to hire. This authority comes from the employment requisition, as developed by an analysis of the workload and workforce.

(ii) There must be some standard of personnel with which a prospective employee may be compared, i.e., there should be available, beforehand, a comprehensive job description and job specification as developed by a job analysis.

(iii) There must be a sufficient number of applicants from whom the required number of employees may be selected.

6.4.1 Steps in the Selection Process

'The step following recruitment is initial screening. The selection process following the initial screening is more rigorous.'

Although an effective recruitment programme can provide numerous job applications, there still remains a crucial problem of selection of the most suitable HR with a view to placing them in vacant positions in the enterprise. Obviously, selection and placement form a crucial manpower function. It may be noted that the trends towards automation and computerisation have increased the significance of these processes. Notwithstanding marked technological developments, profits stemming from efficient operations involve expeditious application of manpower through effective selection and placement programmes.

Although selection procedures vary from one organization to another, in terms of size, industry, location, and scalar levels of jobs being filled, the selection process depends upon effective job analysis and recruitment. As Yoder *et al.* suggest, the selection process involves seven steps as follows: (*i*) preliminary screening of applicants, (*ii*) review of application blank, (*iii*) checking references, (*iv*) physical examination, (*v*) psychological testing, (*vi*) employment interview, and (*vii*) evaluation of the programme.

Check Your Progress

4. List some of the disadvantages of the policy of preferring internal candidates.
5. Define raiding.
6. How is government involved in the recruitment process?
7. Why is the selection process considered a negative function?

6.5 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

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1. There are two denominators to the recruitment process. One is that in all cases recruitment involves locating and attracting adequate human resources to fill existing vacancies and the other is that recruitment is an absolutely critical management activity.
2. The three broad categories of recruitment are: planned, anticipated and unexpected.
3. Ration analysis is an approach towards forecasting staffing requirements based upon the ratio between (i) some causal factor like sales volume and (ii) the number of employees required (for instance number of sales people).
4. The policy of preferring internal candidates suffers from the some of the following disadvantages: imbreeding, discouraging new blood from entering an organization and if the promotion is based on seniority, the really capable hands may be left out.
5. Raiding is a method of external recruiting which involves attracting the employees working elsewhere to join the organization.
6. Governments are involved in the recruitment process through both the provision of recruitment services and legislation–mainly concerned with discrimination.
7. In the selection process, an attempt is made to find a suitable candidate for the job. In doing so, naturally, many applicants are rejected. This makes selection a negative function.

6.6 SUMMARY

- Recruitment or employee selection is the first step in the employment of labour and the methods through which labour is brought into the organization has much to do with the ultimate success or failure of the company.
- Recruitment means announcing job opportunities to the public in such a way that a good number of suitable people will apply for them. Selection means choosing from that number, those applicants who are most likely to succeed in the jobs.
- Recruitments could either take place internally, externally or online. These comprise of a hierarchy of policies pertaining to recruitment, advertising, nature of job, applied process of the job, interviews, assessment, etc.
- Recruitment is a complex process that requires decision-making at the managerial level. This decision-making combines with in-depth planning for employing the most appropriate workforce.

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- There are two main sources of recruitment from which employees may be recruited: (1) Internal sources, i.e., recruitment from within the organization and (2) External sources, i.e., recruitment from outside the organization.
- Employment exchanges have been set up by the government for bringing together seekers of employment and the employers who are looking for workers.
- Advertisement in newspapers is the most widely used method for attracting qualified and experienced personnel. The higher the position in the organization, the more widely dispersed the advertisement is likely to be.
- Candidates send applications for jobs on their own initiative or after learning about vacancies from reliable sources. The personnel manager should see all such casual callers, for sometimes a most desirable type of employee could be discovered in this way.
- These days special agencies or consultants are emerging for searching out suitable candidates for their clients. They are retained by companies to select suitable candidates for vacancies.
- Raiding means attracting the employees working elsewhere to join the organization. Even though many hiring companies believe that it is unethical to directly contact the employees of other organizations, some companies do engage in such raiding.
- Very senior managers are sometimes recruited by a process known as 'executive search' or 'headhunting.' Its advocates believe that the best candidates are not only those who reply to advertisements or look for new jobs but also those who are successful in their present jobs and are not thinking of moving elsewhere.
- In accordance with the research by the Society for Human Resource Management, the Internet is used by 96 per cent of all job seekers. This makes it the most commonly used mode of searching.
- A well-considered and pre-planned recruitment policy, based on corporate goals and needs may avoid hasty decisions and help the organization to appoint the right type of personnel.
- Selection, either internal or external, is a deliberate effort of organizations to select a fixed number of personnel from a large number of applicants. The primary aim of employee selection is to choose those persons who are most likely to perform their jobs with maximum effectiveness and to remain with the company.
- Although selection procedures vary from one organization to another, in terms of size, industry, location, and scalar levels of jobs being filled, the selection process depends upon effective job analysis and recruitment.

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- Some of the basic steps involved in the selection process are: preliminary screening of applicants, review of application blank, checking references, physical examination, psychological testing, employment interview and evaluation of the programme.

6.7 KEY WORDS

- **Recruitment:** It is the process of identifying qualified and skilled persons for actual or anticipated vacancies in organizations.
- **Selection:** It is the process of selecting a certain number of people, from a large number of applicants, who are most likely to perform their jobs with maximum effectiveness and remain with the company.
- **Raiding:** It is a source of external recruitment which involves attracting the employees working elsewhere to join the organization.
- **Headhunting:** It is a source of external recruitment which is based on the premise that the best candidates are not only those who reply to advertisements or look for new jobs but also those who are successful in their present jobs and are not thinking of moving elsewhere.

6.8 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short Answer Questions

1. What are some of the alternatives to recruitment in the situation of vacancies in an organization?
2. Write a short note on recruiting on the internet.
3. Briefly discuss the factors involved in the domestic and global recruitment.
4. Write a short note on forecasting in the recruitment process.
5. What are the essential elements of the selection procedure?
6. List some of the basic steps involved in the selection process.

Long Answer Questions

1. Describe the different methods of external recruitment.
2. Examine the recruitment technique of promotion with the organization.
3. Discuss the advantages and disadvantages of the internal sources of recruitment.
4. Elucidate upon the internal and external sources of recruitment.

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UNIT 7 PLACEMENT, INDUCTION AND TRAINING

NOTES

Structure

7.0 INTRODUCTION

Over the years, along with the importance of training function, the contribution of training to organizational and employee success has also grown remarkably. With increasing use of technology in manufacturing and business processes, the need is not just for a 'pair of hands' but for an 'expert pair of hands'. Further, organizations have come to recognize the key role played by employees in organizational success. This changing perception of employee's role in organizational success and the increasing presence of technology in workspace have made organizations wake up to the importance of training. Besides these, the continuous creation of new jobs due to modernization of equipment or systems has also increased the importance of effective training.

The objective of training is to facilitate learning of new skills, enhancing the existing knowledge or changing employees' behaviour. In simple words, training is all about knowledge, skills and attitudes. Training is fundamentally a learning activity, but as a learning activity it is specific and distinct from education. Training per se is not only important for the organization, but it is also significant for the employees/ workers. From the organization's perspective, training involves imparting skills, knowledge and abilities to enable the worker to work effectively and make a contribution to the organization. For an employee/worker, training implies not only acquiring knowledge, but also adding to his already existing skill sets.

7.1 OBJECTIVES

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After going through this unit, you will be able to:

- Discuss the need and objectives of orientation
- Explain the process of training
- Describe the methods and techniques of training

7.2 PLACEMENT AND INDUCTION/ORIENTATION

7.2.1 Placement

After a candidate is selected, he should be placed on a suitable job. It involves assigning a specific rank and responsibility to an employment. Most organizations put new recruits on probation for a given period of time (say 6 months or 1 year) after which their services are confirmed following successful completion of the probationary period. If the performance is not satisfactory, the organization may extend the probation or ask the candidate to quit the job. However, if the employee's performance during the probation period is satisfactory, his services will be regularized and he will be retained permanently on the job.

Placement is an important HR activity. If neglected, it may create employee adjustment problems leading to absenteeism, turnover accidents, poor performance, etc. Pigors and Myers have defined placement as 'the determination of the job to which an accepted candidate is to be assigned and his assignment to that job. It is a matching of what the supervisor has reason to think he can do with the job demands; it is a matching of what he imposes in terms of strain, working conditions, etc., and what he offers in the form of pay roll, companionship with others, promotional possibilities, etc'. Proper placement helps to improve the employee morale. If a candidate adjusts himself to the job and and continue to perform as per expectations, it might mean that the candidate is properly placed. However if the new employee has problems in adjusting to the job and continues to perform below expectations, he might be misplaced. Such new recruits should be assigned some other more suitable jobs, or they must be given further training to make them fit for the job.

Problems of placement: Some problems might crop up while placing an employee on a job. These problems could include the following:

- Expectations of the employee from the job.
- Expectations from the employers are more than the employee's abilities or skills.
- Technological changes might result in mismatch between the job and the employee.

- Change in the organizational structure may result in changes in the job. These changes result in a misfit between the employee and the job.

Probation and Confirmation

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Confirmation of employment post probation period: letter to employee

This is a formal letter to employees who have completed their probation period successfully. It confirms their appointment to the new post. It aids compliance with employment legislation.

About this document

This letter is to be used by any employer, to send to their employee when the employee has completed their probationary period of employment. This is usually after three months of employment. However it may differ, depending on the conditions that have been agreed with the employee.

This confirmation and end of probationary period letter contains a paragraph that relates to the probationary period in the employee's employment contract. This letter states that the employee's performance has been satisfactory and it confirms the employee's appointment to the designated job.

Application and features

This letter is:

- Suitable for any employee and any employer
- A formal letter that aids compliance with employment law
- Written in plain English

Contents

This letter contains the following:

- Correspondence address of employee
- Background to the letter
- Reference to contract of employment, statement of particulars as appropriate
- Confirmation of appointment

7.2.2 Orientation

Orientation or induction is a technique by which a new employee is rehabilitated into the changed surroundings and introduced to the practices, policies and purpose of the organization. A formal orientation tries to bridge the information gap of the new employee. When a person joins an organization he is a stranger to it. He may experience a lot of difficulties that could lead to tension and stress in him. This in turn can reduce his effectiveness.

Need for Orientation

In an organization, orientation is required for overcoming employee anxiety, reality shocks and for accommodating employees.

- New employees experience a lot of anxiety in an organization. This is a natural phenomenon which can be overcome through orientation.
- An employee joins an organization with certain assumptions and expectations. When these expectations do not match with reality, the new employee experiences a reality shock. Effective orientation programmes help to reduce this reality shock by providing a more realistic expectation on the part of the new employee.
- Proper employee orientation helps to accommodate the new employee with existing employees by developing new acquaintances and understanding of the various aspects of the job.

Objectives of Orientation

The following are the chief objectives of the orientation process:

- To avoid the insecure feeling of a newcomer who joins an organization
- To develop a strong feeling about the workplace and work environment
- To develop defensive behaviour
- To develop courage
- To develop self-confidence
- To minimize the reality shock

The induction expected by the newcomer may include the following:

- Opportunities for advancement
- Social status and prestige – reorganization by others
- Responsibility
- Opportunities to use special aptitudes and educational background
- Challenge and adventure
- Opportunity to be creative and original
- Lucrative salary

Procedure for Orientation

Any organization has an obligation to make the integration of the individual into the organization as smooth and anxiety free as possible. This can be achieved through a formal or informal placement orientation programme depending on the size of the organization and the complexity of the individual's new environment.

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There is no model induction procedure but each industry develops its own procedures as per its needs.

The HR department may initiate the following steps while organizing the induction programme:

1. Welcome the new recruit to the organization.
2. Provide knowledge about the company: what it is, what it does, how it functions, the importance of its producers; knowledge of conditions of employment, and the company's welfare services.
3. Give the company's manual to the new recruit.
4. Show the location/department where the new recruit will work. This step should include specific job location and duties.
5. Provide details about various groups and the extent of unionism within the company. In this step, the new employee is given a brief idea about the set-up of the department, production processes, different categories of employees, work rules, safety precautions and rules.
6. Give details about pay, benefits, holidays, leave and so on.
7. Define the employee's career prospects with reference to the training and development activities that the company organizes with special reference to the new recruits' position.

Check Your Progress

1. What is orientation?
2. List two objectives of the orientation process.

7.3 THE TRAINING PROCESS

To improve the effectiveness of every organization they need to have well-trained and experienced people to perform the activities that have to be done. If the current or potential job occupant can meet this requirement, training is not important. But when this is not the case, it is necessary to raise the skill levels and increase the versatility and adaptability of employees. Inadequate job performance or a decline in productivity or changes result in job redesigning or a technological break; which require some type of training and development efforts. As the jobs become more complex, the importance of employee development also increases. In a rapidly changing society, employee training and development is not only an activity that is desirable but also an activity that an organization must commit resources to if it is to maintain a viable and knowledgeable workforce.

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7.3.1 Need Analysis

The need for the training of employees would be clear from the observations made by the different authorities.

(i) To increase productivity by performance.

(ii) To improve quality by developing a good relationship between employer and employee.

(iii) To help a company fulfil its future personnel needs.

(iv) To improve the organizational climate.

(v) To improve health and safety.

(vi) To prevent obsolescence.

(vii) For personal growth

The need for training arises from more than one reason:

(i) An increased use of technology in production.

(ii) Labour turnover arising from normal separations due to death or physical incapacity for accidents, disease, superannuation, voluntary retirement, promotion within the organization and change of occupation or job.

(iii) Need for additional hands to cope with an increased production of goods and services.

(iv) Employment of inexperienced, new or *badli* labour requires detailed instruction for an effective performance of a job.

(v) Old employees need training to enable them to keep abreast of the changing methods, techniques and use of sophisticated tools and equipment.

(vi) Need for enabling employees to do the work in a more effective way, to reduce learning time, reduce supervision time, reduce waste and spoilage of raw material and produce quality goods and develop their potential.

(vii) Need for reducing grievances and minimizing accident rates.

(viii) Need for maintaining the validity of an organization as a whole and raising the morale of its employees.

7.3.2 Training Techniques

The forms and types of employee training methods are interrelated. It is difficult, if not impossible, to say which of the methods or combination of methods is more useful than the other. In fact, methods are multi-faceted in scope and dimension, and each is suitable for a particular situation.

The methods of training are as follows:

- On-the-job-training (OJT)
- Job instruction training (JIT)
- Vestibule training

- Training by experienced workmen
- Classroom or off-the-job-training, like

Let's discuss these techniques in detail.

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I. On-the-Job-Training (OJT)

There are a variety of OJT methods, such as the following:

- Coaching
- Under study
- Job rotation
- Internship
- Apprenticeship

Merits of On-the-Job-Training

- Trainee learns on the actual equipment in use and in the true environment of his job.
- It is highly economical since no additional personnel or facilities are required for training.
- The trainee learns the rules, regulations and procedures by observing day-to-day applications. He can, therefore, be easily sized up by the management.
- This type of training is a suitable alternative for a company in which there are almost as many jobs as there are employees.
- It is most appropriate for teaching the knowledge and skills which can be acquired in a relatively short period, say, a few days or weeks.

Demerits of On-the-Job-Training

- Instruction is often highly disorganized.

II. Job Instruction Training (JIT)

This method is very popular in the US for preparing supervisors to train operatives. The JIT method requires skilled trainers, extensive job analysis, training schedules and prior assessment of the trainee's job knowledge. This method is also known as 'training through step-by-step learning.' It involves listing all necessary steps in the job, each in proper sequence. These steps show what is to be done. Alongside each step is also listed a corresponding 'key point', which shows how it is to be done and why.

The job instruction training process is in four steps:

(i) The preparation of the trainee for instruction. This includes putting him at ease, emphasizing the importance of the task and giving a general description of job duties and responsibilities.

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(ii) Presentation of the instructions, giving essential information in a clear manner. This includes positioning the trainee at the work site, telling and showing him each step of the job, stressing why and how each step is carried out as it is shown.

(iii) Having the trainee try out the job to show that he has understood the instructions. If there are any errors they are corrected.

(iv) Encouraging the question and allowing the trainee to work along. The trainer follows up regularly.

The JIT method provides immediate feedback on results, quick correction of errors and provision of extra practice when required.

However, it demands a skilled trainer and can interfere with production and quality.

III. Vestibule Training (or Training-Centre Training)

It is a classroom training which is often imparted with the help of the equipment and machines which are identical with those in use in the place of work. This technique enables the trainee to concentrate on learning the new rather than on performing an actual job.

It is a very efficient method of training semi-skilled personnel, particularly when many employees have to be trained for the same kind of work at the same time.

Training is generally given in the form of lectures, conferences, case studies, role playing and discussions.

Merits of the Vestibule Training

- Training is given in a separate room and distractions are minimized.
- Trained instructor, who knows how to teach, can be more effectively utilized.
- The correct method can be taught without interrupting production.
- It permits the trainee to practice without the fear of supervisors'/co-workers' observation and their possible ridicule.

Demerits of the Vestibule Training

- The splitting of responsibilities leads to organizational problems.
- An additional investment in equipment is necessary, though the cost may be reduced by getting some productive work done by trainees while in the school.
- This method is of limited value for the jobs which utilize equipment that can be duplicated.
- The training situation is somewhat artificial.

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IV. Classroom or Off-the-Job Methods

Off-the-job-training simply means that training is not a part of everyday job activity. The actual location may be in the company classrooms or in places which are owned by the company, or in universities or associations which have no connection with the company.

These methods consist of the following:

i. Lectures
ii. Conferences
iii. Group discussions
iv. Case studies
v. Role-playing
vi. Programme instruction
vii. T-Group Training

Special Purpose Training

The training provided to an employee of an organization for any special purpose is known as special purpose training. A special purpose in an organization is always well defined and serves a short term purpose. Such training is usually done in organizations for projects that a company undertakes.

7.3.3 Need Assessment

The term 'training needs assessment' looks very self-explanatory, but it is not. Training practitioners attach two different meanings to the term. According to some training practitioners, training needs assessment focuses on analyzing those training needs that have already been identified. While others use the training needs assessment as a blanket term, inclusive of identification of training needs and analysis of needs themselves. From an Indian training perspective, it is the latter interpretation that most training practitioners follow.

Reasons for Conducting Training Needs Assessment

Before we move on to the process of training needs assessment, it will be a good idea to explore the reasons for conducting training needs assessment. We saw the existence of performance gap as a cause for triggering training needs assessment, but there are also other compulsions which force an organization to conduct training needs assessment. In the following paragraphs we shall discuss the reasons for conducting training needs assessment.

- Employees' underperformance is not always a training issue. Factors like organizational barriers, sub-standard equipment; bad management practices can also contribute to poor performance. Needs assessment will help determine the necessity of training and this prevents the organization from looking at training solutions for non-training issues. And in case if it is a training issue, the organizations can plan accordingly.

- Besides identifying the training needs, the needs assessment, if conducted properly, will help the organization to identify the causes for poor performance. It can pinpoint exactly where the problem lies in the organizational set up.
- Needs assessment helps in determining the content and scope of training. It helps in identifying the type of training, the duration of training and the target audience for training.
- Needs assessment helps in establishing the desired learning outcome. It helps in determining the training content and training objectives of the training programme.
- Needs assessment ensures that the final training design is aligned with employee needs. A considerable effort is made during needs assessment to gather information on knowledge, skills and attitude requirements. This helps the training designer in replicating the learner's job in a training situation.
- Needs assessment establishes the basis for back-end evaluation. During needs assessments quantitative measurement are taken of business needs, performance needs, learning needs and learner needs. These same measurements are used later to evaluate training in terms of learner reaction, learning, job performance and business needs. If the comparison shows positive changes in the four areas, the training goals are considered to be met. Hence, needs assessment data is an aid for conducting training evaluation.

Check Your Progress

3. List the different types of On-the-Job training methods.
4. What does training needs assessment focusses on?

7.4 TRAINING METHODS FOR OPERATIVES AND SUPERVISORS

The following sections will discuss some of the popular training methods along with their strengths and limitations.

Lecture method

The lecture is the most formal of training methods and in training terms it means a verbal presentation given before the trainees for instruction and it may be accompanied by visual aids like flipcharts or projections. A lecture requires the audience to sit still and listen and the only interaction between the trainer and

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trainee is limited to question and answer, usually at the end of the lecture. It is a one way presentation of training message by the trainer. Lecture is a formal presentation of information in a clear logical sequence, which is interspersed with illustrations and examples. Management authors and professors Blanchard and Thacker give a list of essential components of a lecture which is as follows:

1. **Orientation:** Giving introductory information with regard to the direction and the content of the presentation.
2. **Enthusiasm:** Elaborating the importance of training content to generate enthusiasm among the audience.
3. **Variety:** Illustrating the presentation with visual images or projections or audio-visuals to add variety to the presentation.
4. **Logical organization:** Presenting the topic in a sequential order.
5. **Explanations:** Explaining factual and conceptual ideas in an unambiguous manner.
6. **Directions:** Providing systematic instruction and direction in case of procedural knowledge
7. **Illustrations:** Giving relevant examples to substantiate a topic or to explain an idea.
8. **Compare and contrast:** Discussing the strengths and limitations.
9. **Questions and discussion:** Responding to questions of the trainees and raising questions to elicit response from the trainees.
10. **Summarize:** Concluding the presentation by briefly discussing the important aspects of the topic.

The lecture method has many variants. These are as follows:

1. **Standard lecture:** Presentation made by the trainer for giving information to the trainees.
2. **Team teaching:** Presentation of a topic by two different trainers to provide different points of view. This method can also be used to present two different topics by different sets of trainers. For instance, a psychologist can deliver a lecture on body language while a communications specialist can give one on the nuances of verbal language.
3. **Guest speakers:** Specialists from related fields can be invited to make a presentation to give trainees an expert's point of view.
4. **Panels:** Two or more trainers present a topic and discuss it with the trainees.

In a lecture, the trainees are overtly passive which may reduce their attention span and receptivity. To counter this problem, trainers at times use short lectures or *lecturettes* lasting for about 20 minutes. During a lecture, the trainee observes, listens and if necessary, takes notes. In other words, the trainee is expected to play the role of an information collector. Lecture per se is not a very effective technique for learning, but is useful for giving specific information to a large number of trainees. The ineffective aspect of lecture comes from its lack of two-way communication or interaction with trainees. To make a lecture an effective method of learning, some trainers combine it with discussion. When combined with discussion, the lecture method becomes interactive and more responsive to trainees misunderstandings. The use of discussion after a lecture helps in consolidating and clarifying the information. Lecture-cum-discussion makes learning of conceptual knowledge very thorough, as the trainees have an opportunity to discuss and clarify their doubts.

The focal point in a lecture is the trainer. It is the trainer who controls the session and its contents. In the absence of two-way communication, the lecture method lacks trainee involvement and feedback. Despite the lack of trainee involvement, organizations prefer using the lecture method when it comes to knowledge development or filling the gaps in a trainee's knowledge. To make lectures more effective, the trainer can give printed versions or hand outs of his lectures. From the attention point of view, if the trainer is charismatic and knows the subject he is dealing with, he will be able to get the attention of the trainees. Getting attention is the first step towards effective learning and lectures are a good method to get the attention of the trainees. But retaining attention of the trainees is an entirely different aspect of training. It is here that lecture on its own becomes ineffective and the trainer has to turn to training aids for support. An effective trainer uses illustrations, examples and real situations to explain the subject he is dealing with. Illustrations are an important component of lecture as they provide verbal cues that can be used by the memory to code the information. This in turn enhances retention. Another way to enhance retention of a lecture is to provide audio or video tapes of it. One of the ways to make learning effective is to stimulate multiple senses, but in case of lecture the stimulation is only auditory and this at times can hamper the learning process.

Demonstration method

The word demonstration literally means 'a talk or explanation by someone who shows you how to do or use something, or how something works.' (*Collins Dictionary*) From a training point of view, demonstration is most effective for showing trainees how to use equipment or how to use a software. It is used when the training objective is knowledge enhancement and skill development. The skills can be anything ranging from technical to software, from decision-making to marketing presentation. For instance, medical representatives are trained in presentation skills so as to enable them to make effective presentations in front of doctors. A demonstration serves the following purposes:

- Showing how the equipment works or procedure functions.
- Presenting visually how the procedures are linked.
- Simplifying the procedures by recreating them in front of the trainees.

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- Revealing the cause and effects. For instance, unsafe handling of equipment and its consequences.
- Explaining how the product functions. For instance, demonstration of how washing machines work.
- Explaining the problems associated with product functioning.
- Encouraging trainees to perform the procedure.
- Displaying the efficiency of the product or procedure.
- Display product capabilities. For instance, new software is always demonstrated to show its capabilities.
- Enabling the trainee to 'watch and learn.'

Three kinds of demonstration are used in training: performance demonstration, teaching demonstration and interactive demonstration. These have been discussed individually in the following sections:

1. **Performance demonstration:** This method is effective for imparting training in using new equipment or technology. In this method, an operator or an expert demonstrates the whole operation or works on the equipment and the trainees are expected to watch and learn. This method is primarily used in factories to train trainees in handling equipment. The demonstration is not only related to using an equipment but it can also be related to safe handling of equipment, correcting small mechanical faults, etc. Performance demonstration has very little element of lecture or verbal presentation, because the focus is on the operation of the equipment and the operator.
2. **Teaching demonstration:** This is a method that combines lecture and a demonstration. It is effective in situations where the training objective is knowledge and skill development. In this method, the trainer first verbally explains the process or procedure, and then goes on to demonstrate the same. The advantage of this method lies in the fact that the trainees get a verbal introduction to the process or procedure before they practice or work on it. This method is commonly used in pharmaceutical industry to train personnel working on the manufacturing processes.
3. **Interactive demonstration:** This is a training method used for introducing new skills and to correct faulty skills of the existing employees. In this method, the trainer first allows the trainees to work on the equipment and after observing them work, suggests corrective measures. This method is very effective for building on the already existing skill set of the employees.

For a demonstration to be effective in achieving learning objectives it has to provide for enough practice time to the trainees and it has to have a very constructive trainer feedback. When it comes to the learning process, attention span is important concern with using demonstrations because lengthy demonstrations can be tedious. Hence, it is advisable to keep demonstrations short and relevant. With regard to retention, demonstration encourages observation on part of the trainees because the trainees are expected to practice the procedure or task after the demonstration is over. And as the trainees practice the same procedure over and over, the whole work procedure gets codified in the memory for further recall without any memory lapses.

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Case Study method

A problem or an issue regarding a company is written and given to the trainees. The issue may be anything from a marketing problem to decision-making situation. The trainees are given the entire background of the problem including facts, figures, and company history. They are then required to analyse and respond to the issue given to them. After finishing the analyses, the trainees put forward their suggestions that are then discussed by all the trainees. Learning takes place through the trainees' participation in the discussion. Trainees also learn by critiquing the suggestions put forward by other trainees. By participating in case study discussions, the trainees realize that there is more than one solution to most problems. The case study method essentially teaches skills rather than knowledge. It is used to develop the trainees' analytical abilities.

In the case study method, it is the case/problem which is the source of learning rather than the trainer. All the same this is not to suggest that the trainer has no role to play, as it is the trainer who selects the cases and directs the discussion in a specific line of enquiry. The learning objective of this method is to encourage the trainees to participate, and to apply the knowledge which they hitherto have learnt or acquired.

The case study method has developed a variant known as the incident process. Unlike case study where all the relevant details of the case are provided, the incident process method only provides a brief and sketchy detail of the problem. The trainees are expected to gather other relevant details from the trainer or do their own research. This method focuses on developing information gathering and sorting skills of the trainee, as it is information on which most of the decisions are made. As a training method, the case study method is very effective for skill development. Organizations often use it to train their managers and other employees.

Role play

Role play is a training method in which trainees enact hypothetical situations. They play assigned roles, by improvising their behaviour. Trainees are provided with information regarding the context, the general situation and an outline of their roles. Role plays are particularly useful for developing demonstration skills, management skills and decision making skills. *For example,* role playing is used to practice sales meetings, interviews, presentations, etc.

The following are some of the types of role plays used for training:

1. **Structured role play:** This type of role play is used to develop interpersonal skills. The trainees are provided elaborate details of the situation, the character outline, etc.

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2. **Spontaneous role play:** Unlike structured role plays, in spontaneous role plays, there is no elaborate outlining of the character. The role plays take shape more as a result of the nature of interactions among the trainees. This type of role play is not used to develop any specific skills; it aims at simply providing the trainee with some behavioural introspection.
3. **Single role play:** It refers to the playing of allocated roles by a chosen group of trainees, while the rest watch and observe the performance. The non-performing group analyses the interactions and tries to learn from the interactions. This type of role play is not preferred by trainers as it puts only one section of the trainees into performance roles and the other into mute spectator roles. This kind of role allocation might not be liked by sensitive trainees. Hence, trainers feel apprehensive about using this type of role play.
4. **Multiple role play:** Unlike single role play, in multiple role play all the trainees are divided into groups and all groups take turn in acting out the roles assigned to them. Each group analyses the interactions and shares the analysis with other groups. Multiple role plays contribute to a greater amount of analysis, and at the same time, it reduces the time taken to complete the performance process as a number of groups are involved in the role play.
5. **Role rotation:** In this type of role play, the roles are rotated among different sets of trainees so as to allow different approaches to the same role. In role rotation, a trainee first enacts the role. Then the trainer stops the role play and discusses the role and the points that can be learnt from it. After discussion, the next trainee takes over the role, and in a similar vein, the process goes on.

The most important aspect of role play is the analytical discussion, known as debriefing, which takes place after the enactment. Debriefing provides an opportunity to the trainees to analyse 'What has been going on?' During debriefing sessions, the participants recall their feelings, attitudes and responses during the enactment. It helps the trainees in understanding their experience and in discussing their insights with other fellow trainees.

Simulation

Simulation represents replication of environment, processes and situations that occur in a work situation/environment. The aim of this method is to provide the trainee with the 'feel' of the work place situation in a controlled setting. This method is best suited for imparting skills. For instance, pilots hone their flying skills on flight simulators. Similarly Maruti Udyog has developed simulators to teach driving skills. Simulation believes that the best way to learn is by 'actually working on the equipment or machine.' For effective simulator training, it is important not only to physically replicate the equipment, but also to create the same operational environment including the psychological pressures. Major call centre companies

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train their employees by simulating the actual work environment. All the trainees get a work cubicle exactly like the one at the work station, along with all the relevant materials including a data base having the clients' name and other details. One of the reasons for the companies replicating the exact work station environment is to make the trainee feel familiar with the work environment as this makes the transition from the training room to the job cubicle easy. The success of this method lies in the exact replication of the work environment. However, replicating the work environment is an expensive affair. Hence not all companies use this method of training.

Check Your Progress

5. What is a lecture?
6. What is role play?

7.5 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Orientation or induction is a technique by which a new employee is rehabilitated into the changed surroundings and introduced to the practices, policies and purpose of the organization.
2. Two objectives of the orientation process are:
   - To avoid the insecure feeling of a newcomer who joins an organization
   - To develop a strong feeling about the workplace and work environment
3. There are a variety of OJT methods, such as the following:
   - Coaching
   - Under study
   - Job rotation
   - Internship
   - Apprenticeship
4. According to some training practitioners, training needs assessment focuses on analysing those training needs that have already been identified. While others use the training needs assessment as a blanket term, inclusive of identification of training needs and analysis of needs themselves.
5. The lecture is the most formal of training methods and in training terms it means a verbal presentation given before the trainees for instruction and it may be accompanied by visual aids like flipcharts or projections.
6. Role play is a training method in which trainees enact hypothetical situations.

7.6 SUMMARY

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- Orientation or induction is a technique by which a new employee is rehabilitated into the changed surroundings and introduced to the practices, policies and purpose of the organization.
- In an organization, orientation is required for overcoming employee anxiety, reality shocks and for accommodating employees.
- To improve the effectiveness of every organization they need to have well-trained and experienced people to perform the activities that have to be done.
- If the current or potential job occupant can meet this requirement, training is not important. But when this is not the case, it is necessary to raise the skill levels and increase the versatility and adaptability of employees.
- The forms and types of employee training methods are interrelated. It is difficult, if not impossible, to say which of the methods or combination of methods is more useful than the other.
- The lecture is the most formal of training methods and in training terms it means a verbal presentation given before the trainees for instruction and it may be accompanied by visual aids like flipcharts or projections.
- In the case study method, it is the case/problem which is the source of learning rather than the trainer. All the same this is not to suggest that the trainer has no role to play, as it is the trainer who selects the cases and directs the discussion in a specific line of enquiry.
- Role play is a training method in which trainees enact hypothetical situations. They play assigned roles, by improvising their behaviour.
- Simulation represents replication of environment, processes and situations that occur in a work situation/environment. The aim of this method is to provide the trainee with the ‘feel’ of the work place situation in a controlled setting.

7.7 KEY WORDS

- **Internship:** It refers to the position of a student or trainee who works in an organization, sometimes without pay, in order to gain work experience or satisfy requirements for a qualification.
- **Vestibule Training:** It is one of the methods of training, where the technical staff, especially those who deal with the tools and machinery, are given the job education training in the workplace other than the main production plant.
- **Simulation:** It is an imitation of the operation of a real-world process or system.

- **Case study:** It is a process or record of research into the development of a particular person, group, or situation over a period of time.

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7.8 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short Answer Questions

1. Why is orientation needed? List the steps in the procedure for orientation.
2. Write a short-note on special purpose training.
3. What do you understand by simulation?
4. Briefly discuss the different types of role play.

Long Answer Questions

1. Why does the need for training arise? Discuss.
2. Examine some of the techniques of training.
3. What is training needs assessment? Discuss the reasons for conducting training needs assessment.
4. Describe the lecture and case study method of training.

7.9 FURTHER READINGS

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UNIT 8 EXECUTIVE DEVELOPMENT

Structure

8.0 INTRODUCTION

In this unit, you will learn about executive development. The significance of executive or management development has broadened over the years. Managers are considered as the most important asset of a company and are usually equipped with the right skills. However, there is need of enhancing the skills and competence of managers. Most of the companies seem to have realized the importance of management development and have introduced a number of methods and practices that will help them sharpen their skills.

Executive development can be broadly divided into two categories — On-the-job methods and off-the-jobs methods. Methods could be any. But the key goals of executive development should be fulfilled. Some of the important objectives of executive development are to prepare promising employees for higher managerial positions in the future and to help them stretch their skills. In this unit, we will also learn about different types of methods and techniques of executive development, such as conference, role-playing, workshops, counselling, etc.

Executive development is becoming a popular trend in India as well. A number of well-known Indian companies such as Ashok Leyland, BPL, Ramco System and ITC practice varieties of methods to enhance the skills of middle managers of their companies. Techniques, such as business games, management games, outbound training exercises, etc. can help build and sharpen the skills of middle managers.

8.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss the meaning, need and importance of executive development
- Describe the nature and scope of executive development
- Explain the types of executive development programs
- Examine the implications of executive development programs
- Discuss the concept of management of change and the role of HRD

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8.2 EXECUTIVE DEVELOPMENT: MEANING, NEED AND IMPORTANCE

Executive or management development is a long-term educational process utilizing a systematic and organized procedure by which managerial personnel learn conceptual and theoretical knowledge. Development is a related process. It covers not only those activities that improve job performance, but also those which bring about growth of the personality; help individuals in the progress towards maturity and actualization of their potential capacities so that they become not only good employees but also better human beings. In organizational terms, it is intended to equip persons to get promotions and hold greater responsibility. Training a person for a bigger and higher job is development.

According to American organizational theorists, Harold Koontz and Cyril O'Donnell,

> Developing a manager is a progressive process in the same sense that educating a person is. Neither development nor education should be thought of as something that can ever be completed, for there are no known limits to the degree one may be developed or educated. Manager development concerns the means by which a person cultivates those skills whose application will improve the efficiency and effectiveness with which the anticipated results of a particular organizational segment are achieved.

According to American management author, G.R. Terry,

> Management development should produce change in behaviour which is more in keeping with the organization goals than the previous behaviour. The change frequently consists of a number of small steps resulting from training but the cumulative effect is considerable. It is also basic that a terminal behaviour is identified before the development effort starts.

Thus, executive or management development implies that there will be a change in the knowledge and behaviour of individuals undergoing a development programme. The individual will not only be able to perform his job better but also increase his potential for future assignments through the acquisition, understanding and use of new knowledge, insights and skills. Self-development is an important concept in the whole programme of management development.

Nature and scope of executive development

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Managers are largely made, not born. This is a significant statement in modern management literature and forms a basis for numerous management development programs. The objectives of these programs include preparing promising personnel for higher managerial positions in the future and assisting and improving the existing top executives.

Deferred application of human resources

The major problem is to make a special preparation for top management responsibilities involving deferred application of selected candidates. The problem of deferred application relates to the problem of special talents. Indeed, there is an urgent need for deferred application of human resources with special talents with a view to procure specialized services which will be required in future. The significant issue is to identify and invest in a constantly bigger size of human resources for specialized future applications.

Preparing and helping managers in present and future jobs

Yoder *et al*., define management development as a programme of training and planned personal development to prepare and aid managers in their present and future jobs. Attempts are made to identify problems which managers are likely to confront, and to assist them in solving these problems. Sometimes, executive development is differentiated from management development. The former is related with the planned educational programme for the president, vice-presidents and general managers, while the latter relates to such programs for middle managers and supervisors. However, this distinction is not largely recognised.

Accordingly, executive or management development refers to a systematic effort to use the principles of planning, organizing, directing, coordinating and controlling in the selection and development of level of managers as opposed to the unsystematic methods based on the assumption that 'cream will come to the top'. Obviously, the concept 'manager' includes everyone who has the major responsibility of managing men. Although the chief function of a manager is to get things done through others, there is no consensus of opinion as to what are the precise qualities which differentiate between success and failure in managerial positions. A research-based knowledge in this respect forms a basis for a sound management development programme.

Management development as a business-led process

Prominent British Management author, Michael Armstrong defines management development as a business-led process. The business determines the kind of managers that are required to accomplish its strategic goals as well as the process or method to obtain and develop such managers. Although there is a stress on self-development, the business must indicate the directions towards which self-development should occur. The management development process ensures that the enterprise has the effective managers it needs to accomplish its present and future requirements. It seeks to improve the performance of existing managers, by providing them with relevant opportunities to grow and develop. It also ensures that management succession within the organization is provided for. Thus, it increases the effectiveness of the enterprise as a whole. It develops the capabilities of managers to accomplish the organization's business strategies in the context of critical success factors such as innovations, quality and cost leadership. The capabilities of managers involve: (1) setting challenging ambitions, (2) evolving product market strategies, (3) developing functional strategies, (4) creating and applying systems for managing the business effectively, (5) building organizational culture for future, (6) structuring and restructuring the business activities, and (7) optimizing profits.

There are three activities in the process of management development—analysis of needs, evaluation of skills and competencies, and meeting the needs. Attempt should be made to combine self-development, organization-derived development and boss-derived development to evolve an effective management development system.

Need and Importance of Executive Development

In this age of 'professionalization of management', the importance of executive development cannot be minimized. Executive talent is the most important asset of an organization. According to father of Modern Management, Peter Drucker, 'An institution that cannot produce its own managers will die. From an overall point of view the ability of an institution to produce managers is more important than its ability to produce goods efficiently and cheaply'. The need for executive development is felt because:

- There is a shortage of trained managers. The organization has to develop the talented employees and maintain an inventory of executive skills to meet the future demands.
- The performance of a company depends upon the quality of its managers. Executive development, therefore, is of paramount importance to have effective and desired managerial talents to meet the organization's demand.
- Obsolescence of managerial skills is another factor which calls for continuous executive development. A manager must regularly update himself to successfully meet new challenges.

Objectives of Executive Development

- To ensure a steady source of competent people at all levels to meet organizational needs at all times
- To prevent managerial obsolescence by exposing the managers to new concepts and techniques in their respective fields of specialization

- To prepare the employees for higher assignments so that they may be promoted from within
- To develop a second line of competent managers for future replacements
- To promote a high morale and good organizational climate

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8.2.1 Types of Executive Development Programs

Management author Joseph M.Trickett has discussed the most frequently used methods and techniques of management development. These methods include group discussions or conferences, lectures by company executives, films and slides, outside reading and private study, lectures by outside speakers, case studies, panels, forums, role-playing and workshop. The developmental techniques include job experience, coaching, understudy positions, individual counselling, conferences and technical meetings at company expense, job rotation, in-company training classes, memberships in professional and technical associations, special 'trainee' positions, committee assignments, management courses in colleges and universities, other outside-company courses, planned visits to other companies, 'multiple management' plans and training by outside consultants.

As Yoder *et al.* observe, the multiplicity of these methods and techniques is because of their applications for different groups and jobs. These measures usually purport to develop thinking ability and reading speed and comprehensions. We shall discuss some popular group and non-group methods and techniques of management development in brief to enable proper selection of effective systems for development. We have discussed some of these concepts in the previous unit under different techniques of training.

1. Job rotation

Job rotation which forms a favourite technique, broadens the understanding of several business situations. This is suitable for the young new-comers who are fresh from university or institutions enabling them to learn by 'doing'. Its major limitation is prevention of specialization by concentrating on several problems and procedures of different specialized departments.

2. The syndicate system

The syndicate system permits an analysis of a problem by a committee of trainees and involves presentation of reports for comments by other executives. This method is associated with the Administrative Staff College at Henley-on-Thames. The trainees are divided into several groups or syndicates. The syndicates discuss the issues involved in the subject given to it and prepare a paper. The chairman of each syndicate presents the paper which is criticized by others. The trainer provides only general guidance and the trainees learn from their participation. In a similar method called committee system or multiple management, executive-level problems are discussed to familiarize junior executives with them. Indeed, trainees hold membership in committees which discuss problems and draw tentative conclusions.

Like other group methods, these systems improve the effectiveness of trainees as group members.

3. Conference

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Conference methods permit trainees to think about problems, express themselves, assess the opinion of others, understand teamwork and develop leadership as well as judgement skills. The subjects most commonly discussed in developmental conferences include human relations, supervision, general economic understanding, personnel administration, labour relations and allied numerous problems.

4. Role-playing

Role-playing is another group training method involving acceptance and playing of a role in real life drama. The major limitation of role-playing for managerial development is that senior executives avoid responsibility and act only as observers and critics, while the junior executives become unduly concerned. To avoid this, the group should consist of individuals of the same general status and participation should be voluntary. This method enables the participants to become aware of the problems and perspectives of others with whom they deal and interact.

5. Sensitivity training

The sensitivity training purports to develop awareness and sentiments to one's own and others' behavioural patterns. The method provides face-to-face learning of ongoing behaviour within a small group and lacks structure. Obviously, the learning is at an emotional level rather than intellectual one. The sensitivity training group meets continuously for several days. The trainer acts as a moderator to facilitate the feedback process and check severe psychological damage to participants. The method is likely to increase managerial sensitivity and trust, and enhance respect for the contributions of others. However, the method has not received proper recognition in the business world.

6. Structured insight

Structured insight purports to accomplish personal insight of sensitivity training without involving much costs. This method involves systematic collection of data on the trainees' attitudes and assumptions regarding the motives, abilities and attitudes of others, especially subordinates. The assessment is made on a 'managerial grid'. Thereafter, group discussions are used to develop equal concern for both people and task.

7. Case and in-basket methods

Case method is usually employed to enhance participation and interest among trainees. In-basket method, a variation of the case method, is used as a test as well as a training and development device. This method involves letters, notes, documents and reports purporting to provide on-the-job reality of the manager's in-basket. It purports to develop and measure decision-making ability of managers.

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At the very outset, attempts are made to provide the trainees with background information regarding a simulated enterprise and its products, organization and key personnel. Thereafter, the trainees are given an in-basket of assorted memoranda, requests and data relating to the company and requested to make a sense out of this pile of paper and prepare notes. The trainees use the in-basket material, as they are likely to do in their own positions. Attempts are made to provide feedback so that they evaluate their results. Changes and interruptions are induced as strategic measures, and in follow-up group discussions, they can compare their results. Just like the case method, it provides realism, flexibility, involvement and built-in motivation. The in-basket method is likely to be effective in developing situational judgement, social sensitivity and willingness to take decisions and actions.

8. Business games

A widely used method is business games. This method involves the problems of running an enterprise or a department. It has been used in several areas including investment strategy, collective bargaining and morale. It stimulates interest, involvement and competition among trainees. Numerous simulations have been developed to mimic the operations of an enterprise. Sometimes, attempts are made to introduce uncertainty stemming from a competitive situation. Several teams of trainees tend to meet, discuss and reach decisions regarding items such as production, inventories and sales. The game may be highly simple or extremely complicated. The trainees are required to make decisions in cooperative group processes. These games are likely to develop financial skills, quickness in thinking, and the ability to adapt under stressful situations.

9. University courses

University courses provide the benefit of special teaching and training skills of faculty members and present a broader view of the economic and political considerations. However, these courses alone are inadequate. They cannot provide the problems, pressures and interplay of personalities obtained in actual business situations. After all, no single programme is likely to be effective for all the companies.

10. Non-group methods

In addition to the above group methods, there are several non-group methods involving an assessment of each individual's strengths and weaknesses. These methods include counselling, understudies, special projects, etc.

(i) Counselling: It helps the trainees to identify their weaknesses and involves measures to overcome them. It is related to periodic appraisals or ratings. Specifically, counselling purports to help the subordinates to perform a better job, provide a clear picture of how they are doing, build strong personal relationships, and eliminate, or at least minimize, anxiety. Such counselling is usually nondirective.

Sometimes, attempts are made to develop managers through guided experience. Obviously, the guidance is based on counselling.

In recent years, there is focus on 'monitoring' as a development method. Exhibit 8.1 provides a brief description of the superior manager's role as a mentor in developing his/her subordinate managers.

Exhibit 8.1 Development of Mentor-protégé Relationship

Development of mentor-protégé relationship is very important in organizations. It helps in developing leadership and the careers of the protégées and in tackling projects. Armstrong defines mentoring as 'the process of using especially selected and trained people to provide guidance and advice which will help to develop the careers of the protégées allocated to them.' It is needed at all levels; it seeks to complement learning on the job, it also complements formal training. The mentors act as a parental figure with whom protégées can discuss their problems. They advice in drawing up self-development programs. They offer guidance on how to accomplish new knowledge and skills to do a new job. They inculcate corporate culture in protégées.

The superiors are expected to work as mentors. However, not all managers can make effective mentors and for those who have the aptitude, training programs for mentorship can be useful. Indeed, the role of senior managers as mentors is to enable the junior managers to learn effectively and help them in their self-development. As mentors, the superior manager is required to extend his/her role beyond routine administrative activities. The mentor-protégée relationship between superior-subordinate managers promotes development of leadership. The development of this relationship, however, necessitates personal, and intimate interaction between them.

For the development of a mentor-protégé relationship it is necessary to ensure that there is a good 'chemistry' between them. The mentor must be willing to devote the time and effort required to develop the junior. Moreover, the junior must be willing to be subjected to constructive criticism. Although the mentor must be able to give frank and constructive criticism, he/she should be sensitive to individual learning habits of the protégées as well as willing to learn from them. The mentor sets high standards, provides supportive autonomy, adopts a joint problem-solving approach when inevitable mishaps occur and encourages his/her protégées to reflect on and consolidate the lessons of experience.

The development of above qualities in mentors necessitates formal development programs for them and on-the-job coaching by their own mentors. The good mentors must be identified and informed what is expected of them as mentors. They must be provided regular training in the behavioural as well as non-behavioural processes of mentoring. Moreover, there must be a provision for rewarding them which can be taken care of in the performance appraisal system.

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2. Manikutty, S., 'Manager as a Trainer, a Coach and a Mentor', *Vikalpa*, April–June 2005, pp. 57–63.

(ii) Understudies system: In understudies system, the trainees work directly with individuals whom they are likely to replace. However, its disadvantage as a training method is because of the possibility of an imitation of weak as well as strong points of the seniors.

(iii) Special project arrangements: These are likely to be highly effective training systems. In these systems, for example, a trainee may be requested to develop a particular process of paper-coating. Sometimes, a taskforce is built representing varied functions in the company. The special projects enable the trainees to achieve knowledge of the subjects assigned to them as well as learn to deal with others having varied viewpoints.

Conclusion

The training and development methods discussed purport to develop specific qualities of managers. As Flippo has suggested, for example, in-basket methods, business games and case studies purport to develop decision-making skills while role-playing, sensitivity training and structured insight are likely to develop interpersonal skills of the managers. Further, on-the-job experience, coaching, and understudy provide job knowledge, whereas position rotation and multiple management enhance organizational knowledge. Again, special courses, special meetings and outside readings help in developing general knowledge, while special projects, counselling, etc., help to meet the specific needs of the managers.

Sequence of EDPs

The Executive Development Programs follow the sequence as mentioned below:

- **Analysing the development needs:** Firstly, the development needs of the organization for the present as well as the future are determined. It is essential to evaluate the number of executives and the type of personnel required for the fulfillment of present and future requirements of the organization.
- **Appraisal of the existing managerial talent:** A qualitative appraisal of the present executives in the organization is done to ascertain the kind of executive talent present within the establishment.
- **Inventory of manpower in the management:** An inventory of the qualified manpower is prepared and a variety of development programs is selected. This inventory helps in providing the data necessary to identify the qualified personnel for organizational development.
- **Planning individual development programs:** A development programme should be prepared for each personnel in the management as each individual consists of a unique set of emotional, physical and intellectual character traits.
- **Establishing a training and development programme:** It is the duty of HRD of an organization to prepare a comprehensive and well-structured training programme.

- **Evaluating developing programs:** An organization incurs a heavy expenditure in terms of monitory resources, time and effort for the executive development programs (EDPs). Therefore, it is necessary for the management to keep a track of the achievement of programme objectives in order to justify the expenditures.

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Check Your Progress

1. List the activities in the process of management development.
2. State the major limitation of job rotation.
3. Mention three methods of executive development programs.

8.3 IMPLICATION

The implications of executive development programs will be discussed in this section with the study of its periodicity, design methods and evaluation.

Periodicity of EDPs

Many organizations are not able to provide the kind of environment which promotes, nurtures and encourages the executive development. They are not able to develop an environment which supports the growth of executive development. There are many reasons for the failure of growth of executive development programs:

- Many organizations characterize executive development as a forced ritual rather than follow a structured and systematized approach. The purpose of EDPs is to promote a sincere growth in the organization. In many cases, the EDPs for executives are arranged to provide them with a paid vacation.
- In some organizations, there is a high expectancy with EDPs and management expects an immediate return on the executed programme, leading to failure due to their impatience. They are more concerned with an immediate pay-off and EDPs selected by them give only business knowledge rather than conceptual insightful knowledge.
- Organization obtains the service of professional trainers for EDPs for their executives. These arrangements incur difficulties in the form of trainers not giving adequate information about the functions of the organization for which the programs have been designed. Therefore, due to the gap in training, impartibility and irrelevance, EDPs suffer from lack of success.
- Sometimes, the training given for EDPs does not match the organization's philosophy. Due to such irregularity in the training system, the executives have a negative impression and they deal with situations in their organizations in a negative manner as well.

- The post evaluation system after the training is conducted is essential for the efficiency and effectiveness of EDPs.

Designing Executive Development Programs (EDPs)

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Skills required in managerial positions are developed by using the following procedures.

1. Planning for management development

Planning for management development programme deserves utmost attention. At the very outset, objectives of the programme should be defined. The objectives, as indicated earlier, must be to prepare managers to function more effectively in their existing positions and maintaining a force of qualified personnel to hold higher positions in the future. Specifically, these programs purport to keep managers up-to-date in respect of technological and scientific advancements, provide a knowledge of business responsibilities, develop a broader perspective and provide an understanding of people. The second step relates to evaluation of present managers. The strengths and limitations of these managers are to be assessed in terms of job requirements.

2. Implementing management development

After careful planning of the management development programme, several steps are taken depending upon its nature. It is largely held that future top executives should start their career from the lower cadre followed by well-planned training and sequence of experiences. The next step, thus, is to assign each executive the responsibility of preparing a replacement for him. However, the overall responsibility for the programme lies with the personnel manager who has easy access to top executives. The committee headed by the personnel manager may also be handed over the entire charge of the programme. Sometimes, the committee consists of top-level executives. The overall in-charge of the programme constantly evaluates the future needs of the company for executives, selects potential candidates for the development, outlines and plans for developing each candidate, assesses each candidate's progress periodically, and properly maintains a balance between demand and supply of executive personnel.

Thus, depending upon the nature of the programme, the major stages may include organization planning, programme targeting, identifying basic requirements of key positions, executive appraisal, preparing replacement inventories, planning individual development programs and programme administration. According to the department-store procedure, attempts are made to determine how many new executives would be required after training, recruit trainees and place the candidates on the junior executive level. Usually, this type of training is individual in character and consists of instructions in store system and merchandising practice.

The forecast of managerial demands and supplies with target dates involves the consideration of the nature, size and scope of the future organization. In addition, attempts should be made to identify the duties and responsibilities to be attached with the executive positions. This will provide a basis to infer the nature of the required training and development, and facilitate the selection of participants.

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3. Maintaining replacement tables

The future needs of executives can be accomplished by maintaining replacement tables, indicating the present and future executive positions, their existing incumbents and individuals for promotion to those positions. Explicitly, the replacement table based on organizational planning forms an initial step and is the heart of management development. Obviously, the replacement table implies preparation and maintenance of an executive inventory including both present and future prospective. The inventory will facilitate the accelerated preparation when emergency arises and indicate alternate routes of advancement. Care should be taken that only the right individuals are picked for the programme on the basis of age, marital status, health, formal training, work experience and personal development. In this respect, the personnel ratings, career pattern and performance in conference sessions can provide valuable guidelines.

4. Watching side-effects

Last but not the least, the side-effects must be watched. The resentment caused by passing over some individuals must be dissipated. Effective measures should be taken to balance input with future needs to avoid dissatisfaction, frustration and turnover in higher managerial positions.

Delivery Methods and Evaluation of EDPs

Executive development is today seen as an intrinsic part of developing an organization's strategy, as well as a potential source of competitive advantage. It results in both knowledge and capability gain for employees, and its aim is to develop people for the sake of the organization's future health.

Clients are different, too. They are now much more proactive: requiring a service that is not only customized to individual needs, but also to the needs of their organization. They expect business schools to deliver a range of services from consultancy to executive development, and a range of delivery mechanics. This runs from the traditional programme to focused projects and distance learning; from top team development to total organizational development. They also expect a school to work with other providers: other business schools, business consultancies, or their own corporate university.

No longer are clients willing to passively accept the design and delivery methods of the business school. They need partnership in delivery; modular and multi-site programs, with inter-modular projects and designated facilitators who will work to integrate the learning into the organization; action learning as well as elements of distance learning, ranging from internet chat rooms to more sophisticated virtual learning products.

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Gone are the days when companies paid for their employees to attend programs at which participants would 'sit at the feet of experts' – and just listen. In contrast to the past, when the programme was based on what the tutors wanted to deliver, content and design is now much more focused and tailored.

Utilizing and pioneering a range of learning techniques to provide different delivery methods that not only suite an array of individual learning needs, but are able to adapt to any form of organizational constraint is important. Thus, today's provider of executive development has to be able to meet an organization's need for a range of HR development interventions and a range of delivery mechanisms. In addition, it has to provide a service that traditionally was provided by other consultancies. Organizations are no longer prepared to simply allow providers of executive development to run programs and justify their existence on the success of a programme.

Evaluation of EDPs

Accomplishing Objectives

A management development programme should be carefully evaluated with a view to determine the methods, procedures and devices that are most effective. Attempts should be made to assess the extent to which these programs have helped accomplish the objectives and goals purported to be achieved at the very outset of the programme. As Yoder *et al.* observe, the assessment of the programme involves establishment and maintenance of detailed personnel records for all participants, periodic opinion surveys of participants, superiors, peers and subordinates regarding the value of the programme and the periodic audit of the entire programme. The costs of the programme should largely be borne by the department where the trainees are working. Costs of the outside programme should be borne by the personnel department. However, it is very difficult to estimate the costs of such programs and assess the benefits emerging from them.

Using varied approaches

Indeed, the assessment of management development is much more complexed than evaluating the value of employee training. This is because a managerial job is highly intangible, and data regarding changes in performance are not easily accessible. However, several approaches have been proposed to assess the effectiveness of management development programs. The group can be measured before and after the programme, and a comparison can be made to ascertain whether or not organizational behaviour has improved within the trained group. Profitably, a control group can be carefully selected which is akin to the experimental group, in all respects, but unlike the latter group, it has no exposure to a training or development programme. A comparison between the experimental and control groups, especially after considerable period of time, say, one year or so, is likely to provide an effective measure of value of programme. However, the results of several studies relating to the evaluation of these programs are contradictory.

8.4 FEATURES OF MANAGEMENT OF CHANGE

We have already discussed this topic in earlier units. The topic of managing change is one that comes closest to describing the totality of a manager's job. Practically everything a manager does is in some way concerned with implementing change.

Organizational change refers to a modification or transformation of the organization's structure, processes or goods. Flexibility requires that organizations be open to change in all areas, including the structure of the organization itself. In a flexible organization, employees can't think of their roles in terms of a job description. They often have to change the tasks they perform and learn new skills. The most flexible organizations have a culture that values change and managers who know how to implement changes effectively.

There are several forces of change in an organization. These can be categorized as external forces including technological changes, globalization, social and political changes, workforce diversity, etc. and the internal forces which include change in managerial personnel, changes in work environment, employee expectation, crisis, deficiency in current system, etc.

Change has become the norm in most organizations. As mentioned earlier, adaptiveness, flexibility and responsiveness are necessary for organizations to succeed in meeting the competitive challenges that they face. There are two basic forms of change in organizations—planned change and unplanned change.

(a) **Planned change**: Planned change is change resulting form a deliberate decision to alter the organization. It is an intentional, goal-oriented activity. The goals of planned change are:
- to improve the ability of the organization to adapt to changes in its environment.
- to change the behaviour of its employees.

(b) **Unplanned change**: Not all change is planned. Unplanned change is imposed on the organization and is often unforeseen. Responsiveness to unplanned change requires tremendous flexibility and adaptability on the part of organizations. Examples of unplanned changes are changes in government regulations and changes in the economy.

Organizational change and HRD

With the realization of the motivational value of the participation process and increasing commitment of top management to 'participative management', HRD as a catalyst of change seems to be on the rise in most organizations today. The nature of the change may be introducing a new information system, new appraisal system, structural change in the organization or technological change. HRD is still an emerging field which is dynamic and multidisciplinary in nature. New technology, learning research and evolving theoretical HRD models all contribute to the dynamic

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environment. As an applied field, HRD draws upon a whole range of disciplines, including education, management science, psychology, organizational behaviour, and so on. HRD can include almost anything from a single training activity to entire systems for achieving the strategic goals within an organization. Many issues and trends influence the HRD field today and will shape the practice of HRD in the future. The new direction in HRD is mainly focussed on development of human resource in an organization. Some of the components of the new HRD direction are given below:

1. **Training:** Training in the workplace could include the options in design, content, delivery and outcomes. In HRD, training is viewed more as a tool for enhancement of human performance improvement with its outcomes tied to organizational goals, desired competencies and instructional design based on the most appropriate method of delivery and the latest technologies available. Gone are the days when training meant delivery to a large group of workers through the lecture method with a set schedule for delivery in a specific format, at specific times, offered to only specific worker group.
2. **Globalization:** More and more organizations are going global today. Organizations will have to rely on multiracial and multicultural groups to get the work done. Teams made up of individuals from various countries may be required for operations, strategic planning and marketing-related activities. International HRD specialists and trainers with expertise in multiculturalism and diversity will continue to expand their roles in organizations. Organizations may have to brace themselves for this change.
3. **Organizational Structural Change:** Organizations need to reshape themselves to become more customer-oriented, productive and profitable. These changes can take place through restructuring, re-engineering or redesigning the organizational systems. HRD professionals will help organizations strategize, support their workers in transition and take a proactive role in determining the best course of action to implement change. Initiatives like flextime, job sharing, telecommuting and the rise of virtual organizations will impact the way work gets distributed and accomplished. For workers to be productive, efficient new skills and expertise will be required. HRD professionals will have the responsibility to develop a workforce with the right skills and motivation.

Check Your Progress

4. List the major stages of implementing a management development program.
5. Mention the activities generally included in the assessment of EDPs.
6. What are the different forces of change in an organization?

8.5 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

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1. The following are the three activities in the process of management development: analysis of needs, evaluation of skills and competencies and meeting the needs.
2. The major limitation is prevention of specialization by concentrating on several problems and procedures of different specialized departments.
3. Three non-group methods of executive development: counselling, understudies system, special project arrangements.
4. Depending on the nature of the program, the major stages in implementing management development are: organization planning, program targeting, identifying basic requirements of key positions, executive appraisal, preparing replacement inventories, planning individual development programs and program administration.
5. The following are the activities generally included in the assessment of EDPs: establishment and maintenance of detailed personnel records for all participants, periodic opinion surveys of participants, superiors, peers and subordinates regarding the value of the program and the periodic audit of the entire program.
6. There are several forces of change in an organization. These can be categorized as external forces including technological changes, globalization, social and political changes, workforce diversity, etc. and the internal forces which include change in managerial personnel, changes in work environment, employee expectation, crisis, deficiency in current system, etc.

8.6 SUMMARY

- Executive or management development is a long-term educational process utilizing a systematic and organized procedure by which managerial personnel learn conceptual and theoretical knowledge.
- Development is a related process. It covers not only those activities that improve job performance, but also those which bring about growth of the personality; help individuals in the progress towards maturity and actualization of their potential capacities so that they become not only good employees but also better human beings. In organizational terms, it is intended to equip persons to get promotions and hold greater responsibility.
- Executive or management development implies that there will be a change in the knowledge and behaviour of individuals undergoing a development programme. The individual will not only be able to perform his job better

but also increase his potential for future assignments through the acquisition, understanding and use of new knowledge, insights and skills. Self-development is an important concept in the whole programme of management development.

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- Executive or management development refers to a systematic effort to use the principles of planning, organizing, directing, coordinating and controlling in the selection and development of level of managers as opposed to the unsystematic methods based on the assumption that 'cream will come to the top'.
- In the age of 'professionalization of management', the importance of executive development cannot be minimized. Executive talent is the most important asset of an organization. According to Peter Drucker, 'An institution that cannot produce its own managers will die. From an overall point of view the ability of an institution to produce managers is more important than its ability to produce goods efficiently and cheaply'.
- Some of the popular types of executive development programs are job rotation, syndicate system, conference, role-playing, sensitivity training, structured insight, case and in-basket methods, business games, university courses, and non-group methods like counselling, understudies system, special project arrangements, etc.
- Executive Development Programs follow the following sequence: analysing the development needs, appraisal of the existing managerial talent, inventory of manpower in management, planning individual development programs, establish a training and development programme and evaluating developing programs.
- Executive development is today seen as an intrinsic part of developing an organization's strategy, as well as a potential source of competitive advantage. It results in both knowledge and capability gain for employees, and its aim is to develop people for the sake of the organization's future health.
- A management development programme should be carefully evaluated with a view to determine the methods, procedures and devices that are most effective. Attempts should be made to assess the extent to which these programs have helped accomplish the objectives and goals purported to be achieved at the very outset of the programme.
- The assessment of the programme involves establishment and maintenance of detailed personnel records for all participants, periodic opinion surveys of participants, superiors, peers and subordinates regarding the value of the programme and the periodic audit of the entire programme.
- The assessment of management development is much more complexed than evaluating the value of employee training. This is because a managerial job

is highly intangible, and data regarding changes in performance are not easily accessible. However, several approaches have been proposed to assess the effectiveness of management development programs.

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8.7 KEY WORDS

- **Executive or management development:** It is a long-term educational process utilizing a systematic and organized procedure by which managerial personnel learn conceptual and theoretical knowledge.
- **Syndicate system:** It is a type of executive development program which permits an analysis of a problem by a committee of trainees and involves presentation of reports for comments by other executives.
- **Structured insight:** It is an executive development program which involves systematic collection of data on the trainee's attitudes and assumptions regarding the motive, abilities and attitudes of others, especially subordinates.
- **Business games:** It is a type of executive development program which involves the problems of running an enterprise or department.
- **Understudies system:** It is a type of executive development program in which the trainees work directly with individuals whom they are likely to replace.

8.8 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short Answer Questions

1. What is the importance of executive development?
2. What do you understand by job rotation?
3. Define the term multi-management.
4. Write a short note on nature of executive development.
5. List the reasons for failure of EDPs.
6. What is the meaning of management of change?

Long Answer Questions

1. Examine the group methods in the executive development programs.
2. Describe the basic sequence of executive development programs.
3. Explain the process of designing executive development programs.
4. Discuss the delivery and evaluation process of EDPs.

8.9 FURTHER READINGS

NOTES

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BLOCK - III
EMPLOYEE RETENTION AND ADMINISTRATION

UNIT 9 EMPLOYEE COMPENSATION AND RETENTION

Structure

9.0 INTRODUCTION

Services rendered by individuals to organizations have to be equitably paid for. This is employee compensation which generally comprises cash payments which include wages, bonus, and shared profits. Good compensation plans have a salutary effect on the employees. They are happier in their work, cooperative with management and productivity is up. Although, there can be both monetary and non-monetary forms of compensation, it is the monetary which is the most basic element by which individuals are attracted to an organization and are persuaded to remain there. Wages in the widest sense mean any economic compensation paid by the employer under some contract to his workers for the services rendered by them. In this unit, we will discuss the different components of wage and salary administration including incentives, bonus, and fringe benefits. Organizations these days are facing a challenge of not only finding the right people but also retaining them. With youngsters becoming more and more ambitious and organizations offering competitive salaries, labour attrition and employee retention have become major issues. When a good performer or worker leaves, a company loses out a lot in terms of productivity, manpower and expenses. Think of all the effort that went into selecting, interviewing and appointing that worker; the time that went into training that worker; the effort that went into evaluating his performance and

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giving feedback. Everything is reduced to nought once that good worker leaves. This is where employee retention programmes play a role. In this unit, we will only discuss wage related benefits and rewards. We will discuss the concept of employee retention in detail in Unit 11.

9.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss wages and salary administration
- Describe the concepts of bonus and incentives
- Explain the systems of fringe benefits and flexi systems
- Discuss the concept of employee retention

9.2 WAGE AND SALARY ADMINISTRATION

The activities of wage and salary administration are as follows:

- Job evaluation (we will discuss this in Unit 10)
- Surveys of wage and salaries
- Analysis of relevant organizational problems
- Development and maintenance of the wage structure
- Establishing rules for administering wages
- Wage payments
- Incentives
- Profit sharing
- Wage changes-adjustments
- Supplementary payments
- Control of compensation and other related items

Nature and Purpose of Wage and Salary Administration

The basic purpose of wage and salary administration is to establish and maintain an equitable wage and salary structure. Its secondary objective is the establishment and maintenance of an equitable labour-cost structure, i.e., an optimal balancing of conflicting personnel interests so that the satisfaction of employees and employers is maximized and conflicts minimized. The wage and salary administration is concerned with the financial aspects of needs, motivation and rewards.

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The objectives of the wage and salary administration are mentioned as follows:

(i) For employees

- Employees are paid according to requirements of their jobs.
- The chances of favouritism (which creep in when wage rates are assigned) are greatly minimized.
- Job sequences and lines of promotion are established wherever they are applicable.
- Employees' morale and motivation are increased because a wage programme can be explained and is based upon facts.

(ii) To employers

- They can systematically plan for and control their labour costs.
- In dealing with a trade union, they can explain the basis of their wage programme because it is based upon a systematic analysis of job and wage facts.
- A wage and salary administration reduces the likelihood of friction and grievances over wage inequities.
- It enhances an employee's morale and motivation because adequate and fairly administered wages are basic to his wants and needs.
- It attracts qualified employees by ensuring an adequate payment for all the jobs.

The Wage Determination Process

The steps involved in the wage determination process are as follows:

- Performing job analysis
- Wage surveys
- Analysis of relevant organizational problems forming the wage structure
- Framing rules of wage administration
- Explaining these to employees
- Assigning grades and price to each job and paying the guaranteed wage

Figure 9.1 illustrates the steps involved in the determination of wage rates.

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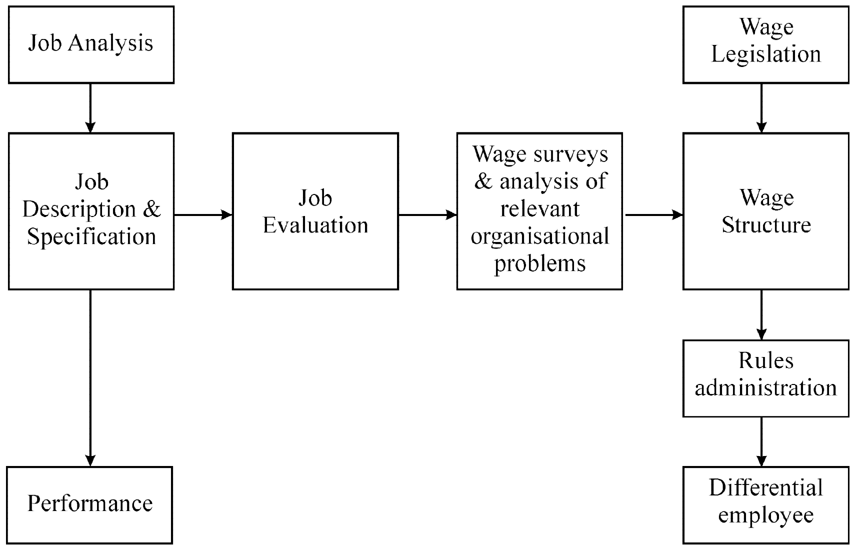

Fig. 9.1 Steps Involved in Determination of Wage Rate

Factors Influencing Wage and Salary Structure and Administration

The wage policies of different organizations vary somewhat. Marginal units pay the minimum necessary to attract the required number and kind of labour. Often these units pay only the minimum wage rates required by labour legislation and recruit marginal labour. At the other extreme, some units pay well above the going rates in the labour market.

A sound wage policy is to adopt a job evaluation programme in order to establish fair differentials in wages based upon differences in job contents. Besides, the basic factors provided by a job description and job evaluation, those that are usually taken into consideration for wage and salary administration are as follows:

- The organization's ability to pay
- Supply and demand of labour
- The prevailing market rate
- The cost of living
- Living wage
- Productivity
- Trade union's bargaining power
- Job requirements
- Managerial attitudes
- Psychological and sociological factors

Principles of Wage and Salary Administration

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The commonly suggested principles governing fixation of wage and salary are:

(i) There should be a definite plan to ensure that differences in pay for jobs are based upon variations in job requirements, such as skill, effort, responsibility of job or working conditions, and mental and physical requirements.

(ii) The general level of wages and salaries should be reasonably in tune with that prevailing in the labour market. The labour market criterion is most commonly used.

(iii) The plan should carefully distinguish between jobs and employees. A job carries a certain wage rate, and a person is assigned to fill it at that rate. Exceptions sometimes occur in very high-level jobs in which the job-holder may make the offer large or small, depending upon his ability and contributions.

(iv) Equal pay for equal work, i.e., if two jobs have equal difficulty requirements, the pay should be the same, regardless of who fills them.

(v) An equitable practice should be adopted for the recognition of individual differences in ability and contribution. For some units, this may take the form of rate ranges, with in-grade increases; in others, it may be a wage incentive plan; in still others, it may take the form of closely integrated sequences of job promotion.

(vi) There should be a clearly established procedure for hearing and adjusting wage complaints. This may be integrated with the regular grievance procedure, if it exists.

(vii) The employees and the trade union, if there is one, should be informed about the procedure used to establish wage rates. Every employee should be informed of his own position, and of the wage and salary structure. Secrecy in wage matters should not be used as a cover-up for haphazard and unreasonable wage programme.

(viii) The wage should be sufficient to ensure for the worker and his family a reasonable standard of living. Workers should receive a guaranteed minimum wage to protect them against conditions beyond their control.

(ix) The wage and salary structure should be flexible so that changing conditions can be easily met.

(x) Prompt and correct payments of the dues of the employees must be ensured and arrears of payment should not accumulate.

(xi) For revision of wages, a wage committee should always be preferred to the individual judgement, however unbiased, or a manager.

(xii) The wage and salary payments must fulfil a wide variety of human needs, including the need for self-actualization. It has been recognized that 'money is the only form of incentive which is wholly negotiable, appealing to the widest possible range of seekers.... Monetary payments often act as motivators and satisfiers interdependently of other job factors.'

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9.2.1 Incentives

The term wage incentives has been used both in the restricted sense of participation and in the widest sense of financial motivation. It has been defined differently by different authors. We give here a few of these definitions.

'It is a term which refers to objectives in the external situation whose function is to increase or maintain some already initiated activity, either in duration or in intensity.' According to authors of *Wage incentive Plans*, O.P. Joseph Hummel and John Nickerson, 'It refers to all the plans that provide extra pay for extra performance in addition to regular wages for a job.' Analyst Florence Peterson observes: 'It refers to increased willingness as distinguished from capacity.' Incentives do not create but only aim to increase the national momentum towards productivity.'

In the words of Scott, 'it is any formal and announced programme under which the income of an individual, a small group, a plant workforce or all the employees of a firm are partially or wholly related to some measure of productivity output.'

According to the National Commission on Labour, 'wage incentives are extra financial motivation. They are designed to stimulate human effort by rewarding the person, over and above the time-rated remuneration for improvements in the present or targeted results.'

'A wage incentive scheme is essentially a managerial device of increasing a worker's productivity. Simultaneously, it is a method of sharing gains in productivity with workers by rewarding them financially for their increased rate of output.' According to Sun, this definition is based on the principle that 'an offer of additional money will motivate workers to work harder and more skilfully for a greater part of the working time, which will result in a stepped-up rate of output.'

We may define a wage incentive as a system of payment under which the amount payable to a person is linked with his output. Such a payment may also be called payment by results. The term incentive has gradually acquired a wide connotation and includes all the possible factors, besides economic gains, which can possibly motivate human beings towards better and greater performance.

Objectives of Wage Incentive Plans

Wage incentive plans aim at the fulfilment of one or more of the following objectives:

(i) To improve the profit of a firm through a reduction in the unit costs of labour and materials or both.

(ii) To avoid or minimize additional capital investment for the expansion of production capacity.

(iii) To increase a worker's earnings without dragging the firm in a higher wage rate structure regardless of productivity.

(iv) To use wage incentives as a useful tool for securing a better utilization of manpower, better production scheduling and performance control, and a more effective personnel policy.

Merits of Wage Incentive Plans

Such plans are regarded as beneficial to both employers and workers. They are accepted as a sound technique for the achievement of greater production on the grounds that workers would work at their best if they were offered monetary rewards for good performance. For employers the need for a vigorous supervision is reduced, and consequently there is a cut in the expenditure on supervision.

(i) When well-designed and properly applied, payment by results may generally be relied upon to yield increased output, lower the cost of production and bring a higher income to the workers.

(ii) A works study associated with payment by results is a direct stimulus to workers to improve the organization of work and to eliminate lost time and other waste.

(iii) Labour and total costs per unit of output can be estimated more accurately in advance.

(iv) Less direct supervision is needed to keep output up to a reasonable level.

(v) The conflicting interests of employers and employees are unified. Increased efficiency and smooth working can therefore be promoted and sustained.

Demerits of Wage Incentive Plans

(i) Quality tends to deteriorate unless there is a stricter system of checking and inspection.

(ii) Payment by results may lead to opposition or restriction on output when new machines and methods are proposed or introduced. This is because of the fear that the job may be restudied and earnings reduced.

(iii) When paid by result, workers tend to regard their highest earnings as norms and, therefore, press for a considerable higher minimum wage.

(iv) The amount and cost of clerical work increases.

(v) There is a danger of disregarding safety regulations and thereby increasing the rate of accidents.

(vi) Some workers tend to overwork and thus undermine their health.

(vii) Jealousies may arise among workers because some are able to earn more than others or because fast workers are dissatisfied with the slower or older workers in the group.

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(viii) It is difficult to set piece or bonus rates accurately. If they are too low, workers may be under pressure to work too hard and become dissatisfied; and if too high, they may slacker their efforts to avoid a revision of rates.

A successful wage incentives plan should consist of the following key points:

- The management should recognize that the effectiveness of an incentive depends on the total situation, which includes worker-management confidence, relations with the trade union, the quality of communication and supervision and the traditions in an industry.
- The management should not introduce an incentive system until it has taken action to ensure full understanding of what is involved. This may call for procedures for the participation of employees and negotiations with the trade union.
- The management should avoid any action that may be interpreted as unfair. There must be proper machinery for handling grievances. The management should avoid actions that resemble 'rate cutting' because of the need to change methods and rates from time to time.
- It is essential that the management pay in proportion to output once this output rises above the required amount of guaranteed pay.
- The management should train supervisors all the way down the line so that foremen and department managers are able to deal with problems within their own departments.
- Great care should be taken in setting up standards to avoid rates that are too loose or too tight.

The chief incentive plans are as follows:

(i) Halsey Premium Plan
(ii) Halsey-Weir Premium Plan
(iii) Rowan Premium Plan
(iv) 100 Per Cent Premium Plan
(v) Bedeaux Point Plan
(vi) Taylor's Differential Piece Rate Plan
(vii) Merric's Multiple Piece Rate Plan
(viii) Gnatt Task and Bonus Plan
(ix) Emerson Efficiency Plan
(x) Co-Partnership System
(xi) Accelerating Premium Systems
(xii) Profit Sharing Schemes

9.2.2 Bonus

Up till now, we have learnt about compensation and incentives. Compensation are of three types: salary, benefits and incentives. And incentives can be subdivided as bonuses, profit sharing and stock options. Bonuses are rewards paid on reaching performance goals.

Straight salaries, bonuses, stock purchase plans and profit-sharing are used to compensate major executives. Of these, the straight salary is the most common method. The salary is determined by mutual agreement between the individual and the employer. The sales affected, the cost of production, reduction in expenses and the profits made are also taken into account.

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Bonuses are also aid to executives at a certain percentage of the profits. The bonuses may average from 30 per cent to 50 per cent of the basic salary. These bonuses operate most effectively in increasing motivation when the following conditions exist:

(i) The amount paid is closely related to the level of individual performance.

(ii) The amount paid after taxes represents a clearly noticeable rise above the base salary level.

(iii) The amount paid is closely related to the level of company performance.

(iv) The amount paid is tied into the base salary in such a way that the combined earnings are equitable both in relation to internal and external standards.

(v) The amount paid is reduced drastically whenever an individual experiences a real and continuing decrease in performance effectiveness.

(vi) The amount paid is based on an easily understandable system of allocation, and the individual is provided with complete information on the relationship between bonus and performance.

Check Your Progress

1. What is the secondary objective of wage and salary administration?
2. Why is it said that payment by results may lead to opposition or restriction on output when new machines are proposed or introduced?
3. State any one merit of wage incentive plans.

9.3 FRINGE BENEFIT

Fringe benefit are termed 'fringe benefits' 'as they are offered by the employer to the employee as a 'fringe.' Different term have been used for these benefits, such as 'fringe benefits', 'welfare expenses', 'wage supplements', 'sub-wages', or 'social charges', 'pre-requisites other than wages', or 'trans-pecuniary incentives.' The other terms used are 'extra wages,' 'hidden pay roll', 'non-wage labour costs' or 'selected supplementary compensation practices'.

It is difficult to define what a fringe benefit is, for there is no agreement among the experts on its precise meaning, significance or connotation. The chief area of disagreement is between 'wages' on the one hand, and between 'fringes'

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and 'company personnel services' on the other. There are also differences on whether the benefits which have been legally provided for should be included among the 'fringes'.

The Glossary of Current Industrial Relations and Wage Terms has defined fringe benefits as 'Supplements to wages received by workers at a cost to employers. The term encompasses a number of benefits – paid vacation, pension, health and insurance plans, etc., - which usually add up to something more than a "fringe", and is sometimes applied to a practice that may constitute a dubious benefit for workers.'

The International Labour Organization has defined 'fringe benefits' as follows:

'Wages are often augmented by special cash benefits, by the provision of medical and other services, or by payments in kind that form part of the wage for expenditure on the goods and services. In addition, workers commonly receive such benefits as holidays with pay, low-cost meals, low-rent housing, etc. Such additions to the wage proper are sometimes referred to as 'fringe benefits'. Benefits that have no relation to employment or wages should not be regarded as fringe benefits, even though they may constitute a significant part of the workers' total income. This is fairly obvious in the case of public parks, sanitation services, public and fire protection.

The United States Chamber of Commerce includes five categories of services and benefits under the term fringe benefits. These are:

(i) Legally required payments — old-age pension, survivor benefits, disability pension, health insurance, unemployment insurance, separation pay, and payments made under the Workmen's Compensation Act

(ii) Pension and group insurance; and welfare payments

(iii) Paid rest periods, waste-up time, lunch periods

(iv) Payment for time not worked — vacations and holidays, for example

(v) Christmas bonus

Belcher defines these benefits as 'any wage cost not directly connected with the employees, productive effort, performance, service or sacrifice.'

According to the Employers' Federation of India, 'fringe benefits include payments for non-working time, profits and bonus, legally sanctioned payments on social security schemes, workmen's compensation, welfare cess, and the contributions made by employers under such voluntary schemes as cater for the post-retirement, medical, educational, cultural and recreational needs of workmen. The term also includes the monetary equivalent of free lighting, water, fuel, etc., which are provided for workers, and subsidized housing and related services.'

Cockman views employee benefits as 'those benefits which are supplied by an employer to or for the benefits of an employee, and which are not in the form of wages, salaries and time-rated payments.'

We may define fringe benefit as follows:

Fringe benefit is primarily a means in the direction of ensuring, maintaining and increasing the income of the employee. It is a benefit which supplements workers' ordinary wages and which is of value to them and their families insofar as it materially increases their retirement.

Special Features of Fringe Benefits

It will be noted that there is some difference between 'wages and fringe benefits'.

- First, wages are directly related to the work done and are paid regularly—usually weekly, fortnightly or monthly. Fringe benefits, on the other hand, are those payments or benefits which a worker enjoys in addition to the wages or salary he receives.
- Second, these benefits are not given to workers for any specific jobs they have performed but are offered to them to stimulate their interest in their work and to make their job more attractive and productive for them. They boost the earnings of the employees and put extra spending money in their hands.
- Third, fringe benefit represents a labour cost for the employer, for it is an expenditure which he incurs on supplementing the average money rates due to his employees who have been engaged on the basis of time schedules. In the circumstances, everything which a company spends over and above 'straight time pay' should be considered a fringe benefit. A labour cost is a 'fringe' only when it is an avoidable factor, that is, when it can be replaced by money wages without detriment to a worker's productive efficiency. Only the legal or union-imposed or voluntary non-wage costs, which can be computed into money wages, are considered to be fringes.
- Fourth, a fringe is never a direct reward geared to the output, effort or merit of an employee. It is offered not on the basis of the hard work or long hours of work put in by an employee but on the basis of length of service, sickness, sex, the hazards encountered in the course of work, etc. For example, maternity benefits are offered to female workers who have put in a prescribed period of service with a particular employer. Sometimes, the longer an employee's period of service, the larger the fringe benefits he enjoys. But wages are always fixed and paid regularly.
- Fifth, to be termed a fringe benefit, a labour cost should be intended by an employer as a benefit desired by his staff. It is a fringe benefit when it is enjoyed by all the employees. For example, a fringe benefit—subsidizing non-vegetarian meals taken in the factory canteen—is not a fringe benefit for vegetarian employees.
- Sixth, a fringe must constitute a positive cost to the employer and should be incurred to finance an employee benefit. If the benefit increases a worker's efficiency, it is not a fringe; but if it is given to supplement his wages, it is.

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For example, the expenditure incurred on providing better lighting arrangements with a view to increasing a worker's efficiency is not counted as expenditure incurred on fringe benefits, even though the workers may gain financially as a result of their increased efficiency flowing from the provision of better lighting facilities. Subsidized meals, however, definitely constitute a fringe benefit.

Though these benefits are known as fringe, they are a substantial part of the expenditure incurred on wage and salary administration. They are better known now as 'benefits and services' rather than as 'fringe benefits.' But since the terms are also used interchangeably, they are synonymous.

The word 'benefit' applies to those items for which a direct monetary value to the employee can be easily ascertained, as in the case of holiday pay, pension, medical insurance or separation pay. The word 'services', on the other hand, refers to such items as athletics, company purchasing services, workers medical examination, legal aid and housing.

The Objectives of Fringe Benefits and Service Programmes

An organization designs and establishes a benefit-and-service programme to achieve the following ends:

- To keep in line with the prevailing practices of offering benefits and services which are given by similar concerns
- To recruit and retain the best personnel
- To provide for the needs of employees and protect them against certain hazards of life, particularly those which an individual cannot himself provide for
- To increase and improve employee morale and create a helpful and positive attitude on the part of workers towards their employers
- To make the organization a dominant influence in the lives of its employees with a view to gaining their loyalty and cooperation, encouraging them to greater productive efforts
- To improve and furnish the organizational image in the eyes of the public with a view to improving its market position and bringing about product acceptance by it
- To recognize the official trade union's bargaining strength, for a strong trade union generally constrains an employer to adopt a sound benefits-and-services programme for his employees

Today, mostly every company provides additional benefits to its employees along with the scheduled salary. Employees are attracted and get encouraged with these additional benefits and services. There are a lot of advantages of fringe benefits that attract the employees. Firstly, as most of the fringe benefits are not taxed

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benefits, they are not included in the taxable income. Another advantage of fringe benefits is that the employees can avail the fringe benefits, such as health and insurance with less expenditure. Companies also use these benefits to attract and maintain the existing employees by providing them additional benefits. Along with attracting the employees, fringe benefits such as vacations along with holidays and rest break also help the employees to get fresh and perform their duty with more encouragement. Therefore, we can say that the fringe benefits help to:

1. Lessen fatigue
2. Oppose labour unrest
3. Satisfy employee objectives
4. Promote recruitment
5. Minimize turnover
6. Reduce overtime costs

Principles of Fringe Benefits

There are few factors that must be considered while determining the fringe benefits, which must be provided to the employees of a company. These are as follows:

1. Benefits and services must be provided to the employees of a company to provide them better protection and encourage their well being. The top management should not feel as if they are doing some charity by giving incentives to their employees.
2. The benefits that are provided to the employees should fulfil the real life requirements of the employees.
3. The benefits and services should be cost effective.
4. Fringe benefits should be monitored with proper planning.
5. While determining the fringe benefits, the requirements of employees that are communicated by union representatives must be considered.
6. The employees of a company should be well informed so that can make better utilization of fringe benefits.

Types of Fringe Benefits

As we have discussed in the concept, fringe benefits can of two types. One that can be measured in terms of money value and the other type of benefits are those that cannot be measured in terms of money value. Fringe benefits such as medical insurance and holiday pay that can be associated with money value are known as monetary benefits (see Table 9.1) whereas benefits such as company newspaper and company service that cannot be associated with any money value are known as non-monetary benefits, as given in Table 9.2.

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Table 9.1 Some Examples of Monetary Benefits

Benefits	*Example*
Legally required payments	Old age, survivors and health insurance Worker's compensation Unemployment compensation
Dependent and long term benefits	Pension plan Group life insurance Group Health insurance Prepaid legal plans Sick leave Dental benefits Maternity leave
Payments for time not worked	Vacations Holidays Voting pay allowance
Other benefits	Travel allowance Company car and subsidies Child care facilities Employee meal allowances Moving expense

Table 9.2 Examples of Non-Monetary Benefits

Benefits	*Example*
Treats	Free lunch Coffee breaks Picnics Birthday treats Dinner for the family
Knick-Knacks	Company watches Desk accessories Wallets T-shirts Diaries and planner

Important Fringe Benefits

In the previous section, we came to know about the various fringe benefits that are provided by a company to its employees. Out of those benefits, there are few benefits that are much important for the employees. These are as follows:

- ***Payment for the time employees have not worked:*** This fringe benefit forms an important benefit for the employees of company. Mostly every company provides the payment for time not worked benefit to its employees. Payment for time not worked benefit can be of two types, on-the-job free timer payment and off-the-job free time payment. On-the-job free time includes lunch periods, coffee breaks, rest periods, get-ready times and wash-up times whereas off-the-job free time includes vacations, sick leaves, public holidays and casual leaves.

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- ***Insurance benefits:*** Insurance benefits are also an important fringe benefit for the employees of a company. Nowadays, every company provides its employees the facility of purchasing insurance policies at prices, which is much less than the cost the employees have to pay for if they buy insurance themselves.
- ***Compensation benefits:*** Companies also provide compensation benefits to its workers against some disability or injuries to the employees or their family members. Other employees of the company contribute to the funds that are collected for the ill or injured employees. All these compensation benefits are synchronized by the Workmen's Compensation Act.
- ***Pension plans:*** Companies also provide supplementary income or pension to its employees after their retirement. These pension plans can be company paid or both company and employee paid. In addition to the pensions, companies also provide bonus to the employees reaching superannuation.

Flexi Systems

Many organizations offer flexible salary structures. That is, while the basic salary, the HRA (House Rent Allowance) and DA (Dearness Allowance) may be fixed, the other allowances are flexible. The employees have the freedom to choose how they want part of their remuneration to come to them. The employee is allowed to choose from certain options given to him. For example, there could be uniform allowance, medical allowance, fuel allowance, conveyance allowance, education allowance, furnishing allowance and food coupons. A person who possesses a car could opt for a fuel allowance instead of a conveyance allowance.

Flexible benefit schemes allow employees to select benefits that favour them, for example, tax-efficient benefits.

Check Your Progress

4. List some of the terms which are used for fringe benefits.
5. Explain the phrase 'a fringe must constitute a positive cost to the employer and should not be incurred to finance an employee benefit'.
6. Give examples of on-the-job and off-the-job free time.

9.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The secondary objective of wage and salary administration is the establishment and maintenance of an equitable labour-cost structure.
2. It said that payment by results may lead to opposition or restriction on output when new machines are proposed or introduced because of the fear that the job may be restudied and earnings reduced.

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3. Wage incentive plans have several merits. One merit is that if well-designed and properly applied, payment by results may generally be relied upon to yield increased output, lower the cost of production and bring a higher income to the workers.
4. Different terms that are used for fringe benefits are: 'welfare expenses', 'wage supplements', 'sub wages', 'social charges', 'pre-requisites other than wages', 'trans-pecuniary incentives'. The other terms are 'extra wages', 'hidden pay roll', 'non-wage labour costs' or 'selected supplementary compensation practices'.
5. The phrase 'a fringe must constitute a positive cost to the employer' means that if the benefit increases a worker's efficiency, it is not a fringe; but if it is given to supplement his wages, it is.
6. On-the-job free time includes lunch period, coffee breaks, rest periods, get-ready times and wash-up times whereas off-the-job free time includes vacations, sick leaves, public holidays and casual leaves.

9.5 SUMMARY

- The basic purpose of wage and salary administration is to establish and maintain an equitable wage and salary structure. Its secondary objective is the establishment and maintenance of an equitable labour-cost structure, i.e., an optimal balancing of conflicting personnel interests so that the satisfaction of employees and employers is maximized and conflicts minimized.
- The steps involved in the wage determination process are as follows: performing job analysis, wage surveys, analysis of relevant organizational problems forming the wage structure, framing rules of wage administration, explaining these to employees and assigning grades and price to each job and paying the guaranteed wage.
- A sound wage policy is to adopt a job evaluation programme in order to establish fair differentials in wages based upon differences in job contents.
- The term wage incentives has been used both in the restricted sense of participation and in the widest sense of financial motivation. We may define a wage incentive as a system of payment under which the amount payable to a person is linked with his output. Such a payment may also be called payment by results.
- The merits of wage incentive plans is that such plans are regarded as beneficial to both employers and workers. They are accepted as a sound technique for the achievement of greater production on the grounds that workers would work at their best if they were offered monetary rewards for good performance. For employers the need for a vigorous supervision is reduced, and consequently there is a cut in the expenditure on supervision.

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- The demerits of wage incentive plans is that there are chances that quality might deteriorate, may lead to opposition in situations of introduction of new machines and methods, there might be request for higher minimum wage, amount and cost of clerical work increase, jealousies might arise, etc.
- For the higher management, salaries are influenced by the size of a company in a specific industry, and in part by the contribution of the incumbent to the process of decision-making. The bigger the firm, the greater is the compensation paid to the executives. The industries that are more highly constrained by governmental regulation (banks, life insurance, air transport, railroads, public utilities) pay relatively less than those that are more free to carry on their business (private firms). Straight salaries, bonuses, stock purchase plans and profit-sharing are used to compensate major executives.
- Fringe benefits are called 'fringe benefits' 'as they are offered by the employer to the employee as a 'fringe.' Different term have been used for these benefits, such as 'fringe benefits', 'welfare expenses', 'wage supplements', 'sub-wages', or 'social charges', 'perquisites other than wages', or 'trans-pecuniary incentives.'
- Fringe benefits help to: 1. Lessen fatigue, 2. Oppose labour unrest, 3. Satisfy employee objectives, 4.Promote recruitment, 5. Minimize turnover and 6. Reduce overtime costs.
- Many organizations offer flexible salary structures. That is, while the basic salary, the HRA (House Rent Allowance) and DA Dearness Allowance may be fixed, the other allowances are flexible. The employees have the freedom to choose how they want part of their remuneration to come to them. The employee is allowed to choose from certain options given to him.
- Employee retention programmes help employers hang on to their best performers, who are naturally valuable assets for the organization. The place to begin is the culture of the organization. Of course, favourable HR policies, benefit plans, medical facilities, insurance, career development assistance, wellness programmes, onsite day care, etc., are the factors that people seeking jobs look out for. However, certain things that organizations should keep in mind are as follows: workplace culture, orientation, involvement, learning reward, etc.

9.6 KEY WORDS

- **Wage and salary administration:** The basic purposes of wage and salary administration is to establish and maintain an equitable wage and salary structure.
- **Wage incentives:** It is a system of payment under which the amount payable to a person is linked with his output.

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- **Fringe benefits:** It refers to the benefits which supplements workers' ordinary wages and which is of value to them and their families insofar as it materially increases their retirement.
- **Flexi systems:** This refers to the benefit system where employees have the freedom to choose how they want part of their remuneration to come to them.

9.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short Answer Questions

1. List the activities of wage and salary administration.
2. What are the factors, apart from job description and job evaluation, which are usually taken into consideration for wage and salary administration?
3. Mention the conditions under which bonuses operate most effectively.
4. What are the principles of fringe benefits?
5. What are flexi-systems?

Long Answer Questions

1. Describe the objectives of the wage and salary administration for various
2. stakeholders.
3. Enumerate the principles of wage and salary administration.
4. What are incentives? Discuss their merits and demerits.
5. What are fringe benefits? Discuss its objectives and uses.
6. Describe the special features of fringe benefits.
7. Explain the important fringe benefits.

9.8 FURTHER READINGS

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UNIT 10 JOB EVALUATION, PROMOTION AND TRANSFER

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Structure

10.0 INTRODUCTION

Proper job evaluation is the foundation for developing a sound wage structure. While job evaluation is a formal and systematic comparison of jobs in order to determine the worth of one job in relation to another. It is logical and, to some extent, an objective method of ranking jobs relative to one another. After job evaluation, the wages are set for different job profiles. We have already discussed wage and salary administration in the last unit. We also learnt about certain benefits including bonus, incentives, fringe benefits and flexi systems. In this unit, we will study another type of employee rewarding system which are promotions and transfer. Promotion is the transfer of an employee to a new position which commands higher pay, and better privileges or status compared with the old position. It may be the recognition of his good work, behaviour or simply to keep up with economic inflation. Contrary to it, a worker may be punished by demotion for inefficiency, destructiveness or absenteeism. Resignations and dismissals form part of separation. Transfers may be for utilizing one's talents in other areas. We will also discuss the concept of labour attrition.

10.1 OBJECTIVES

After going through this unit, you will be able to:

- Recall the concept of sweat equity
- Explain the systems of promotion, demotion and transfers

- Discuss the concept of job evaluation
- Describe the causes and consequence of labour attrition.

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10.2 SWEAT EQUITY

In the previous unit, we learnt about the some of the benefits given to employees as a reward for their work. We will discuss one such benefit in this section, sweat equity.

The term 'sweat equity' refers to equity shares offered to the company's employees on favourable terms, as a kind of reward for their work. Sweat equity allows employees to become part owners and participate in the profits, in addition to earning their salaries. The Companies Act defines 'sweat equity shares' as shares issued to employees or directors at a discount, for providing know-how or making available intellectual property rights or value additions.

10.3 PROMOTION, DEMOTION AND TRANSFERS

Some definitions given by authorities on the promotion are listed below:

According to Scott and Clothier, "A promotion is the transfer of an employee to a job which pays more money or one that carries some preferred status."

According to Prof Mamoria, "Promotion is a term which covers a change and calls for greater responsibilities, and usually involves higher pay and better terms and conditions of service and, therefore, a higher status or rank."

According to Arun Monappa and Saiyadain, "Promotion is the upward reassignment of an individual in an organization's hierarchy, accompanied by increased responsibilities, enhanced status, and usually with increased income, though not always so."

From the above definitions, we can say that promotion usually implies several things to the person concerned—higher status, both at work and in the community outside, more pay and fringe benefits, perhaps greater job security and a more senior position from which a person renders better service to his organization. Employees expect to be informed about ladders of promotion, how they can prepare themselves for advancement and what will be expected of them from the higher rated jobs.

Types of Promotion

The different types of promotions are:

(a) Limited Promotion

Limited promotion is also known as upgrading. It is the movement of an employee to a more responsible job within the same occupational unit and with a corresponding increase in pay. Thus, upgrading means an increase of pay on the same job or moving to a higher scale without changing the job.

(b) Dry Promotion

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Dry promotion is a promotion as a result of which there is no increase in the employee's pay. Dry promotions are those which are given in lieu of increases in compensation. It is usually made decorative by giving a new and longer title to the employee.

(c) Multiple Chain Promotion

Multiple chain promotion provides for a systematic linking of each position to several other positions. Such promotions identify multi-promotional opportunities through clearly defined avenues of approach to and exist from each position in the organization.

(d) Up and Out Promotion

Up and Out Promotion often leads to termination of services. In this type of promotion, a person must either earn a promotion or seek employment elsewhere.

Basis of Promotion

Different promotion systems are used in different organizations. Of them, the following are considered the most important:

(a) Promotion based on seniority
(b) Promotion based on merit
(c) Merit-cum-seniority promotion
(d) Promotion by selection
(e) Time-bound promotion
(f) Temporary promotion

Let's discuss there types in detail in this section.

(a) Promotion Based on Seniority

In the case of promotion based on seniority, the employees are promoted to higher positions purely based on their length of service irrespective of their qualifications, experience, performance and track record. Trade unions prefer seniority as a basis of promotion because lay-offs, recalls and discharges are usually based on seniority. The seniority promotion plan is as old as civilization itself. In business, however, it is not always dependable as a promotional policy. It survives simply because no better system has been evolved. If the seniority principle is adopted, capable young men will look for better prospects elsewhere. Normally, this method of promotion policy is seen in Government services and in services of quasi Governmental organizations. Unless the official has a very poor and bad work record, he is automatically promoted to higher position based on his service seniority.

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Arguments for Promotion by Seniority

- All employees are assured of promotion which will come automatically when it is due.
- Seniority is a factor which can be measured quantitatively; it is easily explained and understood and therefore, escapes charges of favouritism and discrimination.
- The management will have a known man. This reduces the risk associated with bringing an unknown person from outside.
- Seniority as a criterion for promotion makes its impact on reduction in employee turnover.
- Seniority is considered to contribute to the employees' ability on the assumption that the longer a person does a job, the more he learns about it.
- Promotion by seniority satisfies the personal aspirations of the employees. This results in better morale of the employees.

Arguments against Promotion by Seniority

- If the seniority principle is adopted, capable young men are likely to become impatient and will look for better prospects elsewhere.
- The internal sources may be inadequate to meet the growing requirements of the organizations.
- If the worth of an employee is not appreciated and given due recognition, it results in frustration and low morale of the employees.
- Promotions by seniority leads to capable young men looking for better prospects elsewhere. Consequently, the organization comes to be run by second-grade people, who have stayed because they do not have sufficient calibre to move elsewhere.
- With the fast changing world of technology it is necessary to infuse new blood into the organization. This is denied when the policy of promotion is by seniority.

(b) Promotion Based on Merit

Under promotion based on merit, employees are promoted to higher positions purely on their performance and work record. Here, the management will look into the qualifications, experience, previous work record, performance capability, etc. The service seniority of the employee would not be considered for promotion. In principle, it is felt that promotion should be based on merit. However, the use of merit as a basis for promotion can cause problems because what management regards as merit, trade unions may see as favouritism. Therefore, as far as possible, merit rating should be based on operating facts.

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Promotion by merit method is normally followed in majority of commercial and industrial enterprises where the main consideration for assessment is efficiency and work performance. The argument in favour of using merit or ability as a criterion for promotion is that it enhances organizational efficiency, and maximizes utilisation of talent, since only deserving employees are promoted after a thorough assessment of their abilities for the next job of higher responsibility and status.

Arguments for Promotion by Merit:

- Promotion by merit brings rewards for meritorious work. This encourages an employee to work hard and advance in the organization.
- Promotion by merit enhances organizational efficiency and maximises utilisation of talent.
- Promotion by merit acts as a motivator. This leads to increased productivity.

Arguments against Promotion by Merit:

- When management adopts merit as a basis for promotion, it must evolve controls to recognise merit objectively which will refute the allegations of favouritism. This is very difficult to achieve.
- Trade unions regard merit as favouritism. They distrust the sincereity of management when it claims the right to promote solely on merit.
- Efficiency in the present job does not necessarily predict ability to do well in a job with greater responsibility.
- The devices used for judging ability, such as performance appraisal ratings and confidential reports are not above subjectivity. It is this problem of bias in judging merit that makes employees oppose merit as a basis for promotion.

(c) Merit-cum-Seniority Promotion

Promotion based on "Merit cum Seniority" would have a blend of the advantages of both the systems discussed above. Both the service seniority and work efficiency will be taken into account in promoting an employee. These two possibly conflicting factors - seniority and merit - frequently pose problems in considering employees for promotion. From the point of view of organizational efficiency, merit seems to be the logical basis of promotion and therefore, management would like it to be the only factor. Trade unions want seniority to be considered as the basis for promotion since it is an objective and impartial method of judging employees for promotion. A sound management will pursue a policy of properly balancing these two factors i.e., seniority and merit. An employee who has service seniority with the desired level of merit and efficiency would be given priority in promotion to the next cadre as compared to others having only one of them. Merit-cum-seniority method has been considered as the best method of promotion as it gives due weightage to the skill efficiency and better service record of the employee.

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(d) Promotion by Selection

Promotion by selection is a process through which employees are promoted after undergoing rigorous test and screening. The service records of all the employees due for promotion are screened and scrutinised by a committee appointed for that purpose. The Committee will scrutinise the past records, merit, qualification and experience of the employees due for promotion to a cadre. Under this system employees with service seniority or better qualifications and experience need not be promoted automatically. The employees are put to various tests and interviews before a final selection is made and some employees are promoted.

(e) Time Bound Promotion Scheme

Under this method, employees would be promoted according to standards of time set for promotions to higher cadre subject to the condition that they possess the minimum qualifications required for entry into a higher position. Neither seniority nor merit will be considered here. The employees may have to pass some departmental examinations or tests for being considered for such a promotion.

(f) Temporary Promotion Scheme

Also known as officiating promotion scheme, under the temporary promotion scheme officials are promoted temporarily to higher positions in case there are vacancies and if they are due for promotion. Such temporary promotion is no guarantee for a permanent promotion, though normally temporary promotions are automatically made permanent if the service of the employee during the officiating period is satisfactory. It is like keeping the employee under some sort of probation at the higher position before he is confirmed.

Promotion Policy

Whatever may be the type of promotion followed by the management, there should be a definite promotion policy which should be effective and protect the interests of the employees due for promotion. A concrete, comprehensive and realistic promotion policy should be evolved covering the following points:

(a) **Promotion Policy Statement:** A corporate policy on promotion helps to state formally the organization's broad objectives, and to formulate both the organization's manpower and individual career plans.

(b) **Ratio of Internal Promotion Vs External Recruitment:** A promotion policy statement must state the ratio of internal promotions to external recruitment at each level. Such a statement will help manpower planners to project numbers of internally available candidates for vacancies.

(c) **Decide the Basis for Promotion:** A promotion policy statement must decide the basis on which promotions are to be given. Usually promotions are decided on the basis of performance appraisals.

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(d) **Decide the Routes for Promotion:** We have to identify the network of related jobs. Such an exercise will help in succession planning and also help aspirants to acquire the necessary formal qualifications or on-the-job training. This process would help in identifying promotion channels. Once it is finalised, it should be made known to the employees concerned.

(e) **Communicate the Promotion Policy:** The organization should communicate its promotion policy to its employees. Such an exercise will help aspirants to acquire the necessary formal qualifications, encourage them to attend suitable external development programmes etc.

(f) **Lack of Promotional Avenues:** There may be some deserving candidates who will not get promoted due to lack of available positions. In such cases where employees perform adequately in their present jobs, wage increments should be forthcoming.

(g) **Determination of Seniority:** A ticklish area in the formation of a promotional policy is the determination of an employee's seniority. Should the seniority be plant-wise, unit-wise or occupation-wise? Generally, seniority is unit wise.

(h) **Relationship of Disciplinary Action to Promotion:** Another area to look into while formulating a promotional policy is whether there is a relationship between any disciplinary action taken against an employee and promotion. Does a disciplinary action cause a loss in employee seniority? If yes, then to what extent?

Advantages of a Promotion Policy

The following are the benefits of a good promotion policy:

(i) A good promotion policy provides an incentive to work more effectively as it recognises an employee who does better work. It must however tell employees in advance what avenues exist for advancement.

(ii) It develops employee loyalty by rewarding him and placing him in a higher position in the organization for his efficiency.

(iii) It facilitates and increases job satisfaction.

(iv) It increases work effectiveness in the organization.

(v) It also attracts efficient employees to the organization.

(vi) It increases employee interest in training and self-development.

(vii) A promotion policy makes employees believe that their turn too will come and so they remain with the company. This reduces labour turnover.

Demotion

Demotion is a process by which the employee is downgraded and sent to a lower position from the one he is holding at present. When an employee is moved to a job with less responsibility, status or compensation he is said to be demoted.

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Demotion is the reverse of promotion. It is more a punishment for inefficiency or incompetence. According to D.S Beach, demotion is "the assignment of an individual to a job of lower rank and pay usually involving lower level of difficulty and responsibility". According to Arun Monappa and Saiyadain demotion "is a downward assignment in the organization's hierarchy to a lower level job which has less responsibility, pay and status. Because of this hierarchical repositioning it has a negative connotation and may lead to employee dissatisfaction". Demotions, being a serious penalty, must be handled tactfully. The usefulness of demotion as a punitive measure is questioned on many grounds. A demoted employee will be disgruntled and his dissatisfaction may spread to co-workers which will adversely affect morale, productivity and discipline of the work force.

Causes of Demotion

- Demotion may be used as a disciplinary weapon.
- Demotion may be resorted to when employees, because of ill health or personal reasons, cannot do their job properly.
- If a company curtails some of its activities, employees are often required to accept lower-level position until normalcy is restored.
- If an employee finds it difficult to meet job requirement standards, following his promotion he may be reverted to his old position.

Conditions for Demotion

Demotions serve a useful purpose in the sense that they keep the employees alert and alive to their responsibilities and duties. Demotion will serve its purpose if it satisfies the following conditions:

- Violations of rules and regulations of the organization would subject an employee to demotion. Here it should be noted that serious violations of rules and regulations would only warrant such a drastic action. Demotion should never be made as penalty for violation of the rules of conduct, poor attendance record or insubordination.
- There should be a proper and detailed investigation of any alleged violation of rules and regulation.
- If any violations occur, there should be a consistent and equitable application of the penalty. A hasty decision should be avoided.
- There must be a provision for review.
- Demotions have a serious impact on the employees. Therefore, demotions are made infrequently.

Transfer

A transfer is a change in job assignment. It does not involve a change in responsibility and status. A movement of an employee between equivalent positions at periodical

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intervals is called "transfer". A transfer therefore does not involve a change of responsibility or compensation. Transfers are normally made to place employees in positions where they are likely to be more effective or where they are likely to get greater job satisfaction. Transfers may be either organization-initiated or employee-initiated. An organization may initiate a transfer to place employees in positions where they are likely to be more effective or where they are better able to meet work schedules of the organization. Employee initiated transfers also known as "personnel transfers" may be initiated for several reasons. These could range from wanting a change of boss or a change of location or to avoid interpersonal conflicts with their present colleagues or to join their friends and relatives.

Yoder has defined transfer as "a lateral shift causing movement of individuals from one position to another usually without involving any marked change in duties, responsibilities, skills needed or compensation".

According to Arun Monappa and Mirza Saiyadain, transfer "is a change in assignment in which the employee moves to another job at approximately the same level of responsibility, demanding about the same skill and at about the same level of pay".

According to R.S. Davar, transfer is "a lateral movement of an employee, not involving promotion or demotion. A transfer therefore does not involve a material change in responsibility or compensation".

A transfer may be either temporary or permanent, depending upon the need, and may occur within a department, between departments and divisions, or between plants within a company. A transfer may require an employee to change his work group, work place or organizational unit. It should be the aim of any company to change positions of employees as soon as the capacities increase and vacancies warrant.

Types of Transfers

There are different types of transfers depending on the purpose for which the transfers are made. Judging from the viewpoint of purpose, there are nine type of transfers.

(a) General
(b) Production
(c) Replacement
(d) Shift
(e) Remedial
(f) Versatility
(g) Punishment or Penal
(h) Request or Personal
(i) Mutual

(a) General

General transfers are normally affected during a particular period of the year wherein all employees having completed a given period of service in a post or at a place are involved. Definite rules and regulations are to be followed in affecting such transfers. Such transfers are followed in big organizations, quasi-governmental organizations and government departments.

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(b) Production

Production transfers are normally made from one department to another where the need for the employee is more. This type of transfer is made to avoid lay-off of efficient and trained employees by providing them with alternative positions in the same organization. These changes help to stabilise employment in an organization and therefore require centralised control. Although it is called production transfer, similar situations can exist in non-manufacturing enterprises or divisions too where an employee is transferred from one department to another for similar reasons.

(c) Replacement

These are transfers of long-service employees to similar jobs in other departments where they replace or 'bump' employees with shorter service. Replacement transfers are affected to replace persons leaving the organization, due to resignations, retirements, dismissal or death. Quite often such transfers are affected to change a new employee who has proved to be ineffective in the organization. Even though the objective of these transfers is to retain the efficient and trained employees, in the process some short-service employees may lose their jobs.

(d) Shift

Shift transfers are transfers of workers from one shift to another on the same type of work. Workers generally dislike second or third shift as it affects their participation in community life. To minimise this, shift transfers are effected. Shift transfers also help workers to be out of routine fatigue.

(e) Remedial

Remedial transfers are transfers made to remedy some situation primarily concerned with employee on the job. Remedial transfers provide management with a procedure whereby an unsatisfactory placement can be corrected. Initial placement might be faulty or the type of job might not suit his health. In such cases the worker would benefit by transfer to a different kind of work.

(f) Versatility

The objective of these transfers is to increase the versatility of the employee by shifting him from one job to another. In this way, the employee is provided a varied and broad job experience. This transfer is like a rotation transfer. Versatility transfers, besides resulting in greater satisfaction of the workers through job enlargement, also creates a work force which can be conveniently shifted to other jobs in time of necessity.

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(g) Punishment or Penal

This transfer is made as punishments to erring employees. Quite often the employees are transferred from one place to another so that they are made to work in a situation of risks and hazards. Employees are posted to such places as a matter of punishment for the errors and omissions they have committed.

Sometimes, transfer is used as a concealed penalty. A trouble-maker may be transferred to a remote branch where he cannot continue his activities.

(h) Request Transfers

This type of transfer is done on the request of the employee. It is normally done on humanitarian grounds to help the employee to look after his family and personal problems.

(i) Mutual Transfers

When transfers turn out to be mutual between two employees they are refered to as mutual transfers. Usually the organization concedes to the request of employees for transfer if another employee is willing to go to the other place.

Transfer Policy

It is clear that transfers are made for a number of reasons and are initiated by either the supervisor or the subordinate. If transfers are left entirely to the discretion of supervisors or employees, a number of problems are likely to occur such as favouritism or victimisation. To avoid these problems it is necessary that every organization evolve its transfer policy. Every organization should have a just and impartial transfer policy which should be known to each employee. It is, therefore, important that the company should formulate a policy to govern the administration of all types of employee transfers, rather than decide each case solely on the characteristics of that case. The absence of a well-formulated transfer policy will breed a state of uncertainty amongst the employees. For a successful transfer policy, proper job description and job analysis should be done. Further, care should be taken to ensure that frequent or large-scale transfers are avoided by laying down adequate procedures for the purpose. A systematic transfer policy should provide for the following:

- A transfer policy should clarify the types and circumstances under which transfers will be used. The organization should specifically clarify the types of transfers and the conditions under which these will be made.
- The transfer policy must locate the authority that may initiate and implement the transfer. In other words, it should indicate who would be responsible for initiating and approving the transfers.
- A transfer policy should indicate whether the transfer could be made only within a sub-unit or also between departments, divisions and plants.

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- The transferability of both jobs and individuals' needs should be examined in terms of job descriptions, streams of specialization and individual background and training.
- A transfer policy should indicate the basis for transfer. Should it be on the basis of seniority or skill and competence?
- A transfer policy should prescribe whether, when an employee is transferred, his previous seniority credit will be retained.
- The transfer policy should indicate to the transferee the pay scales, the exact wages and perquisites that he would receive in the transferred job. If there is any difference, it should be specified.
- A transfer policy should provide for timely communication of the transfer decision. The transferee should be intimated of the transfer well in advance.
- A transfer should be in writing and duly communicated to all concerned.
- Transfers should not be made frequently.

Industrial practices vary and each organization must formulate its own policy and rules in connection with transfers. In making transfers, it is advisable for the organization to pay the employee the actual cost of moving the household to the place of transfer. A transfer policy will help effective employee redeployment and protect employees from arbitrary transfers.

Transfer Procedure

(a) Intra-departmental Transfers

Transfers may be from one section to another in the same department. Such cases of transfer are decided upon by the Plant Manager and an oral order is enough. There is no need to issue a transfer letter to the employee. It is however desirable that the personnel manager be informed of such transfers.

(b) Inter-departmental Transfers

Transfers may be from one department to another within the same organization. Such transfers are known as inter-departmental transfers. These are made by mutual consultations between the Plant managers concerned. If such a transfer is permanent, a letter of transfer should be issued communicating to the employee concerned that he has been transferred. Written orders, signed by the personnel manager are issued to the employee.

(c) Branch Transfers

Transfers may be from one branch to another or from head office to branch or from branch to head office. Since this type of transfer involves transferring a worker to a new working environment, they should be discouraged. Branch transfers involve a considerable change in working conditions for the employees. It is also very costly from the point of view of the organization. In case of such a transfer, advance notice should be served to the employee.

Check Your Progress

1. Which type of promotion often leads to termination of services?
2. What are the different basis of promotion?
3. Define demotion.
4. Which type of transfer is made to avoid lay-off of efficient and trained employees?

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10.4 JOB EVALUATION SYSTEMS

The ILO define job evaluation as 'An attempt to determine and compare demands which the normal performance of a particular job makes on normal workers without taking into account the individual abilities or performance of the workers concerned.'

Determining the relative worth of all jobs in the enterprise is difficult. This is so, because jobs differ with respect to the demands made on the employees as well as the value of the job to the enterprise. The comparison and evaluation may be made on two bases:

I. Non-analytical or non-quantitative system

This system utilizes non-quantitative methods of listing jobs in the order of difficulty. The comparison and evaluation made on non-quantitative basis is made by ranking or classifying the jobs from the lowest to the highest. Non-analytical system is usually of two types. These are as follows:

(i) ***Ranking system:*** This is a very simple method of job evaluation. Under this system, the job raters simply rank one job against another without assigning point values. The ranking method consists of ranking the jobs in the organization from the lowest to the highest.

Merits of ranking system

(a) The ranking method is simple, quick and inexpensive.
(b) It is particularly suitable for small organizations which cannot afford to employ outside consultants.
(c) As the system is simple and easy to understand, it becomes easy for the organization to explain to the employees or trade union.
(d) It is less expensive than other systems and as such is useful and suitable for small organizations.

Demerits of ranking system

(a) The ranking method is somewhat crude as specific job requirements are not normally analysed separately. Therefore, in the absence of any yardstick, each rater has his own set of criteria. The ranking process

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is initially based on judgement and therefore, tends to be influenced by the personal bias of the rater.

(b) The system merely produces a job order, but it does not indicate how much one job differs from another.

As the size and complexity of an organization increases, it becomes difficult to find raters acquainted with all jobs to be ranked.

(ii) ***Job classification or grading system:*** Under this system, a number of pre-determined grades or classifications are first established and then the various jobs are assigned within each grade or class. Job classification system begins with an overall comparison of all jobs, on the basis of common sense and experience. For each class, a general specification is prepared indicating the nature of work and responsibility that are included. Each class is assigned a salary range with maximum and minimum limits. After that, actual jobs are fitted into these predetermined classes.

Merits of job classification or grading system

(a) This method is best suited to small organizations as it is easy to understand and inexpensive to administer.

(b) Since employees think of jobs in clusters or groups, this method makes it easier for them to understand ranking.

(c) Job grading is considered to be an improvement over ranking because a predetermined yardstick consisting of job classes is provided.

(d) Job grading makes pay determination problems administratively easier to handle.

Demerits of job classification or grading system

(a) It is difficult to write comprehensive and unambiguous class descriptions.

(b) The rater can be easily influenced by title, personality and existing pay rate of a job. Thus, the judgement in respect of a whole range of jobs may produce an incorrect classification.

(c) Lack of substantiating data makes it difficult for the management to defend ratings to their employees.

(d) This method leaves much to be desired, because personal evaluations by raters establish the major classes and determine into which classes each job should be placed.

(e) This system is unsuitable for large organizations as it is a very rigid system.

II. Analytical or quantitative system

In the ranking system and grading system, the relative ranking of jobs was determined without reference to any numerical values (points). However, in the quantitative system, various factors of a job are considered and points are assigned to them according to their relative worth. The analytical or quantitative systems of job evaluation are as follows:

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(i) ***The point rating system:*** The point rating system is based on the assumption that it is possible to assign points to the different factors as well as to each degree of each factor involved in jobs and that the total of the points will give an index of the relative value of jobs. The method was originally designed and developed by the Western Electric Company. The point rating system is based on the assumption that it is possible to assign points to respective factors which are essential for evaluating an individual's job.

Merits of the point rating system

(a) The use of fixed and predetermined factors forces the evaluator to consider the same job elements when rating jobs.

(b) The method forces job raters to consider individual factors rather than the job as a whole.

(c) It gives us a numerical basis for wage differentials.

(d) Prejudice and human judgement are minimized. A clear record of the judgements of the evaluator is later available for explaining the results of the evaluation.

(e) The assignment of point values indicates not only which job is worth more than another, but how much more it is worth.

(f) As the system is more systematic and objective than any other job evaluation method, the worker's acceptance can be assured.

Demerits of the point rating system

(a) It is very difficult to give a fair evaluation of the relative worth of each job in the organization.

(b) The listing of factors may omit some elements that are important in certain jobs.

(c) Workers find it difficult to fully comprehend the point rating system.

(d) The task of defining job factors and assigning value to each degree is a time consuming and difficult task.

(e) The point rating system entails considerable clerical work like recording and summarizing the rating scale.

(f) The system is inflexible as the same point systems cannot generally be sued for production and office jobs.

(ii) ***The factor comparison system:*** This system is similar to the point rating system. The factor comparison system was developed by Eugine J. Benge at the Philadelphia Rapid Transit Company in 1926. He developed this system in order to solve the two problems faced by the point rating system,

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i.e., determining the relative importance of factors and describing their degrees. This method begins by finding out the major factors which are present in more or less degree in all the jobs in a particular organization. Each job is ranked several times—once for each compensable factor selected. For example, jobs may be ranked first in terms of the factor skill. Then, they are ranked according to their mental requirements. Next, they are ranked according to their 'responsibility', and so forth. Then these ratings are combined for each job in an overall numerical rating for the job. Thereafter, it is easy to assign money value to these jobs in some direct proportion to the points assigned under evaluation.

Merits of factor comparison method

(a) It is a systematic, quantifiable method for which detailed step-by-step instructions are available.

(b) This method can be used to evaluate a combination of unlike jobs such as clerical, manual and supervisory jobs.

(c) It uses the job-by-job comparison technique which is a far more accurate method of measurement.

(d) It is a fairly easy system to explain to employees because the weights selected are not entirely arbitrary but reflect existing wage and salary practice.

(e) The reliability and validity of the system are greater than the other methods of job evaluation.

Demerits of factor comparison method

(a) The difficulty of the system is that it is very expensive.

(b) The method is somewhat difficult to operate.

(c) Money rates, when used as a basis of rating, tend to influence the rater.

10.5 LABOUR ATTRITION: CAUSES AND CONSEQUENCES

Organizations these days are facing a challenge of not only finding the right people but also retaining them. With youngsters becoming more and more ambitious and organizations offering competitive salaries, labour attrition and employee retention have become major issues.

Causes and Consequences of Labour Attrition

The main causes of labour attrition are as follows:

1. Personal causes
2. Unavoidable causes

3. Avoidable causes

1. Personal causes

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These are causes that force a worker to quit. These include:

(a) Better opportunity

(b) Premature retirement owing to failing health or aging

(c) Family issues and responsibilities

(d) Unpleasant working environment

In points (a) to (c), the employee leaves of his own free will. It is a choice that he has made himself. Therefore, it is not possible to suggest a solution or a remedy. However, if the employee leaves because of unfavourable working environment, the employer can definitely try to improve the same. To take remedial measures, the cooperation of senior team members would be required.

2. Unavoidable causes

Such causes result from circumstances where the management is forced to ask the employee(s) to leave. This could happen in the following cases:

- If the business is of a seasonal nature
- If there is dearth of raw material
- If there is shortage of power
- If the demand for the concerned product is low
- If the location of the plant is changed
- If the employee has been rendered unfit for work due to some accident / disability
- If some disciplinary action is taken
- If the employee is getting married (especially women)

3. Avoidable causes

These causes require the management to attend to certain factors on a continuous basis in order to keep attrition levels low. These avoidable causes include the following:

- Dissatisfaction with salary
- pressure / burden of work
- Dissatisfaction with working conditions
- Lack of growth avenues
- Absence of recreational facilities
- Absence of training facilities

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If the management reacts at the right time and in an efficient manner, these causes could be avoided.

Impact of attrition

- Production is disturbed.
- Precious time is wasted in finding replacements.
- Efficiency of new recruits is low at the beginning.
- Training and induction are not only time-consuming but require expenditure.
- New recruits take time to settle and get trained.
- New recruits also cause a lot of damage and wastage during training period.

Check Your Progress

5. What is the point rating system?
6. What is the assumption on which the point rating system of job evaluation is based?
7. Who developed the factor comparison system and when?
8. List the main causes of labour attrition.

10.6 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Up and out promotion often leads to termination of services.
2. The various bases of promotion are:
   - Promotion based on seniority
   - Promotion based on merit
   - Merit-cum-seniority promotion
   - Promotion by selection
   - Time-bound promotion
   - Temporary promotion
3. Demotion is a process by which the employee is downgraded and sent to a lower position from the position he is holding at present.
4. Production transfer is the type of transfer which is made to avoid lay-off of efficient and trained employees.
5. The point rating system is based on the assumption that it is possible to assign points to the different factors as well as to each degree of each factor involved in jobs and that the total of the points will give an index of the relative value of jobs.

6. The point rating system is based on the assumption that it is possible to assign points to the different factors as well as to each degree of each factor involve in jobs and that the total of the points will give an index of the relative value of jobs.
7. The factor comparison system was developed by Eugine J. Benge at the Philadelphia Rapid Transit Company in 1926.
8. The main causes of labour attrition are: personal causes, unavoidable causes and avoidable causes.

10.7 SUMMARY

- Promotion usually implies several things to the person concerned—higher status, both at work and in the community outside, more pay and fringe benefits, perhaps greater job security and a more senior position from which a person renders better service to his organization.
- There are different types of promotion: limited promotion, dry promotion, multiple chain promotion and up and out promotion.
- The following are the different promotion systems used in different organizations: promotion based on seniority, promotion based on merit, merit-cum-seniority promotion, promotion by selection, time-bound promotion and temporary promotion.
- In the case of promotion based on seniority, the employees are promoted to higher positions purely based on their length of service irrespective of their qualifications, experience, performance and track record. Trade unions prefer seniority as a basis of promotion because lay-offs, recalls and discharges are usually based on seniority.
- Under promotion based on merit, employees are promoted to higher positions purely on their performance and work record. Here, the management will look into the qualifications, experience, previous work record, performance capability, etc.
- When an employee is moved to a job with less responsibility, status or compensation he is said to be demoted. Demotion is the reverse of promotion. It is more a punishment for inefficiency or incompetence.
- A transfer is a change in job assignment. It does not involve a change in responsibility and status. A movement of an employee between equivalent positions at periodical intervals is called "transfer".
- If transfers are left entirely to the discretion of supervisors or employees, a number of problems are likely to occur such as favoritism or victimization. To avoid these problems it is necessary that every organization evolve its transfer policy.

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- The ILO defines job evaluation as 'An attempt to determine and compare demands which the normal performance of a particular job makes on normal workers without taking into account the individual abilities or performance of the workers concerned.'
- Determining the relative worth of all jobs in the enterprise is difficult. This is so, because jobs differ with respect to the demands made on the employees as well as the value of the job to the enterprise. The comparison and evaluation may be made on two bases: non-analytical system and analytical system.

10.8 KEY WORDS

- **Promotion:** It refers to the transfer of an employee to a new position which commands higher pay, and better privileges or status compared with the old position.
- **Demotion:** It is a process by which the employee is downgraded and sent to a lower position from the one he is holding at present.
- **Transfer:** It refers to a movement of an employee between equivalent positions at periodical intervals.
- **Job evaluation:** It refers to an attempt to determine and compare demands which the normal performance of a particular job makes on normal workers without taking into account the individual abilities or performance of the workers concerned.

10.9 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short Answer Questions

1. Define promotion.
2. What are the advantages of a promotion policy?
3. What are the cause of demotion.
4. Explain the transfer procedure.
5. What are the merits and demerits of job classification system?

Long Answer Questions

1. Explain the different bases for promotion.
2. What is a promotion policy? What are the conditions to be covered while preparing a comprehensive and realistic promotion policy?
3. Explain the arguments for and against promotion by merit.

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4. Define transfer. Explain the various types of transfers.
5. What is a transfer policy? Explain the conditions that should be followed in a systematic transfer policy.
6. Explain the analytical or quantitative system of job evaluation.
7. Describe the causes of labour attrition.

10.10 FURTHER READINGS

Aquinas, P. G. 2005. *Human Resources Management – Principles and Practice*. New Delhi: Vikas Publishing House Pvt Ltd.

Decenco, David A. and Stephen P. Robbins. 1989. *Personnel/HRM, (Third Edition)*. New Delhi: Prentice-Hall of India.

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UNIT 11 EMPLOYEE RETENTION

NOTES

Structure

11.0 INTRODUCTION

In the previous unit, we learnt about that labour attrition is a worrying factor for all organizations. Every organization spends a lot of time, energy and resources in grooming an employee as per their requirements and the standards set by the existing employees. This is why when the employees leave the organization, it becomes a significant loss for the company which will have to invest again in the entire of process of training and grooming the employees. Retaining the employees in the organization then becomes an important function for the human resources department so as to ensure that the needs of the employees are met and that they do not leave the organization. In this unit, we will discuss the policies related to employee retention.

11.1 OBJECTIVES

After going through this unit, you will be able to:

- List some of the common problems employees face
- Describe the various retention methods
- Discuss the methods and importance of the employee retention control process

11.2 NEEDS AND PROBLEMS OF EMPLOYEES

It is estimated that employees spent about 1/3rd of their life working. Obviously, spending such a huge amount of time at work causes stress in employees. However, employees stress is not the only type of problem that employees face. It is impossible to have a workplace where everyone's roles, expectations, and personalities work perfectly together, without conflict. As such, certain workplace issues may cause negative psychological symptoms.

Some of the common problems that employees face include:

- Interpersonal conflict
- Communication problems
- Gossip
- Bullying
- Harassment
- Discrimination
- Low motivation and job satisfaction
- Performance issues
- Poor job fit

Various Retention Methods

As we have learnt before, employee retention programmes help employers hang on to their best performers, who are naturally valuable assets for the organization.

The place to begin is the culture of the organization. Of course, favourable HR policies, benefit plans, medical facilities, insurance, career development assistance, wellness programmes, onsite day care, etc., are the factors that people seeking jobs look out for. However, certain things that organizations should keep in mind are as follows:

1. **Workplace culture:** The employers should ensure that the employees end up loving their workplace so much that they look forward to coming to work every day. They should associate work with good experience. Policies that are not rigid and dress codes that are not stifling, for example, go a long way in making the workplace culture inviting.
2. **Involvement:** The employers should make the employees feel as if they belong. The employees should be given a chance to lend their opinions and suggestions in important issues and decisions.
3. **Orientation:** The new recruits should be given a memorable welcome and a carefully thought out orientation that would reflect the culture of the organization. The orientation should also get the new recruits excited and eager to begin work.
4. **Learning:** The organization should have a policy of helping employees who wish to study further or take classes. The employees should be made to feel that progress and willingness to learn are encouraged in the organization.
5. **Reward:** Good performers should be rewarded and appreciated for their performance. Such performance incentives could be given on a daily or weekly basis to bring about a healthy competitive spirit.
6. **Transparent performance and appraisal system:** Clarity in performance appraisal enhances retention.

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Methods and Importance of the Employee Retention Control Process

A high rate of labour turnover is bad for both workers and the organization. Hence, efforts should be made to reduce it. Unfortunately, the majority of employers ignore the effects of labour turnover and prefer to play off one labourer against another with a view to obtaining cheap labour, many of them prefer a constant change of labour force if it gives them an opportunity to reduce their wage bill. They do not realise that new workers are less efficient than old workers. Hence efforts should be made to reduce the rate of turnover. The following actions may be taken to reduce labour turnover:

- Increase pay levels to meet competition.
- Introduce procedures for relating rewards to performance.
- Provide better career opportunities.
- Workers organizations should be encouraged to maintain contact with the workers and redress their grievances.
- Reorganize work and arrangement of offices or workshops to increase group cohesiveness.
- Improve working conditions, adopt an enlightened policy of management in respect of welfare, sickness insurance and pension which will contribute to make the labour force more stable.
- Improve recruitment and selection procedures to ensure that job requirements are specified accurately and the selected em-ployees fit the specifications.
- Provide adequate training or adjustment periods when working conditions change.

Implication of Job Change

Job change means any type of change in existing job in the organization. Job change may be upward, downward or lateral by its nature. Upward job change is known as promotion, downward change is as demotion and lateral change is identified as transfer. Any type of job change results in a change in role and responsibilities for the employee, a change of classification and/or grade level, as well as a change in remuneration. Job change can be used positively by the HR department to meet the employee's need as well as that of the organization.

Check Your Progress

1. List some of the factors that people look out for when seeking jobs.
2. Give an example of a policy which makes workplace culture inviting.
3. Name a type of lateral job change.

11.3 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

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1. Some of the factors which people seeking jobs look out for are: favourable HR policies, benefit plans, medical facilities, insurance, career development assistance, wellness programmes, onsite day care, etc.
2. Non-strict dress codes are an example of a policy which makes workplace culture inviting.
3. Transfer is a type of lateral job change.

11.4 SUMMARY

- It is estimated that employees spent about 1/3rd of their life working. Obviously, spending such a huge amount of time at work causes stress in employees.
- Some of the common problems that employees face include: interpersonal conflict, communication problems, gossip, bullying, harassment, discrimination, low motivation and job satisfaction, performance issues and poor job fit.
- Employee retention programmes help employers hand on to their best performers, who are naturally, valuable assets for the organization.
- Favourable HR policies, benefit plans, medical facilities, insurance, career development assistance, wellness programmes, onsite day care, etc., are the factors that people seeking jobs look out for.
- Certain factors which could be improved by organizations for promoting employee retention are: workplace culture, involvement, orientation, learning, reward and transparent performance and appraisal system.
- A high rate of labour turnover is bad for both workers and the organization. Efforts should be made to reduce labour turnover.
- Some of the following actions may be taken to reduce labour turnover: increase pay levels, introduce procedures for rewards, provide better career opportunities, improve working conditions, improve recruitment and selection procedures, provide adequate training periods during change, etc.

11.5 KEY WORDS

- **Employee retention:** It is a combination of various policies and practices which ensures that the employees stick to an organization for a longer period of time.

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- **Interpersonal conflict:** It refers to the conflict between a person or group of people which comes in between another person's efforts at achieving a goal.
- **Workplace culture:** It refers to the visible components as well as attitudes, beliefs, thought process, working procedures in a company.
- **Labour turnover:** It refers to the rate at which employees leave a workforce and are replaced in an organization.

11.6 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short Answer Questions

1. List some of the common problems that employees face in an organization.
2. Why do majority of employers ignore the effects of labour turnover?
3. What is job change?

Long Answer Questions

1. Explain the major retention methods.
2. Describe the actions which may be taken to reduce labour turnover.

11.7 FURTHER READINGS

Aquinas, P. G. 2005. *Human Resources Management – Principles and Practice*. New Delhi: Vikas Publishing House Pvt Ltd.

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BLOCK - IV

HUMAN RESOURCE INFORMATION SYSTEM

NOTES

UNIT 12 EMPLOYEE WELFARE AND SEPARATION

Structure

12.0 INTRODUCTION

In this unit, you will learn about employee welfare, which is a comprehensive term that includes various services, benefits and facilities that an employer provides to his employees. These services are provided for the comfort and improvement of the employees, and are provided over and above their wages. They also help in uplifting the morale of the employees and motivating them, which further enables the organization to retain them for a longer duration. Employee welfare can include monetary benefits and monitoring of working conditions. In India, various laws and acts have been passed since independence to govern the functioning of a company. These laws and acts provide social security to the employees of the company. Employee separation merely ensures that the outgoing employees leave the organization following due process. The process of employee separation is discussed in the next unit.

12.1 OBJECTIVES

After going through this unit, you will be able to:

- Explain the welfare and safety issues of employees
- Describe employee grievances and the process of their redressal
- Discuss industrial relations

12.2 WELFARE AND SAFETY

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There have been various laws and acts that have been passed since independence for the benefit of employees as well as for their safety. The following are some of the important laws and acts:

- The Employees' State Insurance Act, 1948
- The Employees' Provident Fund Act, 1952
- The Workmen's Compensation Act, 1923
- The Maternity Benefit Act, 1961
- The Industrial Disputes Act, 1947

Let us discuss these in detail.

The Employees' State Insurance Act, 1948

The Employees' State Insurance Act was passed in 1948 to make available various social welfare facilities available to the employees of a company through one agency. The Employees' State Insurance Scheme (ESIS) is a compulsory and causative scheme for the well-being of the employees. According to this Act, a company should provide medical benefits, such as medical attendance, treatment, drugs and injections to the insured employees having net salary less than 6,500 and their family members. This was increased to ₹21,000 in 2016. This Act is applicable only to the companies that employ more than 20 employees in the company.

The ESIS is a breakthrough in the history of social security in India. The main objective of this scheme is to launch social insurance for the employees of a company in order to provide them social security during situations, such as illness, long-term sickness or any other health hazard. According to this scheme, medical facilities are also provided to the retired insured individuals and permanently disabled workers and also to their spouses at a minimal payment of ₹ 10 per month. As per an amendment, this amount has been increased to ₹120.

The ESIS Act is monitored by the Employees' State Insurance Corporation (ESIC), which is established by Central Government. ESIC has its own funds, known as ESI fund that provides cash benefits to insured persons, medical benefits, such as hospitals and dispensaries. The following are the benefits provided by this act:

- **Sickness benefits**: This is given to the employees for maximum period of 91 days. The sickness benefit is the half of the daily average wages of the employee. This is amended to 70 per cent of wages. For getting the sickness benefit the employee should be under the medical treatment at a hospital maintained by the company. Extended sickness benefit is also given to the insured employees who are suffering from the long-term diseases. Sickness benefit is useful to an employee who is unable to work due to illness. Employee also gets medical treatment and financial support.

- **Medical benefit**: It is in the form of free medical treatment that an employee claims in case of illness, maternity and accident. Employee gets this benefit at ESI hospital or dispensary of the doctor to whom the worker is getting treatment. The family of the insured worker also avails this benefit. Workers suffering from critical diseases, such as T.B., Cancer, Leprosy and mental diseases are provided special facilities.
- **Maternity benefit**: It is in the form of cash payment to the insured women for confinement, miscarriage or illness arising out of pregnancy. This benefit is calculated at half of average daily wages. If the insured woman dies during the period of confinement, the nominee gets the benefit for the whole period.
- **Disablement benefit**: This is given in case of permanent disablement of an employee. The benefit is given when an employee is caught in an industrial accident within the factory. The annual benefits depend on the nature of disablement. Temporary disablement benefit at the rate of 90 per cent of wage is payable so long as disability continues. For permanent disability benefits is paid at the rate of 90 per cent of wage in the form of monthly payments
- **Dependents' benefit**: It is given to the dependents of the employee of a dead insured employee. The benefit is given if an employee dies in an industrial accident. DB is paid at the rate of 90 per cent of wage in the form of monthly payments
- **Funeral benefit**: This is given in the form of cash upto maximum of 1,000 to the insured individual for funeral. This was increased to ₹10,000/-. This benefit is given to the eldest person or the person who is actually incurring the expenditure at the time of funeral.

The Employees' Provident Fund Act, 1952

The Employees' Provident Fund Act was launched in 1952 that provides retirement benefits to the employees of a company. Retirement benefits include provident fund, family pension, and deposit-linked insurance. This Act is applicable for the companies in India that employ 20 or more than employees except in Jammu and Kashmir. This Act is not applicable on the companies that are registered under the Cooperative Societies Act, 1912, or under any other law related to cooperative societies of less than 50 individuals. This scheme is applicable to the employees getting the salary of ₹ 5,000 per month.

According to this Act, the employees need to contribute 8.33 percent of his/her basic salary and dearness allowances comprising of cash value of food allowances and maintaining allowances given to the employees. Now, the government has increased the rate of employee contribution to 12 per cent. The government has introduced various provident fund schemes but the contributory fund scheme became more popular than others. According to the contributory provident fund scheme, both employer and employee contribute equal portion of the basic salary of the employee for provident fund. The total contribution of the provident fund is then deposited with the Provident Fund Commissioner or any trust. The employees get the provident fund after their retirement. The employees also get 8 to 12 per cent interest on the provident fund. Under this scheme individual pension and family pension are provided to the employees of the company.

The government has introduced various schemes under this act. These are as follows:

- **Employees' Pension Scheme, 1995**: It was introduced for the individual employees of a company in the year 1995. Under this scheme, the employees are provided 50 per cent of the salary as their pension after retirement or superannuation after completing 33 years service.
- **Death relief fund**: It was established by the government in January 1964 in order to provide financial help to the nominees or the successor member of the family whose salary does not exceeds ₹ 1,000 per month.
- **Gratuity scheme:** It was a scheme introduced under the Payment of Gratuity Act, 1972, meant for factories, mines, oil fields, plantations, ports, railways, and other companies. This act is applicable for the employees that obtain salary less than or equal to ₹ 3,500 per month.
- **Employees' Deposit-Linked Insurance Scheme:** It was launched for the members of Employees' Provident Fund and the exempted Provident Funds on 1 August 1976. According to this scheme, after the expiry of the member of the provident fund, the individual allowed to obtain the provident fund deposits would be given an extra payment equal to the average balance in the provident fund account of the deceased person during last three years. This scheme is applicable only when the average amount is greater than or equal to 1,000.
- **Group life insurance:** It is a plan that provides coverage for the risks on the lives of a number of individuals under one contract. However, the insurance on each life is independent from the insurance of individuals. This facility is given to the employees that work with an employer without evidence of insurability. The following are features of group life insurance:
    - o Insurance is provided to the employees without any evidence of insurability.
    - o The insurance contract is signed between the insurance company and the employer. There is no direct interaction of the employee with the insurance company.
    - o It is yearly renewable insurance plan.
    - o If any employee of the company suffers from an injury or death, then the claim received by the employer from the insurance company is given to the nominee of the employee.
    - o The premium of the insurance is either paid the employer or by the employer and the employee both.

The Workmen's Compensation Act, 1923

The Workmen's Compensation Act was established by the government in the year 1923. According to this Act, a company needs to provide a payment of compensation to its employees and their family on the occurrence of organizational accidents and some disease leading to the death or any kind of disablement of the individual. The main objective of this Act is to apply a commitment on the employers to offer compensation to the employees against the accidents that occur during the course of employment. The following are the important features of The Workmen's Compensation Act:

- This Act provides social security to the employees of a company by providing them compensation against various risks.
- A company is liable to pay the compensation only if the accident or the injury to the employee has been caused during the course of employment.
- This Act also provided overtime pay and the value of concessions or benefits in the form of food, clothing and accommodation.
- The amount of compensation that a company needs to pay to an employee depends upon the type of injury or disablement suffered by the employee.
- The minimum amount of compensation that must be paid to an employee on the occurrence of permanent disablement or death is ₹ 60,000 and ₹ 50,000 respectively. However, the maximum amount of compensation that must be paid to an employee on the occurrence of permanent disablement or death is ₹ 2.28 lakh and ₹ 2.74 lakh respectively.

This Act is applicable for all the employees that work in railways, factories, mines and other companies. It also applies to all the companies that are involved in an industry specified in Schedule II of the Act.

As per the amendments brought to the Act in 2010, the Workmen's Compensation (Amendment) Act, 2009 is now renamed as The Employee's Compensation (Amendment) Act, 2009 and wherever "workman" or "workmen" is mentioned in the entire Act the same needs to be read as "Employee".

Minimum Compensation: The compensation payable on death from the injury, is (i) minimum of ₹ 80000 is increased to ₹120000 or (ii) 50% of the monthly wages of deceased multiplied by the relevant factor.

The compensation payable on Permanent Total Disablement from the injury, is (i) minimum of ₹ 90000 is increased to ₹140000 or (ii) 60% of the monthly wages of deceased multiplied by the relevant factor.

Maximum Compensation: For the purpose of claims settlement actual monthly wages have to be calculated without ceiling of ₹ 4000/- which will lead to multifold increase in claim outgo. Now, a new monthly wage-ceiling limit of ₹ 8000 is introduced for the purpose of calculation of 50% of it during computation of Maximum compensation under the Act. Hence, the maximum compensation can go Upto 50% of 8000 which comes to ₹ 4000/- that shall be multiplied by Age factor.

The Maternity Benefit Act, 1961

The Maternity Benefit Act was launched in 1961. This is a compensation given against the loss of salary to a woman who discontinues to work during the period of pregnancy. The following are the main objectives of this Act:

- Enable the female employee of a company to withdraw her services during the 6 weeks before her expected confinement date. As per 2017 amendments, this has been increased to eight weeks.
- The period of paid maternity leave that a woman employee is entitled to has been increased to 26 (twenty-six) weeks.
- The eligibility for maternity benefit requires the woman to have been working as an employee for a period of at least 80 days in the past 12 (twelve) months.
- Provide free medical treatment to a female employee during her pregnancy
- Provide an expected female employee the facility of public funds along with cash benefit so that she can take good care of herself and her child
- Disallow the dismissal of a female employee during her pregnancy period
- Allow the female ladies to feed her baby twice a day during the working hours

The Industrial Disputes Act, 1947

The Industrial Disputes Act was passed in the year 1947. This Act is related to the termination and retrenchment of the employees by a company. This act includes Sections 25-A to 25-S related to employee termination. Among these sections, Section 25-C to 25-E are not applicable for the companies than employ less 50 individuals in the company. Sec 25-C states that when any permanent employee who has worked for more than or equal to one year is being terminated by the company, the company is liable to provide a compensation equal to the 50 per cent of her/his basic salary. Sec 25-C also states that the company is not responsible to give any compensation to an employee, if he or she refuses to accept an alternative job equivalent to his/her previous job. A company is also not liable to give compensation if he or she does not reach the workplace at the scheduled time during the normal working hours at least once a day.

Sec 25-F states that a company cannot terminate the services of an employee without giving a written notice of one month provided the employee has worked for at least one year with the company. The notice must contain the termination information, such reason for termination and wages for the period of notice. Similarly, according to Sec 25-FF, Sec 25-FFA and Sec 25-FFF, a company is liable to give compensation in case of transfer of undertaking, 60 days notice to the employees before closing the company and compensation to the employees if the employer is closing down the company, respectively.

Section 25-G and Section 25-H handles the processes of retrenchment and re-employment for retrenched employee. Section 25-M states that a company cannot terminate a permanent employee without the permission of the government or such authority as may be specified by the government in the Official Gazette.

Section 25-N states that a company cannot terminate the services of an employee without giving a written notice of three month provided that the employee has worked for at least one year with the company. The notice must contain the termination information, such reason for termination and wages for the period of notice. Section 25-Q and Section 25-R deals with the notice of at least 90 days by a company before closing a company, special provisions relating to restarting of a company closed down before operation of the Industrial Disputes Act, 1976, penalty for termination, and retrenchment without any prior notification and penalty of closure.

Industrial accident

The life of an industrial worker is a hazardous one. An industrial accident may be defined as 'an occurrence which interferes with the orderly progress of work in an industrial establishment.' According to the Factories Act, industrial accident is 'an occurrence in an industrial establishment causing bodily injury to a person which makes him unfit to resume his duties in the next 48 hours.'

Causes of accidents: Accidents are usually the result of a combination of factors. According to safety experts there are three basic causes. These are:

1. **Unsafe conditions:** Also known as 'technical causes.' They arise when there are improper or inadequate safety guards on machines, when mechanical or construction designs are defective and unsafe; or when there is an absence of proper maintenance and supervision of these devices.
2. **Unsafe acts:** These acts may be the result of lack on the part of the employee or certain bodily defects or wrong attitudes on the part of the employee.
3. **Other causes:** These refer to unsafe situational and climate conditions and variations – such as bad working conditions, rough and slippery floors, excessive glare, etc.

Accident prevention

According to the National Safety Council, USA, accident prevention depends on three E's.

- Engineering – the job should be engineered for safety.
- Employees – employees should be educated in safe procedure, and
- Enforcing safety – safety rules should be properly enforced.

Accident prevention can be achieved through two basic activities:

1. Reducing unsafe conditions, i.e., removing and reducing physical hazards
2. Reducing unsafe acts. This can be implemented through proper selection and placement of employees, providing training to new employees in safety practices, and through persuasion and propaganda

Occupational diseases

Occupational diseases are the result of physical conditions and the presence of industrial poisonous and non-poisonous dust in the atmosphere. They usually develop over an extended period of time. They are slow and generally cumulative in their effect. The diseases are the result of constant exposure to the influence of toxic substances of micro-organisms, of air-borne contaminants and stress-producing elements.

Provisions under the Factories Act, 1948

The Factories Act, 1948, provides for health safety and welfare. We explain the relevant sections pertaining to health and safety of workers:

Health

The Act provides detailed instructions on cleanliness, disposal of wastage, ventilation, lighting, over-crowding and so on. The factors that influence the general health of the worker is the working environment that tends to produce ill health. Every employer should protect his employees against health hazards by:

(i) Devoting adequate attention to working conditions.
(ii) Substituting a less toxic substance for the hazardous one.
(iii) Providing protective clothing.

Sections 11 to 20 of the Factories Act provide detailed instructions. These are:

Labour welfare

Labour welfare implies providing better work conditions (for example, proper lighting, cleanliness, low noise) reasonable amenities (for example, recreation, housing, education, etc). The need for providing such services and facilities arise from the social responsibility of industries, a desire for upholding democratic values and a concern for employees.

The Oxford Dictionary defines labour welfare as 'efforts to make life worth living for workmen'. The report of the committee on labour welfare set up by the Government of India in 1969 refers to welfare as a broad concept, a condition of well-being. It suggests the measures which promote 'the physical, psychological and general well-being of the working population.'

The ILO defines labour welfare as 'such services, facilities and amenities as adequate canteens, rest and recreation facilities, arrangements for travel to and from work, and for the accommodation of workers employed at a distance from their houses, and other such services, amenities and facilities contribute to improve the conditions under which workers are employed.'

Labour welfare have their origin either in some statute formed by the state or in some local custom or in a collective agreement or in the employer's own initiative. Today, welfare has been generally accepted by the employers. Each employer depending on his priorities gives varying degrees of importance to labour welfare. The state only intervenes to 'widen the area of applicability'. It is now accepted that labour welfare is a social right.

Need for labour welfare

1. **From the point of view of workers:** Welfare measures must eliminate risk and insecurity. The organization besides providing a fair day's wages must also provide facilities like medical aid, crèches, subsidized food and transport required by workers.
2. **From employer's point of view:** Employers provide amenities to discharge their social responsibility, raise the employee's morale, use the workforce more effectively and reduce turnover and absenteeism. Welfare helps build a positive image of the organization and makes it easier for them to attract and hire competent personnel.
3. **From union's point of view:** Trade unions role in labour welfare stems from worker's need for welfare services. Unions feel that welfare services ought to be provided whether by the government or the employers. However, much depends on the initiative of the unions, their bargaining strength and the priority given by them to the rights of the workers.

Principles of labour welfare

The following principles should be borne in mind while setting up a labour welfare service:

1. First determine the employees' real needs. The welfare service should satisfy the real needs of the workers.
2. Due to differences in sex, age, income levels of employees, a mix of benefits is suggested so that the choice is left to each individual employee.
3. The cost of the service should be calculated and its financing established on a sound basis.

Provisions of Factories Act regarding labour welfare

The Factories Act, 1948, under Sections 42 to 49, contains certain provision for the welfare of the labour working in the factories. The following are some of the provisions mentioned under this act:

1. *Washing facility (Section 42):* Every factory should provide adequate facilities for washing. Separate and suitable facilities should be provided for both male and female workers.

2. *Storing and drying clothes (Section 43):* The state government, with respect to the factories has made rules to provide the facility to the workers for keeping their clothes not worn during working hours. This section also enables the factories to provide facility to the workers for drying wet clothes.
3. *Sitting arrangement (Section 44):* Every factory should have proper sitting arrangements for the workers who have to work in the standing position.
4. *First aid applications (Section 45):* Every factory should maintain sufficient first aid facility to the workers. The first aid boxes should be equipped with prescribed contents, and there should be at least one box for every 150 workers. Every company having more than 500 workers must have an ambulance room properly equipped with all the equipments and having nursing staff as well.
5. *Canteen (Section 46):* Every factory having more than 250 workers must provide a canteen facility to their employees.
6. *Shelters, rest rooms and lunch rooms (Section 47):* Every factory having more than 150 workers must contain suitable facilities for shelters, rest rooms and lunch rooms. The lunch rooms must contain proper arrangements for drinking water and sitting plan for workers.
7. *Creches (Section 48):* Every factory employing more than 30 workers must contain rooms for the use of their children under the age of six years. Such rooms must be have proper lightening and ventilation facilities. The rooms must have trained women to take care of the children.
8. *Welfare officers (Section 49):* Every factory employing more than 500 workers must have welfare officers. The state government decides the duties and qualification of these workers.

Check Your Progress

1. When was the Employees' State Insurance Act passed?
2. What is the Workmen's Compensation Act, 1923?
3. What is labour welfare?

12.3 EMPLOYEE GRIEVANCES AND THEIR REDRESSAL

The concept of grievance has been defined in several ways by different scholars. According to author Dale Bearch, 'grievance is any dissatisfaction or feeling of injustice in connection with one's employment situation that is brought to the attention of the management.'

Edwin Flippo who has written on management, human resources and personnel management has defined grievances as 'a type of discontent which must

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always be expressed. A grievance is usually more formal in character than a complaint. It can be valid or ridiculous, and must grow out of something connected with company operations or policy it must involve interpretation of application of the provisions of the labour contract.'

Grievances give rise to unhappiness, frustration, discontent, indifference to work and poor morale and ultimately lead to inefficiency and low productivity. An HR manager should therefore, see to it that grievances, are redressed at the earliest.

Features of grievance

An analysis of the above-mentioned definitions reveals the following features:

1. 'Grievance' is a term used to refer to any form of discontentment or dissatisfaction with regard to any aspect of the organization.
2. The discontentment or dissatisfaction is a result of issues related to the work place or employment and has nothing to do with personal or family life.
3. The dissatisfaction could either be expressed or implied. It is easier to note and identify expressed grievances as they are reflected through gossip, active criticism, arguments, poor performance and other ways. On the other hand, unexpressed grievances can be seen in indifference to work, laziness, absenteeism, etc.
4. It is not necessary for the discontentment to be always true, rational or legitimate. It may or may not be valid. In fact, at times it may be altogether irrational. The important thing is that the moment a grievance is noticed, it is not possible for the management to overlook or dismiss it as being irrational or invalid.
5. A grievance can be traced to the employees' perception of unfulfilled expectations from the employers/organization.
6. A grievance results from a feeling of injustice experienced by the employee(s).
7. In the absence of timely redressal, grievances end up lowering morale and reducing employee productivity.

Understanding employee grievance

The best way to handle grievances is to prepare to tackle them in anticipation. Steps should be taken to tackle them even before grievances take on huge proportions. The normal practice for an ordinary manager is to redress grievances as and when they are brought to his notice. A very good manager will anticipate grievances and prevent them. A good manager will be able to sniff out simmering grievances even before they get transformed into actual grievances through several ways. They are:

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1. **Observations:** If an employee lacks compatibility with his colleagues, is always late for work, fails to meet deadlines, is slow and damages office property, then his behaviour is noticed by his seniors or superiors and reports it to the higher authorities.
2. **Opinion surveys:** An organization may conduct regular surveys to find out the opinions and views of its employees with regard to the policies and procedures of the organization. Regular meetings, group sessions, periodical interviews with workers and collective bargaining sessions help to reveal employee discontent, if any, and helps check its growth into a grievance(s).
3. **Gripe boxes:** If a worker resents the company's policies but is uncomfortable voicing his grievances openly, then there should be a facility for him to submit a written complaint or drop it in a gripe box. The complainant should be allowed to maintain anonymity. This allows employees to express themselves freely. Such gripe boxes should be available at prominent locations inside the factory.
4. **Exit interview:** Exit interviews must be conducted when employees leave the company. Exit interviews should be conducted with precision to know why the employee is leaving the organization. By conducting such interviews the organization can gauge the workers' grievances. The employee must be encouraged to express his opinion regarding the organization freely and frankly. In case the company cannot elicit such information because of the employees' reluctance to speak truthfully he should be provided with a questionnaire and his dues must be given only after he has filled up the same.
5. **Grievance procedure:** A company should have an organized and planned grievance redressal system which the employees can use to express their grievances. Management must persuade the employees to use it because if this does not happen then the pent up complaints whenever they have anything to say. In the absence of such a mechanism the pent up grievances of the employees may erupt some day for the management to sit up and take notice.
6. **Open door policy:** Some organizations generally invite their employees to drop in to meet their managers, informally, at any time of the day and discuss their grievances. The managers then confirm the validity of the grievance and crosscheck the details. This process helps the management keep a finger on the pulse of the workforce. At first glance, this policy may appear attractive but it also has disadvantages as follows:
   (i) It works only in very small organizations.
   (ii) It bypasses the frontline supervisor.
   (iii) The top management may not be familiar with the work situation.
   (iv) While physically the doors may be kept open, there exist psychological as well as social barriers which prevent employees walking in.

Need for a grievance handling procedure

Without an analysis of their nature and pattern, the causes of employee dissatisfaction cannot be removed. The HR manager should help the top management and line managers, particularly foremen and supervisors, in the formulation and implementation of the policies, programmes and procedures which would best enable them to handle employees' grievances. These policies, programmes and procedures are generally known as the grievance redressal procedure. The grievance redressal procedure is a device by which grievances are settled, generally to the satisfaction of the trade union or the employees and the management. The adoption of the grievance handling procedure is essential for a variety of reasons. These are given in Table 12.1.

Table 12.1 *Reasons for Adoption of a Grievance Handling Procedure*

1. Most grievances seriously disturb the employees. This may affect their morale, productivity and their willingness to cooperate with the organization. If an explosive situation develops, this can be promptly attended to if a grievance handling procedure is already in existence.
2. It is not possible that all the complaints of the employees would be settled by first-line supervisors, for these supervisors may not have had a proper training for the purpose, and they may lack authority. Moreover, there may be personality conflicts and other causes as well.
3. It serves as a check on the arbitrary action of the management because supervisors know that employees are likely to see to it that their protest does reach higher management.
4. It serves as an outlet for employee gripes, discontent and frustrations. It acts like a pressure valve on a steam boiler. The employees are entitled to legislative, executive and judicial protection and they get this protection from the grievance redressal procedure, which also acts as a means of upward communication. The top management becomes increasingly aware of employee problems, expectations and frustrations. It becomes sensitive to their needs, and cares for their well-being. This is why the management, while formulating plans that might affect the employees—for example, plant expansion or modification, the installation of labour-saving devices, and so on, should take into consideration the impact that such plans might have on the employees.
5. The management has complete authority to operate the business as it sees fit – subject, of course to its legal and moral obligations, and the contracts it has entered into with its workers or their representative trade union. However, if the trade union or the employees do not like the way the management functions, they can submit their grievance in accordance with the procedure laid down for that purpose.

Source: C.B. Mamoria and S.V. Gankar, *Personnel Management Text and Cases*. Bombay: Himalaya Publishing House, 2001, pp. 745–46.

According to T.O. Amstrong, if properly designed, a grievance procedure should be able to offer the following:

1. A path which the aggrieved employee may take to express his grievance.
2. A procedure to ensure systematic handling of each grievance.

3. A method by which an aggrieved employee can give vent to his feelings of dissatisfaction with the work he is assigned, the conditions of work, etc, with the management.
4. A means of ensuring a certain degree of promptness in grievance handling

Nature and causes of grievances

Just about any factor involving wages, hours or conditions of employment has and can be used as the basis of grievance. Author Richard P. Calhoon who has written on personnel management and employee behaviour observes 'Grievances exist in the minds of individuals, are produced and dissipated by situations, are fostered or healed by group pressures, are adjusted or made worse by supervisors, and are nourished or dissolved by the climate in the organization which is affected by all the above factors and by the management.'

Causes of grievances relate to interpretation of all personnel policies. National Commission on Labour states, 'complaints affecting one or more individual workers in respect of their wage payments, overtime, leave, transfer, promotion, seniority, work assignment and discharge would constitute grievances'. The causes of grievances include the interpretation of areas like placement, transfer, promotion, and so on.

Preconditions for sound grievance handling

The efficiency of a grievance procedure depends upon the fulfilment of certain prerequisites. These are as follows:

(i) **Conformity with prevailing legislation:** The procedure should be in conformity with the existing law. It should be designed to supplement the statutory provisions. In other words, the existing grievance machinery as provided by law must be made use of. The procedure may be incorporated in the standing orders or collective bargaining agreement of the organization.

(ii) **Acceptability:** The grievance procedure must be acceptable to all and should, therefore, be developed with mutual consultation among management, workers and the union.

(iii) **Clarity:** There should be clarity regarding each and every aspect of the grievance procedure. An aggrieved employee must be informed about the person to whom a representation can be made, the form of submission (written or oral), the time limit for the redressal of grievance, and so on.

(iv) **Promptness:** The grievance procedure must aim at speedy redressal of grievances. The promptness with which a grievance is processed adds further to the success of the grievance procedure. Since justice delayed is justice denied, the procedure should aim at rapid disposal of the grievances. Promptness can be ensured in the following ways:

   (a) As far as possible the grievance should be settled at the lowest level.

   (b) There should be only one appeal.

(c) Time limit should be prescribed and rigidly enforced at each level.

(d) Different types of grievances may be referred to appropriate authorities.

(v) **Simplicity:** The grievance procedure should be simple. The procedure should consist of as few steps as possible. If there are too many stages in the procedure, too many forms to be filled up, too much going around and so on, the very purpose of the procedure is defeated. Instead of resorting to the formal procedure, an employee may ignore it. Information about the procedure should be communicated to the employees.

(vi) **Training:** The success of the procedure also depends upon imparting training to the supervisors and union representative in handling grievances. This will help to ensure effective working of the grievance procedure.

(vii) **Follow up:** The working of the grievance procedure should be reviewed at periodical intervals by the HR department. The department should periodically review the procedure and introduce the essential structural changes making it more effective.

12.4 INDUSTRIAL RELATIONS

Industrial relations is a dynamic socio-economic process characterized by cooperation and conflict. The state today has an increasing role to play, with its emphasis on welfare, in maintaining a balance between labour and management, especially in India where the former is inadequately organized.

The issues

Industrial relations is a 'designation of a whole field of relationships that exist because of the necessary collaboration of men and women in the employment processes of industry.' It is not the cause but an effect of social, political and economic forces.

It has two faces like a coin—cooperation and conflict. The relationship, to use German philosopher Friedrich Hegal's expression, undergoes change from thesis to antithesis and then to synthesis. Thus, the relationship starting with cooperation soon changes into conflict and after its resolution again changes into cooperation. This changing process becomes a continuous feature in industrial system.

The relationship between labour and management is based on mutual adjustment of interests and goals. It depends upon economic, social and psychological satisfaction of the parties. Higher the satisfaction, healthier the relationship. In practice it is, however, found that labour and capital constantly strive to maximize their pretended values by applying resources to institutions. In this effort, they are influenced by and are influencing others. Both of them try to augment their respective income and improve their power position. The major issues involved in the industrial relations process are terms of employment (wages, dearness allowances, bonus, fringe benefits), working conditions, (leave, working hours, health, safety and welfare); non-employment such as job security, personnel issues such as discipline, promotional opportunities and among others recognition of trade unions. However, in view of sharply divided and vociferously pressed rival claims, the objectives of labour and management are not amenable to easy reconciliation. This is all the more so because the resources are limited. Be that as it may, the means adopted to achieve the objectives which vary from simple negotiation to economic warfare adversely affect the community's interest in maintaining an uninterrupted and high level of production. Further, in a country like India where labour is neither adequately nor properly organized, unqualified acceptance of the doctrine of 'free enterprise' particularly between labour and management strengthens the bargaining position of the already powerful management.

It is apparent that the State, with ever-increasing emphasis on welfare aspect of governmental activity, cannot remain a silent and helpless spectator in the economic warfare. The legislative task of balancing the conflicting interest in the arena of labour management relations proves to be an extremely difficult one, in view of mutually conflicting interests of labour and management. The substantive issues of industrial relations is of perennial nature and, thus, there can never be a 'solution for all times to come'. There can only be broad norms and guidelines as criteria in dealing with issues of industrial relations. The law plays an important role in shaping the structure of industrial relations. It represents the foundation from which the present system and procedure flow to deal with the problems of industrial relations.

Emergence of the industrial relations problem

Labour problems in factories or even retail handicraft types of industrial organizations do not attract public attention. The workers, wherever employed, are few in number, maintain close contact with the management and the relative position of the management and workers is such that the conflicts, if any, are generally resolved by mutual negotiations. Even where they cannot be resolved, the impact of their conflict on the community is negligible. However, it need hardly be emphasized that our laws must ensure social justice to them.

Problems affecting labour management relations assume significance in the field of wholesale handicraft and get increasingly complicated as we proceed from the independent phase of the wholesale handicraft to the factory phase of centralized production. Helped by industrial revolution and buttressed by energy evolution it has become possible for the employer to engage thousands of workers at one and the same time. These employers cannot, and do not maintain personal contact with the workers, who are not infrequently drawn from entirely different regions and who do not even appreciate the implications of the emerging industrial civilization. The loss of workers' individuality and impersonality are the factors which, among others, aggravate labour–management relations.

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Check Your Progress

4. What is grievance?
5. Why should exit interviews be conducted?
6. What is the relationship between labour and management based on?

12.5 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The Employees' State Insurance Act was passed in 1948 to make available various social welfare facilities available to the employees of a company through one agency.
2. According to the Workmen's Compensation Act, a company needs to provide a payment of compensation to its employees and their family on the occurrence of organizational accidents and some disease leading to the death or any kind of disablement of the individual.
3. The Oxford Dictionary defines labour welfare as 'efforts to make life worth living for workmen'.
4. According to Dale Bearch, 'grievance is any dissatisfaction or feeling of injustice in connection with one's employment situation that is brought to the attention of the management.'
5. Exit interviews should be conducted with precision to know why the employee is leaving the organization. By conducting such interviews the organization can gauge the workers' grievances.
6. The relationship between labour and management is based on mutual adjustment of interests and goals. It depends upon economic, social and psychological satisfaction of the parties.

12.6 SUMMARY

- There have been various laws and acts that have been passed since independence for the benefit of employees as well as for their safety. The following are some of the important laws and acts:
    - The Employees' State Insurance Act, 1948
    - The Employees' Provident Fund Act, 1952
    - The Workmen's Compensation Act, 1923
    - The Maternity Benefit Act, 1961
    - The Industrial Disputes Act, 1947

- The Employees' State Insurance Act was passed in 1948 to make available various social welfare facilities available to the employees of a company through one agency.
- The Employees' Provident Fund Act was launched in 1952 that provides retirement benefits to the employees of a company.
- The Workmen's Compensation Act was established by the government in the year 1923. The main objective of this Act is to apply a commitment on the employers to offer compensation to the employees against the accidents that occur during the course of employment.\
- The Industrial Disputes Act was passed in the year 1947. This Act is related to the termination and retrenchment of the employees by a company.
- A grievance is usually more formal in character than a complaint. It can be valid or ridiculous, and must grow out of something connected with company operations or policy it must involve interpretation of application of the provisions of the labour contract.
- Just about any factor involving wages, hours or conditions of employment has and can be used as the basis of grievance.
- The major issues involved in the industrial relations process are terms of employment (wages, dearness allowances, bonus, fringe benefits), working conditions, (leave, working hours, health, safety and welfare); non-employment such as job security, personnel issues such as discipline, promotional opportunities and among others recognition of trade unions.

12.7 KEY WORDS

- **Grievance:** It refers to a real or imagined cause for complaint, especially unfair treatment.
- **Exit Interview:** It is an interview held with an employee about to leave an organization, typically in order to discuss the employee's reasons for leaving and their experience of working for the organization.
- **Industrial Relations:** It is the multidisciplinary academic field that studies the employment relationship; that is, the complex interrelations between employers and employees, labour/trade unions, employer organizations and the state.

12.8 SELF ASSESSMENT QUESTIONS AND EXERCISES

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Short Answer Questions

1. What are the benefits provided by the Employees' State Insurance Act, 1948?
2. State the functions of the works committee set up under the Industrial Disputes Act, 1947.
3. What do you understand by labour welfare?

Long Answer Questions

1. Describe the different acts passed by the government for the benefit of employees.
2. What is grievance? What are its causes? Discuss the need for a grievance handling procedure.
3. Examine the various issues in industrial relations.

12.9 FURTHER READINGS

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UNIT 13 TRADE UNIONS

NOTES

Structure

13.0 INTRODUCTION

Employees might leave an organization as a result of different reasons like resignation, termination, retirement, death, incapacity, etc. Whatever may be the reason, employee separation is a critical issues for organization. Utmost care and respect is maintained in all the procedures to ensure that the employee leaving the organization does so following all the set procedures and requirements. This is crucial because the employee leaving the organization acts as a sort of brand ambassador of the HR policies of the organization he/she is leaving. This is why there is a need for a system of employee separation. In this unit, we will learn about the needs and methods of employee separation.

Apart from the issue of employee separation, the HR department must also be very careful in dealing with another group of employees of the organization. This is the employees who are a part of trade unions. There are government sanctioned laws which deals with majority of the aspects related to the relationship between trade unions and the organization. In this unit, we will also learn about the important concepts related to trade unions.

13.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss the needs and methods of employee separation
- Describe the scope and coverage under the Trade Unions Act, 1926
- Explain workers' participation in management
- Explain the concept of collective bargaining

13.2 SEPARATION: NEEDS AND METHODS

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Employee separation is a process which ensures that an employee who is leaving the organization makes his exit in a structured and systematic manner. Several companies take this process very seriously and therefore have a dedicated department to handle the exit of employees from the organization. There are two types of employee exits. They are:

- Voluntary separation
- Involuntary separation

Voluntary separation: When an employee leaves the company on his or her own accord, it is known as voluntary separation. This type of separation is the most common in organizations. In this type of separation, an employee gets most of the benefits and perquisites due to him or her.

Involuntary separation: However, in times of recession, the act of the management's request to an employee to leave the organization has become quite common. This type of employee separation is known as involuntary separation. In this type of separation, a separation package might be given to the employee. However, if the separation is due to a disciplinary issue, the employee might not get anything at all.

The Process of Employee Separation

The employee separation process begins from the moment the employee puts forward his notice to the employer about his intention to leave the organization. In earlier times, this process, usually known as 'putting in one's papers', was done by submitting a formal resignation letter. However, in recent times, resignation is generally given through email.

Once the employee gives his/her notice to leave the organization, the human resource (HR) department of the company 'freezes' all the financial transactions and records of the employee. The employee's manager is responsible for ensuring that the employee has properly handed over or completed the tasks assigned to him/her.

The notice period usually ranges from one to three months. However, this depends on the level at which the employee is working and the policies of the organization. Moreover, the employee's manager should have a proper handover plan, which should cover all aspects of closing out on the work that the employee was assigned.

Participants in the Employee Separation Process

Usually, the process of employee separation takes place along two parallel tracks. One track involves the employee and the manager who is responsible for ensuring that the tasks assigned to the employee have been handed over or completed properly. The other track involves the employee and the HR department dedicated for the separation process, who handle the employee benefits, such as provident fund (PF), gratuity (if applicable), etc.

The separation process requires the HR manager at every step and in the final exit interview. The final exit interview is conducted to assess the reasons as to why the employee is leaving the company. It also takes the views of the employee on work and in general. The employee is also asked to give the 'de-motivating factors', if any, that might have been the reason for the him/her to leave.

It recent years, the service sector is witnessing high levels of attrition. As a result, it has become essential for organizations to have a structured process of separation for systematic exits of employees. Organizations should ensure that this process is dealt with in a professional and mature manner, especially without any bias.

Dismissal

Dismissal is the process of separating a worker where the employer asks the employee to leave, generally for the fault of the employee. The term is used in the colloquial sense as 'getting fired' in America and 'getting sacked' in Britain.

Lay-off

Lay-off means the inability or refusal of a company to provide job to an employee on the grounds of shortage of coal, power, or raw materials, or the breakdown of machinery. A laid-off employee is not retrenched. In a lay-off, the name of the employee must be in the muster rolls on the date they have been laid off.

Retrenchment

Retrenchment means the termination of service of an employee for any reason; but it certainly isn't a punishment imposed as a disciplinary action. The job can be either terminated due to economy, installation of labour-saving machinery or other any such industrial or trade reasons. Usually, the employee is given a month's notice in writing or is offered payment in place of such notice.

Termination

Termination of job can be two types: 1. Voluntary termination, 2. Involuntary termination. Also termed as the 'pink slip', job termination happens at the hand of the employer. The terminations that occur due to a mutual agreement between the company and the worker are termed as involuntary terminations. The end of an employment contract for a particular period of time is one such example. There are also age-related job terminations, where the employee leaves the company as he reaches the pre-determined age of retirement.

Suspension

A company resorts to suspension of an employee for the violation of company policy, or major breaches of policy. Work suspensions happen when a reporting manager or supervisor considers an action of an employee, to be a violation of policy that should amount to punishment. Depending on the company's policy, it might decide not to pay the employee during the suspended period. Some companies which have paid suspensions will bar the worker from coming to work but will still offer pay.

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Death or Incapacity

In the case of a death of person, the company provides death benefits to the surviving members of the deceased. The benefits may come in the form of cash payments, where the family is provided some monetary relief, besides the monthly pension. In case of labourers, who die during their working tenure, their spouse or child is appointed in their place.

And when an employee is unable to perform any gainful employment due to some physical or mental disability, illness, physical injury, advanced age, or intellectual deficiency, the company initiates the separation method. Generally, the companies provide for the employees who are separated on grounds of incapacity.

Voluntary Retirement Scheme

The voluntary retirement scheme (VRS) was initiated to off-load excess manpower without putting any pressure on the employee to quit. Usually, employees who have attained 40 years of age or completed 10 years of service are eligible for this scheme. The scheme can be availed by all employees, including workers and executives, barring the directors of a company. Anybody who opts for voluntary retirement is permitted 45 days emoluments for each completed year of service. Or they are entitled to monthly emoluments at the time of retirement multiplied by the left over months of job before the normal date of service, whichever is less. In addition, the employees also receive their provident fund and gratuity dues. The compensation gained at the end of VRS is not taxable, on the condition that the retiring employee is not employed elsewhere.

Golden Handshake

Golden handshake method is the way of a company asking its senior executive to leave in lieu of a huge sum of payment. A very profitable separation agreement is offered to the employee as an incentive to retire. A golden handshake is usually offered for loss of employment through layoffs, firing or even retirement. The company may offer several ways to make payment, such as cash, or stock options.

13.3 TRADE UNIONS

Under the Trade Unions Act, 1926, employees (including association of employers) are registered to form trade unions for collective bargaining. The Act gives the registered trade unions certain protection and privileges.

Scope and coverage

The extent of this Act is the entire country. All kinds of unions aiming at regularizing the labour–management relations come under the fold of this Act. According to Section 2(h) of the Act, a 'trade union' regulates not only the relations between employees and employers but also between employees and their colleagues.

The Act is a central enactment but it is administered by and large, by the state governments. Trade unions whose objectives are not restricted to one state, are the subject of the Central Government. The state government shall appoint a Registrar of trade unions assisted by Additional or Deputy Registrars, for each State. The state government shall also make regulations for enforcing the provisions of the Act.

Although it is not necessary to register a trade union, it is desirable since a trade union which registered is entitled to certain rights and privileges. As many as seven workers of a company can form a trade union. The executive committee of the union should be constituted according to the provisions of the Act. The rules of the trade union should clearly mention its name and objects, the purposes for which its funds can be used, provision for maintenance of a list of members, procedure for admission of ordinary, honourary or temporary members, rate of subscription (being not less than Re 0.25 per member), procedure for amending or rescinding rules, manner of appointing executive committee and other office-bearers, safe custody of funds, audit and inspection of account books, procedure for dissolution of the union and changing its union. After all the requirements have been fulfilled, the Registrar shall register the trade union.

Who can be a member

All persons who have attained the age of 15 years, are eligible to be a member of a registered trade union, subject to the rules of the union.

Appointment of Office-Bearers

At least 50 per cent of the office bearers of a union should be employed in the industry related to the trade union. Outsiders such as lawyers, politicians, social workers, etc. can constitute the remaining 50 per cent. For being appointed as an office bearer, one must be:

(a) 18 years old or above; and
(b) should not been convicted by a court of law.

Cancellation of registration

The registration of a trade union can be cancelled if an application has been forwarded for its cancellation. The Registrar can cancel a trade union by giving atleast 2 months' notice under any of the following circumstances.

(a) if registration has been obtained by fraud or mistake
(b) if the union has ceased to exist

(c) if it has wilfully contravened any of the provisions of the Act; or
(d) if any rule which is required under Section 6, has been deleted.

Legal status of a Registered Trade Union

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(i) A trade union is a corporate body with perpetual succession and a common seal.
(ii) It can acquire, hold, sell or transfer any movable or immovable property and can be a party to contracts.

Dissolution of Trade Union

A notice of dissolution signed by any seven members and the secretary of the Union should be sent to the Registrar within 14 days of the dissolution. If the Registrar is satisfied, the notice will be registered and the union will be dissolved.

Obligations

1. The registered trade union should spend its fund on payment of salaries, allowances and expenses of its office-bearers, expenditure incurred on administration and audit, allowances for death, old age, sickness, accident or unemployment of its members, publication of labour journals, etc. A separate political fund to further civic and political interests may be set up.
2. The account books and membership register of the trade union should be kept open for inspection by any of its members or office- bearers.
3. The Registrar should receive a copy of every alteration made in the rules within a fortnight of making the alternation.
4. The Registrar should receive annual statement of receipts and expenditures and assets and liabilities of the union for the year ending on 31st December.

Rights of Registered Trade Unions

A trade union has a right to demonstrate. A trade union has a right to appeal against an order of the Registrar either refusing or cancelling registration, to the Civil Court/High Court, within the prescribed time.

Multiplicity of Trade Unions

Collective bargaining can be defined as a method which allows trade unions to negotiate for protected and improved working conditions for the employees and to secure their welfare. In collective bargaining, the two main parties are management (employers) and trade unions. The trade unions, in front of the management, collectively raise the issues of the workers. However, it is on the management whether to consider these issues while taking policy decisions.

According to the Trade Unions Act, 1926, in India, any seven persons can form a union. This Act allows such people to raise issues, such as initiate arguments, file suits and even bargain with employers. As there are no limits to the formation of unions in one organization, small sections of workers form separate unions.

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Although a strong union fights for the welfare and interest of the workers, and helps in organizational stability and growth, the existence of several trade unions in one institution may act as a barrier in collective bargaining. As a result, the growth and welfare of the both the employees and the organization may be affected.

Issues due to multiplicity of trade unions

Several trade unions in one organization can result in several problems, affecting the growth and stability of both the workers and the organization. Some of these issues are:

- Limited representation
- Inter-union opposition

Limited representation: Multiplicity of trade unions in an organization have small portion of the total workforce. Each union has its own issues and requirements. As a result, it is difficult for all the unions to unite as a single body and make a single list of demands. The multiple trade unions therefore make the bargaining power of the workers very weak.

Inter-union opposition: Multiple trade unions in an institution also lead to inter-union contention. Unions try every possible measure to get a stronger hold on the workers. This results in the loss of interest of the workers in unionism. In such situations, deceitful employers take advantage of this rivalry and may refuse to bargain saying that there is a lack of a strong representative union.

13.3.1 Workers' Participation in Management

Workers' participation is a broad concept. It has been differently viewed by sociologists, psychologists, economists and lawyers. Sociologists view workers' participation as an instrument of varying potentialities to improve industrial relations and promote industrial peace. Psychologists consider participation as a mental and emotional involvement of a person in a group situation which encourages workers to share managerial responsibility.

Being a dynamic subject, no rigid limits can be laid down for workers' participation for all industries and for all times. It can be elastic enough to include workers' representation even at the top level, namely, board of directors. It can also be confined to the extremely limited domain of consultation at the lowest level such as 'to promote measures for securing and preserving amity and good relations between the employer and workmen and to that end, to comment upon matters of their interest or concern and endeavour to compose any material difference of opinion in respect of such matters.'

Workers' participation in management has been classified into five stages. These are informative, consultative, associative, administrative and decisive participations, the extent of each depending upon the quality of management and the character of the employee.

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K.C. Alexander has, however, suggested different modes of workers' participation, viz. (i) collective bargaining, (ii) joint administration, (iii) joint decision-making, (iv) consultation, and (v) information sharing.

According to Kenneth F. Walker, various forms of workers' participation in management are ascending participation, descending participation, disjunctive participation and informal participation. In ascending participation, workers may be given an opportunity to influence managerial decisions at higher levels, through their elected representatives to works committee, shop or joint council or board of the establishment. In descending participation, they may be given more powers to plan and make decisions about their own work. They may participate through collective bargaining. They may also participate informally, when for example, a manager adopts a participative style of supervision of workers. These and other forms of participations have played a significant role in transforming the scope and concept of workers' participation.

Check Your Progress

1. What does an employee get in an involuntary separation?
2. Why was the VRS initiated?
3. Which relations are regulated by Section 2 of the Trade Unions Act?
4. Who can be a member of a registered trade union?

13.4 COLLECTIVE BARGAINING

Two important agents for institutionalization of conflict are trade unions and collective bargaining. Collective bargaining can help to institutionalize conflict by encouraging labour to work under certain guidelines, by persuading them to accept the need for a compromise and by leading them to believe that gains can be made within the confines of the present system.

Collective bargaining is concerned both with determining the price of labour and the conditions under which labour works. Through collective bargaining, trade unions seek not only to secure high wages but to reduce the impact of arbitrary management decision on their members.

Collective bargaining is distinct feature of the modern industrial era. Collective bargaining is defined to cover the negotiation, administration, interpretation, application and enforcement of written agreements between employers and unions representing their employees setting forth joint understandings as to policies and procedures governing wages, rates of pay, hours of work and other conditions of employment. The process of collective bargaining is called bargaining because each side applies pressure on the other. Mere representation of views for consideration is not bargaining. The best known forms of pressures are threats of strikes and lockouts.

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Collective bargaining is a process of voluntary agreement. Agreement comes when one or both of the parties would rather accept the other's terms than face the consequences. The term 'collective bargaining' was coined by Sidney and Beatrice Webb, the famous historians of the British labour movement in 1891. It is an extremely useful shorthand term for describing a continuous, dynamic, institutional process for solving problems arising directly out of employer–employee relationship.

The practice of collective bargaining has developed from the theory that the individual employee as such is an ineffective participant in the labour market. He has neither the knowledge nor the resources to take advantage of the best opportunities for disposing of his services. Under these circumstances if the worker acts in his individual capacity he is most likely to receive a lower level of compensation for his services. These limitations on the ability of an individual worker might be removed either through Government interference or through collective bargaining. Government may fix up wages of an individual worker. Collective bargaining is a technique which seeks to determine the rates of pay without the arbitrary control of Government. For this reason it is regarded as democratic means of achieving the compensation of human services. The practice of collective bargaining has developed mainly because individual workers have been given economic advantages to be gained in such co-operative markets. It is through collective bargaining that workers improve their positions in the labour markets.

Collective bargaining represents a situation in which the essential conditions of employment are determined by a bargaining process undertaken by representatives of a group of workers on the one hand and of employers on the other. It is called 'collective' because employees pool their interests and bargain as a group and employers may also act as a group rather than as individuals. In collective bargaining, individual employees make the union their agent and accept the terms and conditions arranged by their representatives and employers recognize the union and its officers as the business representatives of their employees.

Prof. Slichter has rightly pointed out that collective bargaining does more than merely establish a few simple working conditions. It actually defines a broad area of civil rights in industry by providing for both managerial and union action according to specified rules rather than arbitrary and capricious decisions. It sets up a system of 'industrial jurisprudence' in relationships between employers and employees. It thus provides an objective declaration of labour policy governing specified areas of employment relationships.

Collective bargaining is an institutional process of representations. The chief participants in collective bargaining do not act for themselves. They are representatives of their respective institutions. In collective bargaining the employer does not deal directly with his worker. He deals with an institution authorized to represent the workers for the purposes of negotiating and administering the terms and conditions of employment. This representative nature of the organized union–management relationship applies to contract administration as well as to negotiation. Collective bargaining is a complex process because it involves psychology, economics, politics and poker.

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Collective bargaining may occur at several levels. At the shop-floor level, it may take place between shop stewards and plant management and is called 'workplace bargaining' or 'plant bargaining.' At the level of the company, it may take place between unions and management and has been designated as 'company bargaining.' At the level of an industry, it may take place between a union or federation of unions and an employers' association. This type of bargaining is called 'national bargaining.' In addition to 'formal bargaining,' there may be 'informal bargaining' exerting marked impact in organizational settings. Further the collective bargaining may be on ad-hoc basis or permanent basis.

The conclusion of collective bargaining is the collective agreement or 'labour contract.' It is the written statement of the terms and provisions arrived at by collective bargaining. It is either a mimeographed document or a small printed booklet.

From a functional standpoint, collective bargaining may be regarded as an institutional process for (i) fixing the price of labour; (ii) establishing a system of industrial jurisprudence and (iii) providing machinery for representation of the individual and group interests of employees under the contract.

There are three kinds of collective agreements in India. First, there exists agreements arrived at in voluntary negotiations between the management and unions. Second, there is collective bargaining arrangement legally designated as a 'settlement.' This type of bargaining is arrived at conciliation proceedings and is accordingly tripartite in character. Thirdly, there is an agreement called 'consent awards.' They are negotiated between the conflicting parties when a dispute is really proceeding or pending before an industrial court and thereafter included in the adjudicators' award.

Features of Collective Bargaining

Collective bargaining is regarded as a constructive response to industrial conflict as it reflects a willingness to remove the conflicts by discussion and understanding rather than by warfare.

Collective bargaining is not an ideal system. At best, it is an imperfect institutional process that works reasonably well in an imperfect society. No one has now come forth with any alternative procedure that will work better. Collective bargaining is necessarily a pragmatic process.

1. It is a **two-way process**. It is a mutual give and take rather than take it or leave it method of arriving at the settlement of a dispute. Both parties are involved in it. A rigid position does not make for a compromise settlement. Collective bargaining is a 'civilized confrontation' with a view to arriving at an agreement, for the object if not 'warfare' but 'compromise.'
2. It is a **continuous process** which provides a mechanism for continuing an organized relationship between the management and trade unions. Collective bargaining begins and ends with the writing of a contract.

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3. Collective bargaining is not a **competitive process** but it is essentially a complementary process.
4. Collective bargaining is a **negotiation process** and it is a device used by wage earners to safeguard their interests. It is an instrument of an industrial organization for discussion and negotiation between the two parties.

Prerequisites for Successful Collective Bargaining

Certain conditions must be satisfied for collective bargaining to be effective. These are as follows:

1. The parties must attain a sufficient degree of organization. If the workers' organization is weak, employers can say that it does not represent the workers and will refuse to negotiate with it. Unless the workers are able to form strong and stable unions, collective bargaining will not be successful.
2. Freedom of association is essential for collective bargaining. Where there is no freedom of association, there can be no collective bargaining. Freedom of association implies that the workers as well as the employers will have the right to form an organization of their own to protect their interests.
3. There should be mutual recognition between both the groups. Collective bargaining cannot begin if the employers do not recognize the workers' organization. The conflict of interests makes the two groups hostile to each other. They must recognize each other and realize that adjustment and understanding is essential for the achievement of organizational goals.
4. There must exist a favourable political climate, essential for successful collective bargaining. If the government encourages collective bargaining as the best method of regulating conditions of employment, it will be successful. Where the governments restrict trade union activities, there can be no collective bargaining.
5. Agreement must be observed by those to whom they apply. The workers' organization must be strong enough to exercise its authority over its members. If the trade union has no power over its members, collective bargaining will not be effectively implemented.
6. A give and take policy must prevail in the organization. The difference between two parties can be adjusted only by compromise so that an agreement can be reached. Neither side should be too rigid on its demand. Their attitudes should be flexible and both sides should be ready to give up some of its demands. Unions should not rigidly insist upon unreasonable demands and should be ready to reduce its demands to come to an agreement.
7. Sometimes unfair labour practices are resorted to by both the employers and the trade unions. These will restrict the development of collective bargaining. Unfair labour practices should be avoided by both the sides, as this will create an atmosphere of goodwill.

Check Your Progress

5. What is collective bargaining concerned with?
6. What is national bargaining?

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13.5 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. In case of involuntary separation, a separation might be given to the employee. However, if the separation is due to a disciplinary issue, the employee might not get anything at all.
2. The voluntary retirement scheme (VRS) was initiated to off-load excess manpower without putting any pressure on the employee to quit. Usually, employees who have attained 40 years of age or completed 10 years of service are eligible for this scheme.
3. As per the Trade Unions Act, a trade union regulates not only the relations between employees and employers but also between employees and their colleagues.
4. All persons who have attained the age of 15 years, are eligible to be a member of a registered trade union, subject to the rules of the union.
5. Collective bargaining is concerned both with determination the price of labour and the conditions under which labour works.
6. Collective bargaining at the level of industry, which takes place between a union or federation of unions and an employers' association is known as national bargaining.

13.6 SUMMARY

- Employee separation is a process which ensures that an employee who is leaving the organization makes his exit in a structured and systematic manner. Several companies take this process very seriously and therefore have a dedicated department to handle the exit of employees from the organization. There are two types of employee exits. They are: Voluntary separation and Involuntary separation.
- The employee separation process begins from the moment the employee puts forward his notice to the employer about his intention to leave the organization. Once the employee gives his/her notice to leave the organization, the human resource (HR) department of the company 'freezes' all the financial transactions and records of the employee. The notice period usually ranges from one to three months. However, this depends on the

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level at which the employee is working and the policies of the organization. Moreover, the employee's manager should have a proper handover plan, which should cover all aspects of closing out on the work that the employee was assigned.

- Usually, the process of employee separation takes place along two parallel tracks. One track involves the employee and the manager who is responsible for ensuring that the tasks assigned to the employee have been handed over or completed properly. The other track involves the employee and the HR department dedicated for the separation process, who handle the employee benefits, such as provident fund (PF), gratuity (if applicable), etc.
- Under the Trade Unions Act, 1926, employees (including association of employers) are registered to form trade unions for collective bargaining. The Act gives the registered trade unions certain protection and privileges.
- The extent of this Act is the entire country. All kinds of unions aiming at regularizing the labour–management relations come under the fold of this Act. According to Section 2(h) of the Act, a 'trade union' regulates not only the relations between employees and employers but also between employees and their colleagues.
- All persons who have attained the age of 15 years, are eligible to be a member of a registered trade union, subject to the rules of the union.
- A trade union has a right to demonstrate. A trade union has a right to appeal against an order of the Registrar either refusing or cancelling registration, to the Civil Court/High Court, within the prescribed time.
- Several trade unions in one organization can result in several problems, affecting the growth and stability of both the workers and the organization. Some of these issues are: Limited representation and Inter-union opposition.
- Workers' participation is a broad concept. It has been differently viewed by sociologists, psychologists, economists and lawyers. Sociologists view workers' participation as an instrument of varying potentialities to improve industrial relations and promote industrial peace. Psychologists consider participation as a mental and emotional involvement of a person in a group situation which encourages workers to share managerial responsibility.
- Workers' participation in management has been classified into five stages. These are informative, consultative, associative, administrative and decisive participations, the extent of each depending upon the quality of management and the character of the employee.
- Two important agents for institutionalization of conflict are trade unions and collective bargaining. Collective bargaining is defined to cover the negotiation, administration, interpretation, application and enforcement of written agreements between employers and unions.

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13.7 KEY WORDS

- **Employee separation:** It refers to a process which ensures that an employee who is leaving the organization makes his exit in a structured and systematic manner.
- **Retrenchment:** It means the termination of service of an employee for any reason, but it certainly isn't a punishment imposed as a disciplinary action.
- **Golden handshake:** It refers to the method of the company asking its senior executive to leave in lie of a huge sum of payment.
- **Collective bargaining:** It is defined to cover the negotiation, administration, interpretation, application and enforcement of written agreements between employers and unions.

13.8 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short Answer Questions

1. What are the two types of employee exits?
2. How does employee separation begins and ends?
3. Write a short note on the scope and coverage of trade unions.
4. Briefly explain worker's participation in management.

Long Answer Questions

1. Explain the different processes of employee separation.
2. Describe the multiplicity of trade unions.
3. Discuss the features and prerequisites of successful collective bargaining.

13.9 FURTHER READINGS

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UNIT 14 HUMAN RESOURCE INFORMATION SYSTEM

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Structure

14.0 INTRODUCTION

This unit will discuss the Human Resource Information System or HRIS. HRIS can be defined as an integrated system used to gather, store and analyse information regarding an organization's human resources (HR). This system helps automate and manage the organization's HR, payroll, management and accounting activities. The information required for various functions of human resource management are as follows:

- Procurement function
- Development function
- Compensation function
- Maintenance function
- Integration function

During recent times, organizations mostly use computerized HRIS. A computerized HRIS is an information system that makes use of computers to monitor, control and influence the movement of human beings from the time they indicate their intention to join an organization till the time they leave the organization.

Accounting and auditing of human resources is also an integral part of the HRIS. Human resource accounting (HRA) is the measurement and reporting of the costs incurred for recruiting, hiring, training and developing employees and their present economic value to the organization. It involves the assessment of the costs and value of the people as organizational resources.

Informed employers also voluntarily use HR audit as a tool for evaluation and control of personnel function. HR audit is used widely to check the organizational performance in the management of human resources.

This unit will therefore discuss the importance of HRIS, with an emphasis on the needs, objectives and advantages of the system, and the significance of human resource accounting and audit.

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14.1 OBJECTIVES

After going through this unit, you will be able to:

- Define human resource information system (HRIS)
- Understand the need, objectives and advantages of the HRIS
- Explain the steps involved in a modern HRIS
- Discuss the objectives, advantages and limitations of human resource accounting
- Explain the significance, objectives and advantages of human resource audit

14.2 PERSONNEL RECORDS/REPORTS AND E-RECORD ON EMPLOYESS THROUGH HRIS

Human resource information system (HRIS) is a system used by an organization to collect, analyse and report information about its people and jobs. It applies to information needs at the macro and micro levels. HRIS is simply a database system offering important information about employees in a central and accessible location. When such information is required, the data can be retrieved and used to facilitate human resource planning decisions. Personnel records are nothing but information on employees including the basic personal details, important career related information, career history related to the firm as well as government related data on taxes, EPS, EPF, payroll, insurance. Since HRIS is a system meant for keeping personnel records/reports in an electronic format, we will discuss the informational needs, aims, objectives, importance of personnel records through HRIS.

Information needs in HRM

A human resource manager requires a lot of information and data pertaining to all aspects of human resource management (HRM). HRIS ensures that this information, which is essential for planning, controlling, decision-making and preparing reports, is made available to them. The information needed to satisfactorily perform various functions of human resource management are:

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- **Procurement function**
  - o Inventory of present and future manpower
  - o Possible changes influencing manpower utilization
  - o Cost of recruitment and replacement
  - o Matching of required skill with the available skill
- **Development function**
  - o Cost of training programmes and the benefits from them
  - o Plans related to career and succession
  - o Performance measurement
- **Compensation function**
  - o Costs of employees in terms of turnover
  - o Connection between productivity and wages
  - o Effect of money on work motivation
- **Maintenance function**
  - o Causes and costs of employee separation
  - o Absenteeism, turnover and other indicators of organizational health
  - o Incentives needed for voluntary separation (VRS), if necessary
- **Integration function**
  - o Causes of change in productivity level
  - o Cost of adoption to environmental changes
  - o Impact of changes in technology and markets

Computerized HRIS

A computerized HRIS is an information system that makes use of computers to monitor, control and influence the movement of human beings from the time they indicate their intention to join an organization till the time they leave the organization. But what are the types of information that are recorded through personnel records? According to S. Chandrashekar, it consists of the following subsystems:

- **Recruitment information:** It includes advertisement module, applicant's profile, appointment and placement data.
- **Personnel administration information:** It consists of personnel needs of an employee concerning leaves, transfer, promotion, increment, etc.
- **Manpower planning information:** It offers data that could help human resource mobilization, career planning, succession planning and inputs for skill development.
- **Training information:** It provides information for designing course material, arranging need-based training and appraising the training programme, etc.

- **Health information:** It consists of data related to health, welfare and safety of employees.
- **Payroll information:** It provides data regarding wages, salaries, incentives, allowances, fringe benefits, deductions for provident fund, etc.
- **Personnel research information:** It is a bank of historic and current data about employee attitude, turnover, absenteeism, which may be used for different types of analyses

14.2.1 Need, Objectives and Advantages of HRIS and Personnel Records

The need for HRIS is felt for the following reasons:

- The personnel records, when kept manually, do not offer up-to-date information at short notice.
- The manual transfer of data from one record to another may increase the chances of error.
- The clerical work involved is quite labour intensive and costly.
- The manual analysis of data is time-consuming and quite often not readily available for decision-making purpose.
- Information is not available at a central, easily accessible place since records are kept at separate locations, handled by different persons in different departments.

Objectives of HRIS

The objectives of HRIS are as follows:

- To supply up-to-date information at a reasonable cost
- To offer an adequate and comprehensive information system about human resources
- To offer data security through passwords and elaborate codes. Thus, it helps in maintaining privacy

Advantages of HRIS

The advantages of HRIS are as follows:

- For large organizations that employ very large number of people, it becomes necessary to employ HRIS.
- In a geographically dispersed company, every office requires timely and accurate information about manpower. If information is stored in multiple locations, costs and inaccuracy will increase.
- Modern-day compensation package is complex consisting of many allowances and deductions. HRIS helps in easy calculation of these.

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- An employer has to comply with several labour laws. A computerized information system would store and retrieve data quickly and correctly enabling the employer to comply with statutory requirements.
- With the help of a computerized personnel information system, employee records and files can be integrated for fast retrieval, cross-referencing and forecasting.
- Necessary flexibility for adaptation to changes in environment can be built into a mechanized information system.

Designing a modern HRIS and E-record on Employees

The steps involved in the development of a sound HRIS are as follows:

- **Preliminary systems analysis:** It involves definition of the problem, specification of objectives and operational needs, constraints affecting the system, making feasibility study and submission of the report.
- **Systems design:** Alternatives to meet the objectives are described and evaluated. The requirements of the chosen alternatives are specified and its effects on people are estimated.
- **Systems engineering:** The study of engineering components and their cost- effectiveness is made. This study will help the top management to make the right choice.
- **Systems testing and implementation:** The HRIS along with its subsystems should be installed and tested.
- **Systems monitoring and evaluation:** The performance of the system is measured and evaluated so that modifications may be done to solve the human problems in systems design and control.

14.2.2 Human Resource Accounting and Personnel Audit

The American Accounting Society Committee on Human Resource Accounting defines human resources accounting as the process of identifying and measuring data about human resources and communicating this information to interested parties.

Flamhoitz defines HRA as 'accounting for people as an organizational resource'. It involves measuring the costs incurred by organizations to recruit, select, hire, train and develop human assets. It also involves measuring the economic value of people to the organization.

According to Woodruff Jr, Vice-President of R.G Barry Corporation, 'Human resource accounting is an attempt to identify and report investments made in human resources of an organization that are presently not accounted for in conventional accounting practice. Basically it is an information system that tells the management what changes over time are occurring to the human resources of the business.'

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Stephen Knauf defines HRA as 'The measurement and quantification of human organizational inputs such as recruiting experience and commitment.'

From the above definitions, we may define HRA as the measurement and reporting of the costs incurred for recruiting, hiring, training and developing employees and their present economic value to the organization. It involves the assessment of the costs and value of the people as organizational resources.

Objectives of HR accounting

According to Rensis Likert, one of the earliest proponents of HRA system, it fulfils the following objectives:

1. Provide cost value information about acquiring, developing, allocating and maintaining human resources so as to meet organizational goals
2. Enable management to effectively monitor the use of human resources
3. Find whether human assets are appreciating or depreciating over a period of time
4. Assist in the development of effective management practices by classifying the financial consequences of various practices

To these objectives of HRA, the following may be added:

1. Better decisions about human resources on improved information system
2. Better human resource planning, enabling long-term opportunity for planning and budgeting
3. To attract good, competent and efficient personnel to work for the organization
4. In taking decisions regarding promotion, transfer, training, retirement and retrenchment of such resources
5. For fixing the right person for the right job
6. In evaluating the expenditure, if any, incurred by the organization in giving further training and in evaluating the return on such investment in human resources
7. To motivate individual persons in the organization to increase their worth by training
8. In planning physical resources vis-à-vis human resources by giving valuable information

Advantages and limitations of HR accounting

The following are the advantages and limitations of human resource accounting:

Advantages of HR accounting

Human resource accounting helps in knowing whether human asset is being built up in the business or not. An executive may show good results in producing goods,

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etc., but he might not have built the human resources properly. A good manager keeps the morale of his subordinates high so that they can contribute their best in achieving the organizational objectives. The following advantages are derived from an HRA system:

1. It throws light on the strengths and weaknesses of the existing workforce in an organization. This in turn, helps the management in recruitment planning, whether to hire people or not. It thus provides useful information about the value of human capital which is essential to managers for taking the right decisions, e.g., choice between:
   - Direct recruitment and promotion
   - Transfer and retention
   - Retrenchment and retention
2. The management can evaluate the effectiveness of its policies relating to human resources. For instance, high costs of training may indicate the need for changes in policy for reducing labour turnover. The management can also judge as to whether there is an adequate return on investment in human resources. HRA provides feedback to manager on his own performance.
3. It helps potential investors to judge a company better on the strength of the human assets utilized therein. If two companies offer the same rate of return on capital employed, information on human resources can help investors decide which company to be picked up for investment. The present law does not require the value of the human asset to be shown in the balance sheet.
4. It helps the management in taking appropriate decisions regarding the use of human assets in an organization, that is, whether to hire new recruits or promote people internally, transfer people to new locations or hire people locally, incur additional training costs or hire consultants keeping the impact on the long-run profitability in mind.
5. The return on investment (ROI) can realistically be calculated only when investment on human resources is also taken into account. The return on investment may be good because there is an investment on human beings. On the other hand, a low investment may be the reason of low investment on human asset. So ROI can give accurate results only when expenditure on employees is treated as an asset.
6. HRA may help to improve the motivation and morale of employees by creating a feeling that the organization cares for them. HRA will also help in improving the efficiency of employees. The employees come to know of the cost incurred on them and the returns given by them in the form of output, etc.

7. It can be seen whether the business has made proper investments in human resources in terms of money or not. If the investment is excessive then efforts should be made to control it.
8. HRA will give the cost of developing human resources in the business. This will enable the management to ascertain the cost of labour turnover also. There may be a high labour turnover and the management may not take it seriously in the absence of cost figures of human resources. Though it is not possible to eliminate labour turnover but in case the cost of labour turnover is high, then the management should try to reduce it as far as possible.

Limitations of HR accounting

HRA is a source of essential information not just for the management but also for the investors. Yet, its development and application have not really been very encouraging. This is so because HRA has the following drawbacks:

1. **Not easy to value human assets:** No guidelines are available to differentiate between the 'cost' and 'value' of human resources. The existing valuation system has many negative points. Once the task of valuating human resources in a particular way has been completed, many human resources may just leave the organization. Human life itself is uncertain. Therefore, it is not right to evaluate the asset under such hazy conditions. An organization cannot own human assets like physical assets. They cannot use or retain them at their own sweet will either. Therefore, it would be inappropriate to treat them as 'asset' in the true sense of the word. Once these 'assets' gain experience, they may simply leave the organization causing immense damage.
2. **Results in dehumanizing human resources**: There is always a chance of HRA leading to employees being manipulated or dehumanized. A person from the lower rungs may, for instance, lack motivation, which will affect his performance and productivity.
3. **No evidence:** There is no empirical evidence to support the hypothesis that HRA is an effective managerial technique for improving the management of human resources.
4. **HR is full of measurement problems:** The accountants and financial professionals do not agree on any one measurement process. They have yet to come up with a common solution with regard to the form and manner in which the process should be undertaken, and their value in the financial statements.

   To further add to the problems, there is the question of making a decision regarding the recovery rates. How should the human resources be amortized in order to be able to valuate them? What about the rate of amortization? Should it be constant, decreasing or increasing? Should the rate differ from one category of personnel to the other?

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5. **Employees and unions may not like the idea:** There is a constant fear that the trade unions may oppose HR accounting. Placing a value on employees may lead them to expect rewards/compensation based on such valuation. HRA may result in division among the ranks of employees. A group of employees may be valued lower than their real worth due to manipulations by the management. Such manipulative practices will be protested against by the unions.

Personnel Audit

An audit is a review and verification of completed transactions to see whether they represent a true state of affairs of the business or not. Though there is no legal obligation to audit personnel policies and practices, informed employers voluntarily use it as a tool for evaluation and control of personnel function.

Qualitative and quantitative indicators for HR audit

Table 14.1 outlines the most commonly used qualitative and quantitative indicators of effectiveness classified by major functions. It should be remembered that these indicators are not fool proof and may not be applicable in all cases.

Table 14.1 *Qualitative and Quantitative Indicators for HR Audit*

Major Functions	*Qualitative Indicators*	*Quantitative Indicators*
1. Procurement	Personnel inventory, replacement tables, organization planning, job descriptions and specification, source evaluation, exit interviews, induction programmes	Turnover rates, selection rates, retrenchment, dismissal and lay-offs, recruitment time-lag and recruitment ratios
2. Utilisation	Identification of merits	Capacity utilisation, idle time-statistics, extra-time statistics, backlogs, turnover per employee, profits per rupee of personnel expenses, etc.
3. Training and Development	Training programmes, supervisory and management development programmes, systematic promotions, career planning, formal appraisals	Time taken in training, apprentice ratios, scrap losses, productivity increases
4. Compensation	Job evaluation programme, wage and salary surveys, complaint from employees about wage and salaries	Wage and salary differentials, benefit range and costs, number of employees earning bonus in excess of standard rate
5. Integration and Maintenance	House organ, employee hand-book, employee voluntary participation in optional service programmes	Measured morale, measured communication, absenteeism and turnover rates, number of grievances, suggestion ratios, accident rates
6. Labour Relations	Labour-management committees, contract interpretations, no strike clause	Work stoppages, grievances and their settlement, arbitrations, costs

Source: Tripathi, P.C. 1999. *'Personnel Management and Industrial Relations'*. New Delhi: Sultan Chand and Sons, pp. 126–127.

Process of HR audit

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The HR audit should do a thorough probe, evaluating HR policies, programmes, philosophy, practices and concepts and comparing with standards and with those of the personnel records of the said organization and other organizations. The level and depth of the audit should be decided in advance. Rao has included the following in an HR audit process:

- Identify indices, indicators, statistical ratios and gross numbers in some cases
- Examine the variations in time-frame in comparison with a similar previous corresponding period
- Compare the variations of different departments during different periods
- Examine the variations of different periods and compare them with similar units and industries in the same region.
- Draw trend lines, frequency distributions and calculate statistical correlations.
- Prepare and submit a detailed report to the top management and to the managers at appropriate levels for information and necessary action.

Audit of HR results

The real test of HR policies and programmes lies in the results achieved. Comprehensive policy statements and elaborate procedural manuals are useless unless they yield good results. In the audit of results, the HR audit may calculate ratios and percentages from personnel statistics. Such measurement will reveal useful trends in manpower utilisation.

HR audit is a comparatively new area of audit. Therefore, the HR auditor has no body of laws, regulations and standard practices to guide him. The HR auditor has to depend upon his own judgement and records available within the organization. Moreover, HR audit may become a fault-finding exercise. For example, wherever certain deficiencies are detected, the management and workers may start blaming each other. To avoid such situations, a forward looking approach is required.

Audit report

After examining various aspects of human resource management, the HR auditor compiles his observations, analysis, findings and recommendations in the form of a report. There is no prescribed format of the report in case of HR audit. The audit has to examine the various HR reports, personnel policies and practices. The HR audit report is meant mainly for the top management. However, certain aspects of the report, e.g., attitude survey and safety survey may be made available to employees. The report should be based solely on the findings and it should be submitted within a reasonable time after the audit work is over. The following items should be contained in the report:

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- Table of contents
- Preface, giving a brief statement of the objectives
- Executive Summary, in which the entire report is summarised for the top executives; this should also contain the recommendations along with the factual information or findings.
- The report proper, in which a major division is covered as a special section; a clear and in-depth analysis of the data and information, furnished area-wise or department–wise. Each section should be complete, and should contain as many supporting data as are practical without making it too voluminous. Other data should be included in the appendix.
- Summary, which is general in nature and is relevant to all the persons concerned. This is more detailed than the summary and conclusions at the end of the report.
- Appendix, this includes supporting data and information which is not necessary in the main part of the report.
- Bibliography, which refers to important books and journals that are necessary for future reading, is included at the end.
- Audit report should be signed by all members making the audit.

Scope and Importance of Personnel Audit

As we have learnt in this section, personnel audit has a very wide scope since it is interested in tracking the performance and policy measures related to the employees in all the fields, they are related in. This essentially means that the scope of personnel audit includes all the areas like job analysis, wage and salary administration, recruitment and selection, grievances, leadership, appraisals, mobility, management development, promotions and transfers, labour relations, industrial relations, etc.

The following points reflect the importance of personnel audits:

- Personnel audits ensure that the best practices related to the different departments of HR are being followed for the betterment of the employees and newer policies adopted in required areas.
- Personnel audits allow the companies to see if the HR policies are complying to relevant laws and regulations set by the governments. It also ensures the policies are in tandem with the organizational objectives and vision.
- Personnel audits bring to the surface the deficiency areas in the employee's performances. This will reveal which leadership and managerial positions are in need of training and what could be done to ensure the best performance.
- Personnel audits highlights whether the compensation processes are competitive so that employee retention as well as attracting new employees never becomes a major problem.

14.3 PERSONNEL RESEARCH

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Research is carried out to find out things. Rational managerial decisions can't be made without knowing about the current state of things and how they relate to each other. The use of scientific research methods helps us in learning the real state of things, rather than just inferring how they are.

Basic personnel research gives a complete understanding of human behaviour in the context of organizations. With the aid of this research, organizations could be designed optimally which would make people more content and hence, more productive. As a result organizations can become more successful.

There are two types of personnel research: (i) basic and (ii) applied.

(i) Basic research is a general term that attempts to reveal the truth about personnel that is applicable across various people and institutions. Generally, academics perform this research, which is published in scholarly journals.

(ii) Applied research has a more focussed approach. It seeks to find out what is happening to a certain group of people in a specific situation. This research is usually performed by human resource managers and personnel consultants.

The scope of personnel research can be understood through its applications. Personnel research can be applied in various ways. It can be applied to solve an urgent problem within a company. Supposedly, employees of a certain company are not sending in their travel reimbursement slips on time. In such a scenario, by applying personnel research, the company can figure out an effective way where it can persuade its employees to speed up the sending of reimbursement slips. By applying the same research, a company can also find out why a large number of employees are not happy with their job role.

The research can also be applied to figure out the various hobbies of employees, so that it can create fields to encourage them. With the help of this research, a company can also analyze data, such as salaries, to identify and correct inequities in the workplace.

Importance of Personnel Research

- It adds to the already existing data
- It helps in finding out the current problems in personnel management
- It helps to ascertain whether proposed plans will be successful or not
- It assists the management in staying updated about the changes in the labour market and the practices of the competitors
- It offers objective solutions to the prevailing problems in the management
- It recommends newer ways of keeping the employee morale high

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Check Your Progress

1. Define human resource information system.
2. List the objectives of HRIS.
3. Define human resource accounting.
4. What are the two types of personnel research?
5. Define audit.

14.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. HRIS is a system by which an organization collects, analyses and reports information about its people and jobs. It is basically a database system that offers important information about employees in a central and accessible location.
2. The objectives of HRIS are as follows:
   - To supply up-to-date information at a reasonable cost
   - To offer an adequate and comprehensive information system about human resources
   - To offer data security through passwords and elaborate codes for maintaining privacy
3. HRA is the measurement and reporting of the costs incurred for recruiting, hiring, training and developing employees and their present economic value to the organization. It involves the assessment of the costs and value of the people as organizational resources.
4. There are two types of personnel research: (i) basic and (ii) applied.
5. An audit is a review and verification of completed transactions to see whether they represent a true state of affairs of the business or not.

14.5 SUMMARY

- HRIS is a system by which an organization collects, analyses and reports information about its people and jobs. It applies to information needs at macro and micro levels.
- HRIS provides information necessary for planning, controlling, decision-making and preparing reports.
- A computerized HRIS is an information system that makes use of computers to monitor, control and influence the movement of human beings from the

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time they indicate their intention to join an organization till the time they leave the organization.

- HRA is the measurement and reporting of the costs incurred for recruiting, hiring, training and developing employees and their present economic value to the organization.
- Human resource accounting helps in knowing whether human asset is being built up in the business or not.
- The HR audit should do a thorough probe, evaluating HR policies, programmes, philosophy, practices and concepts and comparing with standards and with those of the personnel records of the said organization and other organizations.

14.6 KEY WORDS

- **Absenteeism:** It means the habitual non-presence of an employee at his or her job.
- **Amortization:** It means the deduction of capital expenses over a specific period of time (usually over the asset's life).
- **Employee handbook:** It is a written or electronic document containing summaries of the employer's policies and benefits designed to familiarize employees with various matters affecting the employment relationship.
- **Bibliography:** It is a list of the books referred to in a scholarly work, usually printed as an appendix.

14.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short Answer Questions

1. What is a computerized HRIS? Classify its subsystems.
2. List the advantages of HRIS.
3. State the objectives of HR accounting.
4. What is personnel research?
5. Describe the process of HR audit.

Long Answer Questions

1. Explain the information needs in human resource management.
2. Discuss the advantages and limitations of HR accounting.
3. What is the role of HR accounting in India? Elaborate.

4. Explain how personnel research can be used for the optimum productivity in an organization.

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14.8 FURTHER READINGS

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