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Directorate of Distance Education

P.G. Diploma in Sports Management

I - Semester

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ADMINISTRATION AND MAINTENANCE MANAGEMENT

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SYLLABI-BOOK MAPPING TABLE

Administration and Maintenance Management

Syllabi	Mapping in Book
BLOCK I: DEFINITION AND OBJECTIVES OF ADMINISTRATION	
UNIT - 1: Wage and Salary Administration - Nature and Purpose - For Employees - To Employers - The Wage Determination Process - Factors Influencing Wage and Salary Structure and Administration - Principles of Wage & Salary Administration.	**Unit 1:** Wage and Salary Administration **(Pages 1-9)**
UNIT - 2: Theory of Wages - Subsistence Theory - Wages Fund Theory - The Surplus Value Theory of Wages - Residual Claimant Theory - Marginal Productivity Theory - The Bargaining Theory of Wages - Behavioral Theories - Wage and Salaries and Motivators.	**Unit 2:** Theories of Wages **(Pages 10-15)**
UNIT - 3: Compensation Plan - Wage Incentives Definition - Objectives of Wage Incentive Schemes - Merits of Wage Incentive Schemes - Types of Wage Incentive Plans.	**Unit 3:** Compensation Plan **(Pages 16-23)**
UNIT - 4: Short-term Plans - Merits of Wage Incentive Plans - Demerits of Wage Incentive Plans - Some Important Wage Incentive Plans - Halsey Premium Plan - Demerits - Halsey Weir Premium Plan - Rowan Premium Plan - The 100 per cent Premium Plan - The Bedeaux Point Plan - Taylor's Differential Piece-Rate Plan - Merric's Multiple Piece Rate System - The Gnatt Task and Bonus Plan - Emerson Efficiency Plan - Co-partnership System - Accelerating Premium Systems.	**Unit 4:** Short-Term Wage Incentive Plans **(Pages 24-30)**
BLOCK II: SPECIAL FEATURES AND MAINTENANCE OF ADMINISTRATION	
UNIT - 5: Long-term Wage Incentive Plans - Profit Sharing - Features of Profit - Sharing - Types of Profit Sharing - Objectives of Profit-Sharing - Forms of Profit Sharing.	**Unit 5:** Long-Term Wage Incentive Plans **(Pages 31-37)**
UNIT - 6: Fringe Benefits - Definition - Special Features of Fringe Benefits - The Objectives of Fringe Benefits and Services Programmes - Job Evaluation Techniques - Definition of Job Evaluation - Objectives of Job Evaluation - Principles of Job Evaluation Programme - Advantages of Job Evaluation - Limitations of Job Evaluation.	**Unit 6:** Fringe Benefits **(Pages 38-56)**

UNIT - 13: Personnel Records and Reports - Significance of Records and Reports - Essentials of a Good Record - Reports - Essentials of a Good Report - Personnel Audit - Objectives of Personnel Audit Importance of Personnel Audit - Need for Personnel Audit - Scope of Personnel Audit - The Field of Personnel Audit Includes - Methods of Analysis - Frequency and Types of Audit - The Audit Report.

UNIT - 14: Personnel Research - Meaning and Characteristics - Types of Research - Objectives of Personnel Research - Coverage of Personnel Research Area - Methods and Tools of Personnel Research - Case Studies - Survey Research - Statistical Studies - Mathematical Models - Simulation - Field or Action Research - Research Procedure - Sources of Personnel Research Information - Responsibility for Research.

CONTENTS

INTRODUCTION

NOTES

Organizing is the process of arranging resources (people, materials, technology etc.) together to achieve the organization's strategies and goals. The way in which the various parts of an organization are formally arranged is referred to as the organization structure. It is a system involving the interaction of inputs and outputs. It is characterized by task assignments, workflow, reporting relationships, and communication channels that link together the work of individuals and groups.

Any structure must allocate tasks through a division of labour and facilitate the coordination of the performance results. The management organizes, provides resources (personnel, capital, assets, material and hardware, etc.) and leads to performing tasks and accomplishing targets. Maintenance management has rapidly grown into a very complex undertaking as technologies, competition, and product characteristics evolve.

The book, *Administration and Maintenance Management* has been written in keeping with the self-instructional mode or the SIM format wherein each Unit begins with an Introduction to the topic, followed by an outline of the Objectives. The detailed content is then presented in a simple and organized manner, interspersed with Check Your Progress questions to test the student's understanding of the topics covered. A Summary along with a list of Key Words and a set of Self-Assessment Questions and Exercises is provided at the end of each Unit for effective recapitulation.

BLOCK - I
DEFINITION AND OBJECTIVES OF ADMINISTRATION

NOTES

UNIT 1 WAGE AND SALARY ADMINISTRATION

Structure

1.0 INTRODUCTION

Wage and salary is a remuneration, which an employee receives as compensation in return for his or her contribution to the organization. It occupies an important place in the life of an employee as well as employer. Employee's wage and salary is significant for employer or organization because of its contribution to the cost of production. The wage and salary administration deals with procedures for maintaining salary structure, rewarding staff and exercising wage control. Its basic aim is to retain and motivate the employees by maintaining competitive wage structure.

Thus it refers to refers to the policies and practices of employee's compensation. Factors such as job evaluation, surveys of wage and salaries, organizational problems, development and maintenance of wage structure establishing rules of administering wage, wage payments, incentives, profit sharing, wage changes and adjustment, supplementary payments, control of compensation cost, etc. form this field of knowledge. All the factors lead to increase in output, improved quality satisfaction of the workers, better industrial relations and so on.

NOTES

One of the main objectives of wage and salary administration to ensure that satisfaction of employees and employers is maximized. It is concerned with the financial aspects of need, motivation and rewards. A sound wage policy is to adopt a job evaluation programme in order to establish fair and differential in wage based the types of job.

This unit aims at studying a detailed analysis of wage and salary administration and offers an insight into various process and factors which influence this field of knowledge.

1.1 OBJECTIVES

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

- Understand the meaning of wage and salary
- Enumerate the concept and purpose of wage and salary administration
- Analyse the activities of wage and salary administration
- Understand the wage determination process
- Enumerate the factors influencing wage, salary structure and administration
- Explain the principles of wage and salary administration

1.2 WAGE AND SALARY ADMINISTRATION: AN OVERVIEW

Traditional theorists define wage and salary administration as the process by which wage and salary levels and structures are determined in organizational settings. Wages are payments for labour services rendered frequently, expressed in hourly rates, while a salary is a similar payment, expressed in weekly, monthly or annual rates. Thus, the term 'wage' frequently connotes payments in terms of the number of hours worked and may fluctuate depending upon hours actually worked, while the concept of salary implies the remuneration which is uniform irrespective of the number of hours worked. However, this distinction between wage and salary is disappearing. Again, wage or salary levels have been defined as the averages of the rates paid for the jobs of an enterprise, a labour market or a nation. Similarly, wage or salary structures are defined as hierarchies of jobs to which these rates are attached. Obviously, the traditional theory of wage and salary administration stresses the determination of wage and salary levels and structures.

1.2.1 Recent Focus on Compensation: Reward Management

Modern theory emphasizes the entire compensation system embracing both intrinsic and extrinsic rewards. Intrinsic rewards are those which individuals give themselves for accomplishing a good work itself, while the extrinsic rewards are those which the organization provides to them for their contributions towards the attainment of

NOTES

its objectives. Thus, the entire compensation system incorporates the components of the immediate work itself, wages, salary and the fringe benefits, promotion, relation with supervisor and relation with work force.

Likewise, Armstrong has stressed reward system which includes financial rewards (fixed and variable pay) and employee benefits which form total remuneration. It also includes non-financial rewards (such as recognition, personal growth, etc.) and, in several cases, performance management processes. Thus, the elements of reward management system are: basic pay, addition to basic pay (including individual performance-related pay), bonuses, incentives, commission, service-related pay or increments, skill-based pay and competence-related non-financial rewards.

The activities of wage and salary administration are as follows:

- Job evaluation
- 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

1.2.2 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.

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

NOTES

- 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.

1.2.3 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 1.2 illustrates the steps involved in the determination of wage rates.

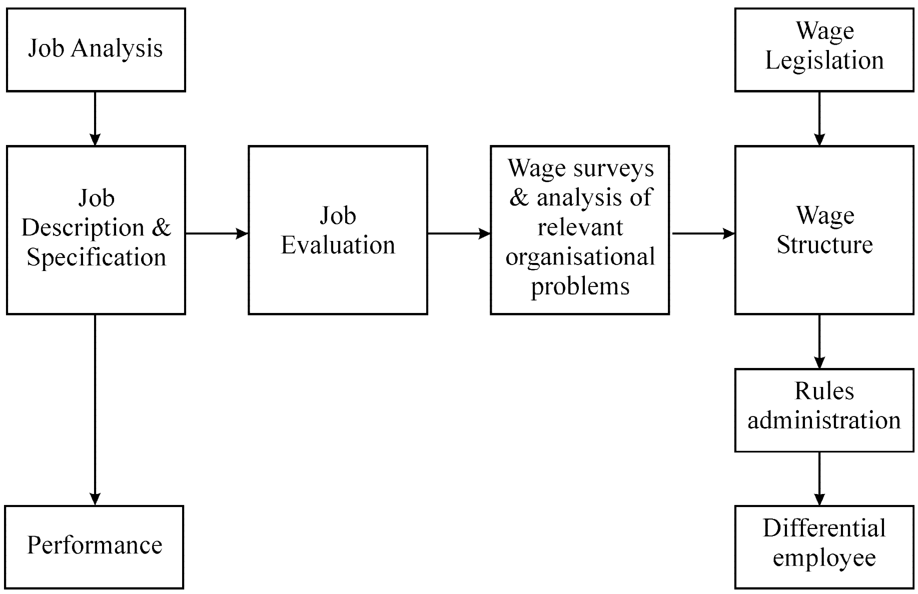

Fig. 1.2 *Steps Involved in Determination of Wage Rate*

1.2.4 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

1.2.5 Principles of Wage and Salary Administration

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

NOTES

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.

Check Your Progress

1. What do you mean by terms, salary and wage?
2. What is the basic purpose of wage and salary administration?
3. List some of the steps involved in the wage determination process.
4. List some of principles governing fixation of wage and salary

1.3 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Wages are payments for labour services rendered frequently, expressed in hourly rates, while a salary is a similar payment, expressed in weekly, monthly or annual rates. Thus, the term 'wage' frequently connotes payments in terms of the number of hours worked and may fluctuate depending upon

NOTES

hours actually worked, while the concept of salary implies the remuneration which is uniform irrespective of the number of hours worked. However, this distinction between wage and salary is disappearing.

2. 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.
3. Some of 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
4. Some of commonly suggested principles governing fixation of wage and salary are:
   - 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.
   - 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.
   - 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.
   - 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.

1.4 SUMMARY

- Wage or salary structures are defined as hierarchies of jobs to which these rates are attached. Obviously, the traditional theory of wage and salary administration stresses the determination of wage and salary levels and structures.
- The elements of reward management system are: basic pay, addition to basic pay (including individual performance-related pay), bonuses, incentives, commission, service-related pay or increments, skill-based pay and competence-related non-financial rewards.

NOTES

- 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.
- 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.
- An equitable practice should be adopted for the recognition of individual differences in ability and contribution.
- 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.

1.5 KEY WORDS

- **Skill-based pay**: This is a compensation system that rewards employees with additional pay in exchange for formal certification of the employee's mastery of skills.
- **Non-financial rewards**: These are the types of rewards that are not a part of an employee's pay. Though they cost the company little or no money, they carry significant weight. Incentives of this nature are particularly effective for workers who are comfortable with their salaries or have been in the position for a long time.

1.6 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. Enumerate the role of wage and salary administration for an employer or organization.
2. Write a brief note on reward management.
3. State the modern theory of the compensation system.
4. Write a brief note on wage determination process.

Long-Answer Questions

1. Analyse the traditional theory of wage and salary administration.
2. Discuss the main objectives of wage and salary administration.
3. Analyse the main factors which influence wage and salary administration.
4. Discuss the need of a sound wage policy in the structure of wage and salary administration.

NOTES

1.7 FURTHER READINGS

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UNIT 2 THEORIES OF WAGES

NOTES

Structure

2.0 INTRODUCTION

For years, the economists and scholars have been making assiduous attempts assiduously to bring in an acceptable general theory of wages that would explain how levels and changes in wage are determined. There is no single theory to answer these questions as they have different notions about the structure of wages and none has proved entirely correct. Even as the theories of wages play important role for the determination of wages, there is no unanimity on various theories of wages. Some theories of wages may have some value in certain specified condition, but these are inadequate as a general theory which would be applicable in all circumstances.

Wages as the price of labour power are connected with other prices and other economic quantities. Theories of wages are systematic attempts to explain what does determine the level of wage. Subsistence theory was based on the assumption that if the workers were paid more than subsistence wage, their numbers would increase as they would procreate more, and this would bring down the rate of wages. The basic assumption of Adam Smith's 'Wage Fund Theory' was that wages are paid out of a pre-determined fund of wealth which lays surplus with wealthy persons as a result of savings.This unit aims to analyse various theories of wages propounded by scholars to determine the wage structure.

2.1 OBJECTIVES

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

- Understand the different methods of wage payment
- Enumerate how the wages are fixed

- Analyse the various elements of wage theories
- Understand the basic assumption of Subsistence Theory
- Explain Adam Smith's Wages Fund Theory
- Understand the various theories of wages by economists and sociologists

NOTES

2.2 VARIOUS WAGE THEORIES: AN OVERVIEW

Different methods of wage payment are prevalent in different industries and in various countries. There may be payment by time or payment by results, including payment at piece rates.

Wages are fixed mainly as a result of individual bargaining, collective bargaining or by public or state regulation. How wages are determined has been the subject of several theories of wages. The main elements in these theories may be summed up as follows:

I. Subsistence Theory

This theory, also known as 'Iron Law of Wages,' was propounded by David Ricardo (1772-1823). This theory (1817) states that 'the labourers are paid to enable them to subsist and perpetuate the race without increase or diminution.' The theory was based on the assumption that if the workers were paid more than subsistence wage, their numbers would increase as they would procreate more, and this would bring down the rate of wages. If the wages fall below the subsistence level, the number of workers would decrease as many would die of hunger, malnutrition, disease, cold, etc., and many would not marry; when that happened the wage rates would go up.

II. Wages Fund Theory

This theory was developed by Adam Smith (1723–1790). His basic assumption was that wages are paid out of a pre-determined fund of wealth which lays surplus with wealthy persons as a result of savings. This fund could be utilized for employing labourers for work. If the fund was large, wages would be high; if it was small, wages would be reduced to subsistence level. The demand for labour and the wages that could be paid them were determined by the size of the fund.

III. The Surplus Value Theory of Wages

This theory owes its development to Karl Marx (1849–1883). According to this theory, the labour was an article of commerce which could be purchased on payment of 'subsistence price'. The price of any product was determined by the labour time needed for producing it. The labourer was not paid in proportion to the time spent on work, but much less, and the surplus was utilized for paying other expenses.

NOTES

IV. Residual Claimant Theory

Francis A Walker in 1984 propounded this theory. According to him, there are four factors of production/business activity, viz., land, labour, capital and entrepreneurs. Wages represent the amount of value created in the production which remains after payment has been made for all these factors of production. In other words, labour is the residual claimant.

V. Marginal Productivity Theory

This theory was developed by Phillips Henry Wicksteed (England) and John Bates Clark (USA). According to this theory, wages are based upon an entrepreneur's estimate of the value that will probably be produced by the last or marginal worker. In other words, it assumes that wages depend upon the demand for, and supply of, labour. Consequently, workers are paid what they are economically worth. The result is that the employer has a larger share in profit as he does not have to pay the non-marginal workers. As long as each additional worker contributes more to the total value than the cost in wages, it pays the employer to continue hiring; where this becomes uneconomic, the employer may resort to superior technology.

VI. The Bargaining Theory of Wages

John Davidson propounded this theory. Under this theory, wages are determined by the relative bargaining power of workers or trade unions and of employers. When a trade union is involved, basic wages, fringe benefits, job differentials and individual differences tend to be determined by the relative strength of the organization and the trade union.

VII. Behavioural Theories

Many behavioural scientists — notably industrial psychologists and sociologists — like Marsh and Simon, Robert Dubin, Eliot Jacques have presented their views or wages and salaries, on the basis of research studies and action programmes conducted by them. Briefly, such theories are:

The Employee's Acceptance of a Wage Level: This type of thinking takes into consideration the factors which may induce an employee to stay on with a company. The size and prestige of the company, the power of the union, the wages and benefits that the employee receives in proportion to the contribution made by him—all have their impact.

The Internal Wage Structure: Social norms, traditions, customs prevalent in the organization and psychological pressures on the management, the prestige attached to certain jobs in terms of social status, the need to maintain internal consistency in wages at the higher levels, the ratio of the maximum and minimum wage differentials, and the norms of span of control and demand for specialized labour all affect the internal wage structure of an organization.

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2.3 WAGE, SALARIES AND MOTIVATORS

Money often is looked upon as a means of fulfilling the most basic needs of men. Food, clothing, shelter, transportation, insurance, pension plans, education and other physical maintenance and security factors are made available through the purchasing power provided by monetary income-wages and salaries. Merit increase policy, bonuses based on performance, and other forms of monetary recognition for achievement are genuine motivators. However, basic pay, cost of living increases, and other wage increases unrelated to an individual's own productivity may typically fall into the maintenance category.

Check Your Progress

1. How are wages fixed?
2. What do you mean by The Bargaining Theory of Wages?
3. What are genuine motivators?

2.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Wages are fixed mainly as a result of individual bargaining, collective bargaining or by public or state regulation. How wages are determined has been the subject of several theories of wages.
2. John Davidson propounded this theory. Under this theory, wages are determined by the relative bargaining power of workers or trade unions and of employers. When a trade union is involved, basic wages, fringe benefits, job differentials and individual differences tend to be determined by the relative strength of the organization and the trade union.
3. Merit increase policy, bonuses based on performance, and other forms of monetary recognition for achievement are genuine motivators.

2.5 SUMMARY

- Different methods of wage payment are prevalent in different industries and in various countries. There may be payment by time or payment by results, including payment at piece rates.
- Wages Fund Theory, also known as 'Iron Law of Wages,' was propounded by David Ricardo (1772-1823). This theory (1817) states that 'the labourers are paid to enable them to subsist and perpetuate the race without increase or diminution.'

NOTES

- Wages Fund Theory was developed by Adam Smith. His basic assumption was that wages are paid out of a pre-determined fund of wealth which lays surplus with wealthy persons as a result of savings.
- According to Marginal Productivity Theory, as long as each additional worker contributes more to the total value than the cost in wages, it pays the employer to continue hiring; where this becomes uneconomic, the employer may resort to superior technology.
- Many behavioural scientists — notably industrial psychologists and sociologists — like Marsh and Simon, Robert Dubin, Eliot Jacques have presented their views or wages and salaries, on the basis of research studies and action programmes conducted by them. Briefly, such theories are:
- Basic pay, cost of living increases, and other wage increases unrelated to an individual's own productivity may typically fall into the maintenance category.

2.6 KEY WORD

- **The Iron Law of Wages:** First named by Ferdinand Lassalle in the mid-nineteenth century, this is a proposed law of economics that asserts that real wages always tend, in the long run, toward the minimum wage necessary to sustain the life of the worker.

2.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. Write a short note on the methods of wage payment as prevalent today.
2. Write a short brief on Karl Marx' Theory of Wages.
3. Illustrate the significance of The Bargaining Theory of Wages.

Long-Answer Questions

1. Discuss the role of various theories of wages.
2. Write a comprehensive note on the contribution of economists who developed Theory of Wages.

2.8 FURTHER READINGS

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NOTES

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UNIT 3 COMPENSATION PLAN

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Structure

3.0 INTRODUCTION

With the aim of attracting, retaining, and motivating people necessary to help achieve organizational goals, companies have developed elaborate compensation systems and procedures over the years. The most obvious component of compensation may be wages or salaries. Benefits include insurance, pensions, medical benefits, time off for vacations, and other indirect rewards which bear direct costs to the employers. From a company's viewpoint, compensation elements constitute an important source of costs. With rising costs of providing medical, retirement and other benefits, companies are rethinking their compensation plan. Economists argue that compensation issues need to be linked with other human resource planning concerns, like performance appraisal, job analysis and career path design, and career management. Thus we see that compensation planning is vital for the development of motivational compensation practices.

A wage incentive may be defined 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.

This unit aims to analyse the role of compensation and wage incentive plans to motivate workers and senior executives in an organization.

3.1 OBJECTIVES

NOTES

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

- Understand the concept of compensation plan
- Enumerate the contribution of straight salaries
- Explain the role of bonuses in increasing motivation
- Analyse various forms of payments
- Explain the meaning and definition of wage incentive
- Analyse the merits and demerits of wage incentive

3.2 OVERVIEW OF COMPENSATION PLAN

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. 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.

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.

NOTES

Moreover, executives are compensated for the various expenses incurred by them, as taxation takes away a major portion of their salary. Such payments are in the form of:

i. Medical care
ii. Counsel and accountants to assist in legal, tax and financial problems
iii. Facilities for entertaining customers and for dining out
iv. Company recreational area (swimming pool and gymnasium)
v. The cost of the education and training of executives, scholarships for their children, and allowances for business magazines and books
vi. Free well-furnished accommodation, conveyance and servants

Check Your Progress

1. How is the salary of workers and executives determined?
2. List the various forms of compensatory payment.

3.3 WAGE INCENTIVES: OBJECTIVES, MEANING AND DEFINITION

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 Hummel and Nickerson: 'It refers to all the plans that provide extra pay for extra performance in addition to regular wages for a job.' Florence 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.'

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'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.

3.3.1 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.

3.3.2 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. Merits of wage incentive plans are:

(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.

3.3.3 Demerits of Wage Incentive Plans

NOTES

These are as follows:

(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.

(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 slacken 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.

3.3.4 Types of Wage Incentive Plans

NOTES

Wage incentive plans may be discussed as follows:

(i) Plans for blue-collar workers

(ii) Plans for white-collar workers

(iii) Plans for managerial personnel

Each of these categories of employees has separate and distinct needs and specific plans tailored for each may prove beneficial.

Check Your Progress

3. What do you mean by wage incentive?
4. List some of the objectives of wage incentive plans.

3.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The salary is determined by mutual agreement between the individual and the employer.
2. Some of the compensatory payments are:
   i. Medical care
   ii. Counsel and accountants to assist in legal, tax and financial problems
   iii. Facilities for entertaining customers and for dining out
3. The term wage incentives has been used both in the restricted sense of participation and in the widest sense of financial motivation. 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.'
4. Some of the objectives of wage incentive plans are:
   (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.

3.5 SUMMARY

NOTES

- 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.
- 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.
- 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 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.
- 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 slacken their efforts to avoid a revision of rates.
- The management should avoid any action that may be interpreted as unfair. There must be proper machinery for handling grievances.
- Each categories of employees has separate and distinct needs and specific plans tailored for each may prove beneficial.

3.6 KEY WORDS

- **National Commission on Labour**: This is an Indian statutory body to recommend the changes in the labour laws.
- **A Blue-Collar worker**: A working-class person historically defined by hourly rates of pay and manual labor.
- **A White-Collar worker**: The term white collar work used to characterize non-manual workers, but now it refers to employees or professionals whose work is knowledge intensive, non-routine, and unstructured.

3.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

NOTES

Short-Answer Questions

1. Write a short note on compensation plan for higher management.
2. Make a list of key points which are necessary for successful wage incentive.
3. Write a brief note on merits of wage incentive.

Long-Answer Questions

1. Analyse various conditions in which bonuses operate most effectively.
2. Discuss the main objectives of wage incentive plans.

3.8 FURTHER READINGS

Aquinas, P. G. 2005. *Human Resources Management – Principles and Practice*. New Delhi: Vikas Publishing House Pvt Ltd.

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UNIT 4 SHORT-TERM WAGE INCENTIVE PLANS

NOTES

Structure

4.0 INTRODUCTION

The various plans are designated as incentive to workers to produce more and they are paid bonus for additional work. This additional payment may be called wage incentive plan. Such wage incentive plans, which provide for additional payment for the better performance of workers over and above the standard performance, may be called wage incentive plans. In time-based plans, workers are rewarded for better performance on the basis of time saved in completing a minimum standard of work in standard time. Under production-based plans a worker is allotted a standard work to be completed in standard time and bonus is paid only if he completes the standard work within given time otherwise no bonus is paid to him. In group incentive plan, the whole group of workers are included. Each member of the work group is rewarded on the basis of performance of the group either equally or in specified proportions.

Under Halsey Premium Plan, the workers are paid a percentage of the time saved over the standard rate per piece. A standard time is fixed for each job or operation. If a worker completes the job with in standard time or more than standard time he is paid standard rate. Under Gantt's Task System, wages on time basis are guaranteed. A standard of performance is also ascertained if a worker fails in completing the standard work in standard time, he is paid only minimum wages.

This unit aims to analyse the role of various wage incentive plans to retain and motivate workers and senior executives in a company.

4.1 OBJECTIVES

NOTES

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

- Understand the concept of short-term plans
- Get an insight into the important wage incentive plans
- Analyse the role of various wage incentive plans
- Explain the merits and demerits of wage incentive plans

4.2 SHORT-TERM PLANS

These systems may be broadly classified into three categories:

(a) Systems under which the rate of extra incentive is in proportion to the extra output

(b) Systems under which the extra incentive is proportionately at a lower rate than the increase in output

(c) Systems under which the rate of incentives is proportionately higher than the rate of increase in output

4.2.1 Some Important Wage Incentive Plans

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

The group incentive plans are usually the following:

(i) Profit-Sharing Schemes

(ii) Scanlon Plan

NOTES

4.2.2 Interpretation and Analysis of Various Wage Incentive Plans

Let us analyse the various wage incentive plans.

(i) Halsey Premium Plan

This is a time-saved bonus plan which is ordinarily used when accurate performance standards have not been established.

Formula: Bonus = ½ of $\frac{\textit{Time saved}}{\textit{Time taken}}$ × Daily wage

a. Merits

The merits of this plan are as follows:

(a) It guarantees a fixed time wage to slow workers and, at the same time, offers extra pay to efficient workers.

(b) The cost of labour is reduced because of the percentage premium system; the piece rate of pay gradually decreases with increased production.

(c) The plan is simple in design and easy to introduce.

(d) As the wages are guaranteed, it does not create any heartburning among such workers as are unable to reach the standard.

b. Demerits

The disadvantages of the plan are as follows:

(a) It depends upon past performance instead of making new standards.

(b) The workers can beat the game by spurting on certain jobs to capture a premium and soldiering on other jobs to rest under the protection of the guarantee of day wages.

(c) From the point of view of the administration, the policy is one of drift, for, in this plan, the worker is left alone to decide whether or not to produce more after the standard has been reached.

(ii) Halsey-Weir Premium Plan

This plan is similar to the Halsey Premium Plan except that 50 per cent of the time saved is given as premium to the worker.

Formula: Bonus = ½ × Time Saved × Hourly Rate

(iii) Rowan Premium Plan

In the Rowan Plan, the time saved is expressed as a percentage of the time allowed, and the hourly rate of pay is increased by that percentage so that total earnings of the worker are the total number of hours multiplied by the increased hourly wages.

Formula: Bonus = × Time Taken × Hourly Rate

NOTES

(iv) 100 Per Cent Premium Plan

A definite hourly rate is paid for each task hour of work performed. The plan is identical with the straight piece rate plan except for its higher guaranteed hourly rate and the use of task time as a unit of payment instead of a price per piece. The worker is paid the full value of the time saved.

(v) Bedeaux Point Plan

This plan is used when carefully assessed performance standards have been established. It differs from the 100 per cent plan in that the basic unit of the time is the minute termed as B. Every job is expressed in terms of Bs (after Bedeaux), which means that a job should be completed in so many minutes.

(vi) Taylor's Differential Piece Rate Plan

This system was introduced with two objects: First, to give sufficient incentive to workmen to induce them to produce up to their full capacity; and second, to remove the fear of wage cut. There is one rate for those who reach the standard; they are given a higher rate to enable them to get the bonus.

(vii) Merric's Multiple Piece Rate Plan

This plan, too, is based on the principle of a low piece rate for a slow worker and a higher piece rate for higher production; but the plan differs from Taylor's plan in that it offers three graded piece rates instead of two. (i) Up to, say 83 per cent of standard output a piece-rate + 10 per cent of time rate as bonus; (ii) Above 83 per cent and up to 100 per cent of standard output—same piece rate + 20 per cent of time rate; and (iii) Above 100 per cent of standard output—same piece rate but no bonus.

(viii) The Gnatt Task and Bonus Plan

This plan has been devised by H.L. Gnatt and is the only one that pays a bonus percentage multiplied by the value of standard time. Under this system, fixed time rates are guaranteed. Output standards and time standards are established for the performance of each job. Workers completing the job within the standard time or in less time receive wages for the standard time plus a bonus which ranges from 20 per cent to 50 per cent of the time allowed and not time saved. When a worker fails to turn out the required quantity of a product, he simply gets his time rate without any bonus.

Under this plan, there are also three stages of payment: (i) Below the standard performance, only the minimum guaranteed wage is to be paid; (ii) at the standard performance, this wage + 20 per cent of time-rate will be paid as a bonus; and (iii) when the standard is exceeded, a higher piece rate is paid but there is no bonus.

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(ix) Emerson Efficiency Plan

Under this system, a standard time is established for a standard task. The day wage is assured. There is no sudden rise in wages on achieving the standard of performance. The remuneration based on efficiency rises gradually. Efficiency is determined by the ratio between the standard time fixed for a performance and the time actually taken by a worker. Thus, if the period of 8 hours is the standard time for a task and if a worker performs it in 16 hours, his efficiency is 50 per cent. He who finishes the task in 8 hours has 100 per cent efficiency. No bonus is paid to a worker unless he attains 662/3 per cent efficiency, at which stage he receives a nominal bonus. This bonus goes on increasing till, when he achieves 100 per cent efficiency, the bonus comes to 20 per cent of the guaranteed wage. At 120 per cent efficiency, a worker receives a bonus of 40 per cent and at 140 per cent efficiency the bonus is 60 per cent of the day wage.

(x) Co-Partnership System

This system tries to eliminate friction between capital and labour. Under this system, not only does a worker share in the profits of the undertaking but he also takes part in its control and, therefore, shares responsibilities. There are different degrees of this partnership and control allowed to the operatives in different cases; but in a complete co-partnership system, the following factors exist:

(a) The payment of the existing standard wages of labour.

(b) The payment of a fixed rate of interest on capital.

(c) The division of the surplus profit between capital and labour in an agreed proportion.

(d) The payment for a part of the worker's labour by the allotment of a share in the capital.

(e) The sharing in the control of the business by the representatives of labour.

The system arouses and sustains the interest of the workers in their work. By giving them a voice in the management of the factory it raises their status as well. As they have become partners in the business, they try to make it a very profitable enterprise.

(xi) Accelerating Premium Systems

These are the systems which provide for a guaranteed minimum wage for output below standard.

Check Your Progress

1. List the categories of short-term plans.
2. What is Rowan Premium Plan?

4.3 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Short-term plans may be broadly classified into three categories:
   (a) Systems under which the rate of extra incentive is in proportion to the extra output
   (b) Systems under which the extra incentive is proportionately at a lower rate than the increase in output
   (c) Systems under which the rate of incentives is proportionately higher than the rate of increase in output
2. In the Rowan Plan, the time saved is expressed as a percentage of the time allowed, and the hourly rate of pay is increased by that percentage so that total earnings of the worker are the total number of hours multiplied by the increased hourly wages.

4.4 SUMMARY

- Halsey Premium Plan is a time-saved bonus plan which is ordinarily used when accurate performance standards have not been established.
- Halsey-Weir Premium Plan is similar to the Halsey Premium Plan except that 50 per cent of the time saved is given as premium to the worker.
- Merric's Multiple Piece Rate Plan, too, is based on the principle of a low piece rate for a slow worker and a higher piece rate for higher production; but the plan differs from Taylor's plan in that it offers three graded piece rates instead of two.
- Under Emerson Efficiency Plan, a standard time is established for a standard task. The day wage is assured. There is no sudden rise in wages on achieving the standard of performance. The remuneration based on efficiency rises gradually. Efficiency is determined by the ratio between the standard time fixed for a performance and the time actually taken by a worker.
- Under Co-Partnership System, not only does a worker share in the profits of the undertaking but he also takes part in its control and, therefore, shares responsibilities.

4.5 KEY WORDS

- **Scanlon plan:** This is a profit sharing program in which employees share in pre-established cost savings, based upon employee effort.
- **Bedaux Plan**: This is an incentive scheme in which the standard time for the completion of a job is fixed and the rate per hour is defined.

4.6 SELF ASSESSMENT QUESTIONS AND EXERCISES

NOTES

Short-Answer Questions

1. Write a short note on short-term plans.
2. Make a list of some important wage incentive plans.
3. Write a brief note Emerson Efficiency Plan.

Long-Answer Questions

1. Discuss the merits and demerits of Halsey Premium Plan.
2. Analyse the factors of Co-Partnership System.

4.7 FURTHER READINGS

Aquinas, P. G. 2005. *Human Resources Management – Principles and Practice*. New Delhi: Vikas Publishing House Pvt Ltd.

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NOTES

BLOCK - II
SPECIAL FEATURES AND MAINTENANCE OF ADMINISTRATION

UNIT 5 LONG-TERM WAGE INCENTIVE PLANS

Structure

5.0 INTRODUCTION

The 1889 International Cooperative Congress in Paris defined profit-sharing as an agreement freely entered into, by which employees receive a share, fixed in advance, of the profits. Profit-sharing systems form a part of a progressive personnel policy embodying incentive characteristics and providing results not obtained from other systems. Effective profit-sharing increases profits, enhances efficiency and creates a climate for improved employee relations. Effectiveness of these systems is determined by the desire of the individuals involved to make them a success and likewise by the involvement of the top management.

In the USA. collective bargaining is strongly encouraged in all profit-sharing plans. The Federal Labour Law states that an employer must bargain with a trade union over such plans, and that the terms of the plan come within the scope of “wages and “other terms and conditions of employment subject to collective bargaining. The bargaining must be done in good faith; however it is not necessary that he should agree to the union’s demands.

As regards the percentage of profits which the employees share, it is dependent on factors like the attitude of the employer, the stability of profits, the return on invested capital, financial structure of the business, type and size of business, and relation of the basic wage structure to the general wage in the area or locality.

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The major objective of the profit-sharing system is to strengthen the unity of interest and the spirit of cooperation. They form an effective measure to solve the problem of divergent interests on the part of the workers and management.

This unit aims to analyse the long-term plan, the convention of profit-sharing, its types and various objectives.

5.1 OBJECTIVES

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

- Understand the meaning of profit-sharing
- Enumerate the convention of profit-sharing
- Analyse the main objectives of profit-sharing
- Understand the various types of profit-sharing
- Enumerate the features of profit-sharing
- Explain the mechanisms and prerequisites of profit-sharing

5.2 LONG-TERM PLANS

These are classified into three types:

1. A standard output
2. The 'value added' by manufacturer
3. Bonus can also be calculated on the increased value of sales where this result is obtained by increased production

5.2.1 Profit-Sharing: Features, Types, Objectives and Forms

Profit-sharing is regarded as a stepping stone to industrial democracy. Professor Seager observes: 'Profit-sharing is an arrangement by which employees receive a share, fixed in advance of the profits.'

A. Features of Profit Sharing

The main features of the profit sharing scheme are:

(a) The agreement is voluntary and based on joint consultation made freely between the employers and the employees.

(b) The payment may be in the form of cash, stock of future credits of some amount over and above the normal remuneration that would otherwise be paid to employees in a given situation.

(c) The employees should have some minimum qualifications, such as tenure, or satisfy some other condition of service which may be determined by the management.

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(d) The agreement on profit sharing having been mutually accepted is binding and there is no room on the part of the employer to exercise discretion in a matter which is vital to the employees.

(e) The amount to be distributed among the participants is computed on the basis of some agreed formula, which is to be applied in all circumstances.

(f) The amount to be distributed depends on the profits earned by an enterprise.

(g) The proportion of the profits to be distributed among the employees is determined in advance.

B. Types of Profit-Sharing

Employee profit-sharing is often regarded by employers as a supplementary benefit programme. Although plans differ widely as to specific details, three basic types of profit-sharing plans are in use:

(a) Current (cash) profits are paid directly to employees in cash or by cheque or in the form of stock as soon as profits are determined (e.g., monthly, quarterly, biannually or annually).

(b) Deferred profits are credited to employee accounts to be paid at the time of retirement or in particular circumstances (i.e., disability, death, severance or under withdrawal provisions during employment).

(c) Combination by which a part of the profits is paid in cash and a part is deferred and placed in the employee's account in a trust fund.

C. Objectives of Profit-Sharing

(a) To promote industrial harmony and stabilization of the workforce.

(b) To eliminate waste in the use of materials and equipment.

(c) To instil a sense of partnership among employees and employers and to increase employee interest in the company in which he works.

(d) To attract desirable employees and retain them, thereby reducing the rate of turnover.

(e) To encourage employee thrift.

(f) To provide a group incentive for a larger output.

(g) To ensure employee security.

(h) To demonstrate some measure of social justice to employees.

D. Forms of Profit Sharing

Profit sharing may be on:

1. Industry basis
2. Locality basis
3. Unit basis

4. Department basis
5. Individual basis

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Mechanisms and Prerequisites

Usually, the share of the total profits to be distributed among participants form a fixed percentage of the corporate net profits. Sometimes, it relates to the percentage of profits prior to deduction for dividends and taxes, while at other times it involves a percentage subsequent to such deductions. At still other times, attempts are made to express the amount paid to the individuals in terms of percentage of the dividends to stockholders. As soon as the volume of the entire fund for any one year is calculated, care should be taken to immediately allocate the share of the individuals, frequently based upon the magnitude of their yearly earnings in relation to the total payroll of all the participants or their length of service and their wage levels.

Prerequisites

Beach describes several prerequisites to sound profit-sharing systems.

(*i*) Profit-sharing should not be a substitute for adequate wages but provide something "extra" to the participants.

(*ii*) Before the introduction of the systems, care should be taken to ensure that there prevails satisfactory employer-employee relations and personnel practices are sound.

(*iii*) There must be some profits available for distribution among the participants, and the enterprise should be free from continued losses.

(*iv*) Full support and cooperation of the union forms a major prerequisite to an effective profit-sharing programme.

Weaknesses of Profit-Sharing

The major weakness of the programme is that employees' earnings are linked with profits which are beyond their control and are influenced by numerous extraneous factors, such as business cycles, amount of competition, ability of the top management and allied factors. However, historically, profit-sharing programmes have been found to satisfy both the management and the employees.

5.3 INTEGRATED APPROACH AND CONCLUDING OBSERVATION ON FINANCIAL INCENTIVES

In addition to the above-mentioned three types of organization-wide incentives, attempts have been made to provide an integrated system employing different types of incentives. One of these attempts relates to the Lincoln Electric Company's incentive system introduced in 1934 which involves nine components including a piece-work wage incentive plan with a guaranteed day rate, job-evaluated base rate, merit rating, cash profit sharing, job security, stock purchase scheme for employees, advisory board, promotions and job enrichment.

Overall, as Beach[34] concludes, programmes of work incentives and labour management cooperation do not succeed exclusively because of an effective mechanical design. Indeed, an effective managerial leadership, a climate of trust and collaboration and mutuality of interests (in other words, the culture of the organization) form a vital prerequisite to effective incentive systems.

Check Your Progress

1. What do you mean by profit-sharing?
2. List some of the objectives of profit-sharing.
3. What is the integrated system of incentives?

5.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Profit-sharing is regarded as a stepping stone to industrial democracy. Professor Seager observes: 'Profit-sharing is an arrangement by which employees receive a share, fixed in advance of the profits.'
2. Some of the objectives of Profit-Sharing are:
    (a) To promote industrial harmony and stabilization of the workforce.
    (b) To eliminate waste in the use of materials and equipment.
    (c) To instil a sense of partnership among employees and employers and to increase employee interest in the company in which he works.
3. In addition to the above-mentioned three types of organization-wide incentives, attempts have been made to provide an integrated system employing different types of incentives. One of these attempts relates to the Lincoln Electric Company's incentive system introduced in 1934 which involves nine components

5.5 SUMMARY

- Profit-sharing is regarded as a stepping stone to industrial democracy. Professor Seager observes: 'Profit-sharing is an arrangement by which employees receive a share, fixed in advance of the profits.'
- Employee profit-sharing is often regarded by employers as a supplementary benefit programme.

NOTES

- Usually, the share of the total profits to be distributed among participants form a fixed percentage of the corporate net profits. Sometimes, it relates to the percentage of profits prior to deduction for dividends and taxes, while at other times it involves a percentage subsequent to such deductions.
- The major weakness of the programme is that employees' earnings are linked with profits which are beyond their control and are influenced by numerous extraneous factors, such as business cycles, amount of competition, ability of the top management and allied factors.
- A. Beach concludes, programmes of work incentives and labour management cooperation do not succeed exclusively because of an effective mechanical design. Indeed, an effective managerial leadership, a climate of trust and collaboration and mutuality of interests (in other words, the culture of the organization) form a vital prerequisite to effective incentive systems.

5.6 KEY WORDS

- **Stock**: It is a share in the ownership of a company. Stock represents a claim on the company's assets and earnings.
- **The Lincoln Electric Company**: It is an American multinational and a global manufacturer of welding products, arc welding equipment, welding consumables, plasma and oxy-fuel cutting equipment and robotic welding systems.

5.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. Write a short note on the types of long-term plans.
2. Write in brief about the features of profit-sharing.
3. Write a short note on various forms of profit-sharing.

Long-Answer Questions

1. Discuss the mechanisms and prerequisites of profit-sharing.
2. Analyse the weaknesses of profit sharing.

5.8 FURTHER READINGS

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UNIT 6 FRINGE BENEFITS

NOTES

Structure

6.0 INTRODUCTION

As is normally understood, benefits offered by the employer to the employee are termed as 'fringe. Experts have defined this term differently as there is no consensus on some of the aspects associated with fringe benefits. There are 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. There are also differences on whether the benefits which have been legally provided for should be included among the 'fringes'. Then there are those who argue that 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. According to the Employers' Federation of India, 'The term also includes the monetary equivalent of free lighting, water, fuel, etc., which are provided for workers, and subsidized housing and related services.' However, one should also keep in mind that there are difference between 'wages and 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. One important factor is that the benefits and services should be cost effective. Implementing the fringe benefits in a company is not enough for the proper functioning of the company and employee satisfaction. It is necessary to monitor the fringe benefits to ensure that they are implemented properly and utilized fully by the employees of the company.

Job evaluation is an integral process to determine the worth of job and helps the employer fix salary and wages for individuals' abilities or performance of the workers. However, according to experts, certain broad principles should be kept in mind before implementing a job evaluation programme. There are analytical and non-analytical methods to determine the relative worth of all jobs in the enterprise.

This unit aims at analysing the significance of fringe benefits and bringing in various aspects of job evaluation.

6.1 OBJECTIVES

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

- Understand the meaning of fringe benefits
- Enumerate the features of fringe benefits
- Analyse the main objectives of fringe benefits and service programmes
- Understand the role of monitoring fringe benefits
- Enumerate the concepts and definitions of job evaluation
- Explain the objectives and methods of job evaluation

6.2 FRINGE BENEFITS: AN OVERVIEW

These benefits are usually known as '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.' 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 because 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' 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.

6.2.1 Special Features of Fringe Benefits

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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. 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

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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.

6.2.2 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 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

6.2.3 Principles of Fringe Benefits

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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.

6.2.4 Types of Fringe Benefits

As we have discussed above, fringe benefits can be 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 6.1) 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 6.2.

Table 6.1 *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

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Table 6.2 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

6.2.5 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
- Insurance benefits
- Compensation benefits
- Pension plans
- ***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.
- ***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.

6.2.6 Monitoring Fringe Benefits

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Implementing the fringe benefits in a company is not enough for the proper functioning of the company and employee satisfaction. It is necessary to monitor the fringe benefits to ensure that they are implemented properly and utilized fully by the employees of the company. The following must be performed to monitor the fringe benefits:

1. Setting up benefit objectives
2. Assessing environmental factors
3. Determining competitiveness
4. Conveying benefit information
5. Controlling benefit costs and evaluation

Figure 6.1 shows the sequence of various steps involved in monitoring fringe benefits.

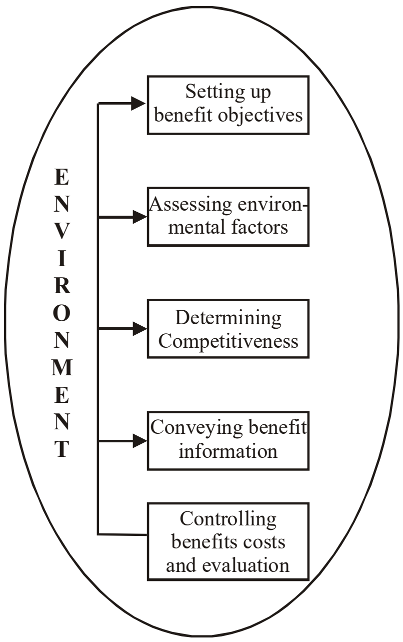

Fig. 6.1 *Various Steps of Monitoring Fringe Benefits*

1. *Setting up benefit objectives:* To ensure the proper implementation of fringe benefits, a company needs to set up certain objectives for the benefit programmes. The following are the main objectives that must be accomplished while setting up fringe benefits:
   - Encouraging external competitiveness
   - Enhancing cost-effectiveness

- Fulfilling the needs and preferences of each employee
- Adhering to the legal compulsion

2. *Assessing environmental factors:* While monitoring the fringe benefits, a company needs to identify various internal and external environmental factors that may affect the fringe benefits provided to the employees. External factors include government policies and regulations, unions and economic factors. Internal factors include the economic conditions. It means that if a company is well established, it can provide better fringe benefits to its employees than an emerging company.
3. *Determining competitiveness:* While monitoring the fringe benefits, a company also needs to assess the fringe benefits provided by its competitors to their employees. To monitor the competitor's strategies of providing fringe benefits, the company needs to conduct surveys to obtain information about various benefits offered by their competitor.
4. *Conveying benefit information:* The employees of a company must be informed about the different types of benefit programmes through different communication media such as booklets, regular employee meetings, brochures and slide presentations. The most effective method of conveying the benefits information to the employees is through calendars, in which each month shows the benefits and services availed by the employees of the company every month.
5. *Controlling benefit costs and evaluation:* An important method of determining the usefulness of the fringe benefits is to ascertain the extent to which the non-monetary fringe benefits are helpful to the employees. To obtain the correct feedback about the non-monetary fringe benefits, the following questions should be answered:
   - Have the earnings of the employees enhanced?
   - Have the benefits provided by the company able to attract the employees?
   - Has the confidence of the employees risen?
   - Have the industrial relations of the company improved?

The answers of the above-mentioned questions help the HR manager to assess the effectiveness of the fringe benefits.

Check Your Progress

1. Why is it difficult to define a fringe benefit?
2. List the types of fringe benefits.

6.3 UNDERSTANDING JOB EVALUATION

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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.

Kimball and Kimball define job evaluation as, 'An effort to determine the relative value of every job in a plant to determine what the fair basic wage for such a job should be.'

Wendell French defines job evaluation as, 'A process of determining the relative worth of the various jobs within the organization, so the differential wages may be paid to jobs of different worth.'

The British Institute of Management has defined job evaluation as, 'The process of analysis and assessment of jobs to ascertain reliably their relative worth, using the assessment as a basis for a balanced wage structure.'

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.'

6.3.1 Objectives of Job Evaluation

According to Knowles and Thomson, 'Job evaluation is useful in eliminating many evils to which nearly all systems of wage and salary payments are subject. They are as follows:

(i) Payment of high wages and salaries to persons who hold jobs and positions not requiring great skill, effort and responsibility

(ii) Paying beginners less than they are entitled to receive in terms of what is required of them

(iii) Giving raise to persons whose performance does not justify it

(iv) Deciding rates of pay on the basis of seniority rather than ability

(v) Payment of widely varied wages and salary for the same or closely related jobs and positions

(vi) Payment of unequal wages and salaries on the basis of race, sex, religion or political differences'

6.3.2 Principles of Job Evaluation

According to Kress, certain broad principles should be kept in mind before implementing a job evaluation programme. These principles are as follows:

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(i) Rate the job and not the man. Each element should be rated on the basis of what the job itself requires.

(ii) The elements selected for rating purposes should be easily explainable in terms and as few in number as will cover the necessary requisites for every job without any overlapping.

(iii) The elements should be clearly defined and properly selected.

(iv) Any job rating plan must be sold to foremen and employees. The success in selling it will depend on a clear-cut explanation and illustration of the plan.

(v) Foremen should participate in the rating of jobs in their own departments.

(vi) Maximum cooperation can be obtained from employees when they themselves have an opportunity to discuss job ratings.

(vii) In talking to foremen and employees, any discussion of money value should be avoided. Only, point values and degrees of each element should be discussed.

(viii) Too many occupational wages should not be established. It would be unwise to adopt an occupational wage for each total of point values.

6.3.3 Advantages of Job Evaluation

According to an ILO publication, job evaluation enjoys the following advantages:

(i) Job evaluation is a logical and, to some extent, an objective method of ranking jobs relative to one another. It may help in removing inequalities in existing wage structures and in maintaining sound and consistent wage differentials in a plant or industry.

(ii) In the case of new jobs, the method often facilitates fitting them into the existing wage structure.

(iii) The method helps in removing grievances arising out of relative wages. It also improves labour-management relations and workers' morale. In providing a yardstick, by which workers' complaints or claims can be judged, the method simplifies discussion of wage demands and enables differences in wages to be explained and justified.

(iv The method replaces the many accidental factors occurring in less systematic procedures, of wage bargaining by more impersonal and objective standards, thus establishing a clear basis for negotiations.

(v) The method may lead to greater uniformity in wage rates, thus simplifying wage administration.

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(vi) The information collected in the process of job description and analysis may also be used for the improvement of selection, transfer and promotion procedures on the basis of comparative job requirements.

(vii) Such information also reveals that workers are engaged in jobs requiring less skill and other qualities than they possess, thereby pointing to the possibility of making more efficient use of the plants' labour.

6.3.4 Limitations of Job Evaluation

There are a number of limitations of job evaluation. These are as follows:

(i) Though it is claimed that job evaluation is an objective and logical method of ranking jobs and removing unjust differentials in the existing wage structure, in practice, it is not so. Rapid changes in technology have given rise to problems of adjustment.

(ii) Justifying different rates of pay for different jobs often becomes a difficult task for the management. When job evaluation is applied for the first time in any organization, it creates doubts and fears in the minds of employees.

(iii) Job evaluation takes a long time to install. It may be costly and therefore, the possibility of implementing the changes may be restricted by the financial limits within which the firm has to operate.

(iv) Job factors fluctuate because of changes in production. Therefore, frequent evaluation of a job is essential. This requires specialized technical personnel and may be costly.

(v) Higher rates of pay for some jobs and lower rate of pay for some other jobs based on job evaluation often give rise to human relations problems and lead to grievances among those holding jobs which are allocated lower wages.

(vi) Job evaluation fails to consider a number of variables like supply and demand of a particular skill, career prospects, and social status, which influence the value of a given job.

(vii) Job evaluation is a highly subjective process because it is based on human judgement.

(viii) Traditional job evaluation is not well suited to determine the relative worth of managerial jobs.

(ix) Job evaluation tends to destroy traditional wage differentials which have had long-standing acceptance.

6.3.5 Techniques of Job Evaluation

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:

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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.

A. 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.

B. 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 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.

A. **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.

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B. 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:

(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.

A. 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.

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(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.

B. 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, 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.

A. **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.

B. **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.

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Check Your Progress

3. How has job evaluation been defined by experts?
4. List some of the advantages of job evaluation.

6.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. It is difficult to define what a fringe benefit is because 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' 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'.
2. Fringe benefits can be 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, whereas benefits such as company newspaper and company service that cannot be associated with any money value are known as non-monetary benefits.
3. Kimball and Kimball define job evaluation as, 'An effort to determine the relative value of every job in a plant to determine what the fair basic wage for such a job should be.'

   Wendell French defines job evaluation as, 'A process of determining the relative worth of the various jobs within the organization, so the differential wages may be paid to jobs of different worth.'
4. According to an ILO publication, job evaluation enjoys the following advantages:

   (i) Job evaluation is a logical and, to some extent, an objective method of ranking jobs relative to one another. It may help in removing inequalities in existing wage structures and in maintaining sound and consistent wage differentials in a plant or industry.

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(ii) In the case of new jobs, the method often facilitates fitting them into the existing wage structure.

(iii) The method helps in removing grievances arising out of relative wages. It also improves labour-management relations and workers' morale.

6.5 SUMMARY

- 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 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.
- 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.
- Fringe benefits can be 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.
- Implementing the fringe benefits in a company is not enough for the proper functioning of the company and employee satisfaction. It is necessary to monitor the fringe benefits to ensure that they are implemented properly and utilized fully by the employees of the company.
- According to Knowles and Thomson, 'Job evaluation is useful in eliminating many evils to which nearly all systems of wage and salary payments are subject.
- 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.
- 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.

NOTES

- Under the job classification system, a number of pre-determined grades or classifications are first established and then the various jobs are assigned within each grade or class.
- It is very difficult to give a fair evaluation of the relative worth of each job in the organization.
- The factor comparison 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.

6.6 KEY WORDS

- **ILO**: The international labour organization is a United Nations agency dealing with labour issues, particularly international labour standards, social protection, and work opportunities for all.
- **Christmas bonus**: Many employers in the UK provide a Christmas bonus to their staff. Amounts vary widely, and may be supplemented by gifts from customers, known as Christmas boxes, usually paid direct. Some employers provide an annual bonus at other times of the year.

6.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. Write a short note on the features of fringe benefits.
2. Write in brief about the various benefits of fringe benefits.
3. Write a short note on the implementation of the fringe benefits.
4. State the main objectives of job evaluation
5. Write a short note on the ranking system of job evaluation.

Long-Answer Questions

1. Discuss the various principles of fringe benefits.
2. Analyse the impact of fringe benefits on the workers and the organisations.
3. Elucidate the principles of job evaluation.
4. Discuss in details the limitations of job evaluation.

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6.8 FURTHER READINGS

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UNIT 7 METHODS OF JOB EVALUATION

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Structure

7.0 INTRODUCTION

Every job has its own demands that need to be filled and accomplished by the employee or the person who has been assigned that job. Therefore every organisation must adopt some method to evaluate each aspect of jobs qualitatively and quantitatively. Evaluation is often done comparing the performance with some set standards or norms. Depending upon the job description, some standards are required to be set up for work measurement. Experts have developed four major systems or methods of job evaluation: ranking method, grading or classification method, point method and factor comparison method.

Ranking method involves ranking of jobs by comparing their relative significance and levels of difficulty. The jobs ranked in this way will provide a basis

NOTES

to rank other jobs not covered in the second round of ranking. Thus, an effort may be made to build a successively more detailed series of references by which the ranks of still other jobs can be determined. There may be some jobs which are rated at par with other jobs and thus, assigned the same rank. However, experts say that the simplicity of the ranking method is its major disadvantage.

Classification overcomes some of the limitations of the ranking system by incorporating a well-defined and graduated scale of criteria against which different jobs are compared and classified into pay scales. The process of constructing and writing a scale of grade descriptions involves drafting and redrafting statements which represent the nature, difficulty and responsibility of the jobs which are likely to fall in each grade. The point system is widely used in view of its efficacy to overcome most of the snags in ranking and grading systems. Factor Comparison Method is the most precise and objective method. It was developed in 1926 by Eugene Benge, an American consultant. It forms a mixture of the ranking and point systems. Job evaluation is concerned with assessing the value of one job in relation to another for it is only when each job has been properly evaluated that a sound wage structure can be built.

This unit aims at analysing methods or systems of job evaluation and explains the use of these methods to evaluate workers' performance.

7.1 OBJECTIVES

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

- Understand the methods/systems of job evaluation
- Enumerate the types of job evaluation
- Analyse the function of Ranking Method of evaluation
- Understand the advantage and limitations of classification method
- Enumerate the Point System of job evaluation
- Explain the essentials of success of job evaluation

7.2 BASIC JOB EVALUATION METHODS

As indicated earlier, there are four major systems or methods of job evaluation: ranking method, grading or classification method, point method and factor comparison method.

7.2.1 Ranking Method

It is a highly simple and least costly method. Its installation requires the minimum input of time and effort. It involves ranking of jobs by comparing their relative significance and levels of difficulty. For convenience, the title and capsule description of each key job can be put on the cards. Suppose, three key jobs have been

NOTES

selected. One card can be prepared for each of the three jobs, and the raters may be asked to indicate which job should have the highest rank, which is the lowest, and which one appears to represent the middle position between the two extreme jobs. The three job cards are considered as reference points. An attempt is made to compare these key jobs with the remaining jobs, one by one, and to determine whether the latter jobs are below or above the former jobs.

The jobs ranked in this way will provide a basis to rank other jobs not covered in the second round of ranking. Thus, an effort may be made to build a successively more detailed series of references by which the ranks of still other jobs can be determined. There may be some jobs which are rated at par with other jobs and thus, assigned the same rank. When the final series is reviewed and a consensus is arrived at, the rank order of each job in the enterprise may be recorded. This hierarchy of internal job relationships can be fitted into a pay structure which will indicate differentials in terms of rupees with respect to all significant rank-order differences for different jobs.

7.2.2 Criteria for Guidance of Raters

With a view to avoid using one's own informal guides by each rater, a certain common criteria can be evolved to guide all raters in determining the overall differences in the relative worth of different jobs. These criteria may include factors such as amount of training or prior experience required, complexity of duties and responsibility for dealing with others, etc. Thus, the predetermined written guide may enable the raters to have a common basis for discussion and resolution of differences in rankings assigned to jobs under review. Moreover, several other measures may be undertaken as a safeguard to improve the accuracy and reliability of this system. An attempt may be made to set aside the initial rankings, and repeat them after several weeks without any reference to the original ones. The raters may compare the two trial ratings to resolve differences, if any, with respect to certain positions with the help of further detailed job description information. Alternatively, the raters may be requested to rank the jobs beforehand prior to joining the team of other raters.

This 'homework' in the form of studying job description and formation of independent opinion about how jobs should be related goes a long way in reducing the possibility of any hasty decisions. Their independent rankings can be summated and averaged, and a summary of how they deviate on certain jobs should be prepared before they assemble together. The group may discuss the ranking differences to resolve them by insisting averaged ratings or majority voting. In situations where a large number of jobs are involved, the method of paired comparisons may be used to arrive at smooth ranking. While using this method, all jobs may be listed and each job may be paired at random with every other. The raters are asked to underline or encircle their choice indicating which of the two should have a higher rank. The rank order of a particular job is revealed by the frequency with which it is underlined or encircled. Take the example given in the

NOTES

box here. In this example, the job of paster ranks first, followed by cameraman, feederman, painter and binder.

Feederman	Paster
Binder	Feederman
Paster	Painter
Cameraman	Binder
Painter	Cameraman
Paster	Binder
Painter	Feederman
Feederman	Cameraman
Cameraman	Paster
Binder	Painter

7.2.3 Steps in the Ranking Method

Overall, this method involves five steps: preparation of job descriptions, selection of raters and key jobs, ranking of key jobs in relation to each other, ranking of all jobs in relation to key jobs and preparation of job classification based on the rating to provide the same wage rate for all jobs falling in a single group.

7.2.4 Disadvantages of the Ranking Method

As Kelly15 points out, the simplicity of the ranking method has its major disadvantage. *First*, there is no record of why jobs are ranked as they are. This creates complications in explaining and justifying the rankings to executives and employees. *Second*, there is enhanced possibility that rater's bias and inconsistencies may creep into the process of ranking in view of a lack of objective standards for weighing one job against another. *Third*, although the ranking provides an order of relative worth of a particular job, it does not have a built-in mechanism to indicate how close or how far apart that worth is from job to job. Last but not the least, with an increase in the number and divergence of jobs, there is increasingly decreased possibility that the raters will be familiar with all of them.

7.2.5 Grading or Classification Method

This method overcomes some of the limitations of the ranking system by incorporating a well-defined and graduated scale of criteria against which different jobs are compared and classified into pay scales. An attempt is made to write grades or job descriptions in a way that successively greater amount of job skills requirement, decision-making and responsibility embodied in varied types and range of jobs can be easily identified and defined. It enables the evaluators to clearly visualize distinctions between grade levels by reviewing each grade description and thus, judge which one fits the job. Explicitly, the process of constructing and writing a scale of grade descriptions involves drafting and redrafting statements which represent the nature, difficulty and responsibility of the jobs which are likely to fall in each grade. Accordingly, prior to the development of such a scale, care must be taken to ascertain in the type and range of jobs which are to be classified by it. For example, while devising a grading system for office positions, one must ensure whether supervisory positions in any of the job families are to be included or excluded.

Attempts should be made to have as comprehensive a grade definition as possible so that it can be applied to each of the several office job families and the topmost jobs must fit into the highest grade. Another measure to be taken beforehand relates to determination of the tentative number of pay grades viewed necessary so that they can be taken into account while preparing job descriptions. The process of making distinctions between grades becomes easier with the diminishing number of pay scales. However, if the pay grades are very few, several jobs which should be at different pay levels, tend to fall within a single pay scale. Each grade level may have some common distinguishing features which can be used as basis for developing the scale of grade definitions. The scale can also be developed by making a rough ranking of the jobs and reviewing the jobs in each rank to ascertain characteristics common to them. The statements of these characteristics should be clear enough to represent the kind of job relating to each level. An attempt may also be made to cite brief examples in the grade description and indicate one or two key jobs which exemplify the entire description. The following is an example of grading or classification method of job evaluation.

7.2.6 Steps in the Grading Method

Overall, the grading or classification system involves five steps: preparation of job descriptions, making of grade descriptions, selection of graders and key jobs, grading of key jobs and classification of all jobs to provide the same wage rate for all jobs in the same grade.

7.2.7 Limitations of the Grading Method

Notwithstanding its widespread application in civil services, there are several limitations of this method.

(*i*) Theoretically, it may be possible to evolve grade descriptions to assess whole jobs but practically, it is difficult to operate the scale even where a few types of jobs are to be assessed. The difficulty of writing the scale and interpreting the original grade descriptions increases with the increasing diversity of positions.

(*ii*) This system does not have any built-in record to justify why the job was classified in a specific grade in view of the overall matching of the job with an overall grade definition. It causes doubts about the efficiency of this system.

(*iii*) It may be possible that some jobs are partly in line with the definition of one grade and partly with the other.

NOTES

Resolutions of such dilemmas are possible only through certain arbitrary and inconsistent ground rules. Because of varied inadequacies of these two qualitative methods of job evaluation, an attempt has been made to evolve quantitative methods—point system and factor comparison.

7.2.8 The Point System

This method was developed in 1924 by M.R. Lott in the USA. It is widely used in view of its efficacy to overcome most of the snags in ranking and grading systems. It involves evaluation of varied aspects or factors which are important as well as common to a number of jobs. The job under evaluation is analyzed and compared to a predefined yardstick for each factor to ascertain the extent to which it is required or obtained in the job. Attempts are made to measure in points the extent to which the specific factor is needed or obtained in the job, and to work out the total point value for the job by summating the separate point values assigned to each factor. An index of the relative worth of the jobs can be derived from these point scores which can also be transformed into money values by placing jobs falling within specified range of point totals in the same pay grade. As the validity, reliability and acceptability of job evaluation by this method depend upon the factors used by the evaluator, it is important that those factors are properly selected, Defined and assigned weights. This necessitates a consideration of several measures.

7.2.9 Handling the Factors Used

The following considerations should be taken into account in handling the factors used. These are as follows:

(*i*) Each factor must differentiate one job from the other in terms of the level of difficulty, importance and worth.

(*ii*) It must embrace most of the jobs under evaluation and its amount should vary from job to job.

(*iii*) As different factors are of varying significance for ascertaining the relative worth of a job, an attempt should be made to assign a weight to each of them in terms of their contribution to the overall worth of these jobs.

(*iv*) There must not be any overlap among factors (in other words, they must not measure the same quality twice under different names) with a view to ruling out the possibility of an assignment of undue extra weight to the same factor and distortion of the real relationships among the jobs.

(*v*) The selected factors and their definitions must be acceptable to people who must perceive them as a fair, natural and complete set of yardstick to evaluate a particular group of jobs in their organization.

(*vi*) As too many factors blur the judgement and enhance the possibility of overlap and too few factors hamper the flexibility of the scale in differentiating divergence among jobs, there must be an optimal number of factors to accomplish a balance between completeness and simplicity in evaluation.

(*vii*) With a view to having the same interpretation by different evaluators, the factors must be defined in adequately clear and objective terms so that they represent the real quality which they purport to measure.

7.2.10 Scaling the Factors

The perceivable increase in each factor can be shown in an ascending scale in the form of a series of degree definitions which forms the yardstick of that factor. The highest and the lowest degree on this yardstick must define the greatest and the least amounts of the factors obtained within the range of jobs under evaluation, respectively. Although there may be one or more gradations between these two extreme points, care should be taken not to have elusive distinctions between them. Indeed, the clearly 'visible' levels must be defined, and a consensus must be reached in this respect. Of course, the nature of different factors and the range of jobs determine the number of these levels. Attempts may also be made to select and compare key jobs with the degree definitions to ensure the clarity, conciseness and objectivity of these definitions. Institutions where difficulties and disagreements arise with respect to them, attempts should be made to rework them to facilitate their uniform understanding and application by the evaluators. Further, care should be taken to determine the weight of each factor so that its priority can be assigned in making a job important and complicated. The judgements of persons engaged in evolving the evaluation scheme must be pooled to ascertain the percentage assignable to different factors, which in combination represent 100 per cent value of a job.

As it is not possible to derive formulae for ascertaining factor weights, an attempt may be made to use independent as well as group judgements of evaluation for determining the most appropriate weights. The extent to agreed percentage weights assigned to the factors can be used as a basis to ascertain in the same proportion the number of points to be assigned to the first degree of each factor. Assignment of point value to the remaining degree in each factor is made by arithmetic or geometric progression from the value of the first degree. If degree values increase in arithmetic progression, the value of the first degree is added to the value of the preceding degree to work out the point value of the next degree (Table 7.1). Again, an attempt is made to transform point scores for jobs into pay-grade assignment. This is done by establishing constant point spreads or point totals. Here, care should be taken to determine the point spreads through a thorough study of the varying job relationships stemming from the application of different point spreads.

NOTES

Table 7.1 Weights and Points Assigned to Factors and Degrees in an 8-Factor Point Plan

	Factors	*Weights (%)*	*1st degree*	*2nd degree*	*3rd degree*	*4th degree*
1.	Responsibility/accountability	20	20	40	60	80
2.	Supervision exercised	15	15	30	45	60
3.	Contacts with others	15	15	30	45	60
4.	Confidentiality	10	10	20	30	40
5.	Complexity/problem-solving	20	20	40	60	80
6.	Working conditions	5	5	10	15	20
7.	Physical effort	5	5	10	15	20
8.	Preparation and training	10	10	20	30	40
			100			

An Example: An example of 8-factor job evaluation plan from personnel literature16 is cited in Table 7.1 showing factors, weights and points. While the first degree shown against each factor in the table indicates the minimum points, the fourth degree represents the maximum points. Thus, the first degree of the complexity/problem-solving factor has the following description of characteristics and measures—clearly prescribed standard practices, readily understood rules and procedures, established rules to analyze non-complicated data (typical key job: billing clerk). The fourth degree of this factor involves independent judgement in taking decisions which are not subject to review and regular exercise of developmental or creative abilities in policy development (typical key job: executive director).

7.2.11 An Overview of the Point System

Overall, point system involves selection of factors relevant for all jobs in purview embracing areas of skill, effort, responsibility and working conditions. Attempts are made to divide each factor into degrees or levels and assign a point value to each level. This follows definition of each level and comparison of each job in terms of each factor. The aggregate of the point values assigned to different factors provides the total point for the job.

7.2.12 Advantages of the Point System

As Kelly observes, the point system forms the most popular method of determining the worth of a job. Because of descriptive fixation of rating scales, the point system is more consistent than the ranking and grading methods. This method also embodies built-in mechanism to demonstrate why one job is evaluated higher than the other. Thus, there is little possibility for manipulation by this system.

7.2.13 Limitations of the Point System

However, its major weaknesses relate to the requirement of enough time, effort and care in devising a point plan. In conjunction with skill and insightful judgement, the selection of proper factors, definition of clear-cut degrees of each factor and establishment of point values necessitate painstaking study, development and testing. Last but not the least, the process of job evaluation using this method in itself is slower than the ranking and grading methods in view of rating judgements for several factors and their documentation.

7.2.14 Factor Comparison Method

This is the most precise and objective method. It was developed in 1926 by Eugene Benge, an American consultant. It forms a mixture of the ranking and point systems. Like the point system, it involves selection and definition of factors. However, it does not involve the use of written degree definitions. An attempt is made to rank key jobs under different factors and finally assign numerical value to each ranked job which forms a 'degree' of these factors. Accordingly, the key jobs form the rating scale for each factor, while other jobs are compared with them, factor by factor, to ascertain where they fall on each scale. The total value of the job is worked out by summating the separate amounts of each factor assigned to a particular job.

According to one approach, monetary units are used to represent the relative weights of the factors as well as reveal the value of each degree. This approach is called weighted-in-money method. It derives the rating scale from the current rates attached to key jobs. Thus, it is possible to make final evaluations in terms of such a scale and price the jobs directly.

7.2.15 Procedure for the Selection of Factors

The criteria for the selection and definition of factors are similar to those involved in the point system. The original factor comparison plans embody five factors: mental requirements, skill requirements, physical requirements, responsibility and working conditions (Table 7.2). An attempt is made to indicate key jobs on the yardstick of each factor. As these key jobs are used in the form of the job-comparison scale for the remaining jobs, they must be common to other organizations and precisely defined. The number of these key jobs may range from 10 to 25. While evolving the job-comparison scale, at the very outset, the key jobs are ranked under each factor.

Care should be taken to ensure that the raters are 'adequately familiar 'with the definitions of factors, key job descriptions and the ranking system. The raters are required to rank different key jobs from low to high on the first factor, followed by the second factor, and so on. Initially, they are asked to make independent rankings and then required to agree on the rank order for each factor in group discussion. This is followed by assigning weights to the factors and point values to the factor steps as implied from the key job rankings. Point values for key jobs can be derived from their horizontal and vertical relationships.

NOTES

An attempt is made to determine the relative significance of each factor within each key job and assign percentages to each factor for each job to represent the horizontal relationship. Again, the jobs are reviewed in terms of their mutual vertical relationships under each factor. The highest ranked job in each factor is assigned 100 per cent of the factor, the remaining key jobs can be assigned percentages in terms of their requirement of the factor as compared to the highest ranked job. The horizontal and vertical percentages are used as a basis for tabulation of point values, which may be slightly modified to maintain the original rank order of the key jobs in each factor.

Lastly, an attempt is made to expand the job-comparison scale consisting of key jobs by incorporating a second group of jobs (usually two for each key job) which also meet the criteria for key jobs. These supplementary key jobs are compared, ranked and assigned point values under each factor depending upon their relationships with the primary key jobs. The resulting factor yardsticks can be effectively used to rate the remaining positions in the organization. A hypothetical example of key job evaluation18 by this method is shown in Table 7.2. As the table shows, the crane driver is the lowest (say, ₹ 765) paid key job while the jig borer is the highest (say, ₹ 2,430) paid.

Table 7.2 *Hypothetical Example of Key Job Evaluation by Factor Comparison Method*

Key jobs	Mental require-ments	Skill require-ments	Physical require-ments	Responsi-bility	Working conditions	Point value
	(W = 0.25)	*(W = 0.25)*	*(W = 0.10)*	*(W = 0.30)*	*(W = 0.10)*	*(Total = 100)*
Tool fitter	80	100	50	80	40	78.0
Jig borer	90	90	60	90	30	81.0
Slinger	20	30	100	10	80	33.5
Crane driver	10	20	30	30	70	25.5
Storeman	30	10	20	40	20	26.0
Surface grinder	50	50	40	20	60	41.0
Moulder	60	70	90	60	100	69.5
Boiler maker	70	80	80	70	90	75.5
Driller	40	40	70	50	50	47.0
Inspector	100	60	10	100	10	72.0

7.2.16 An Overview of the Factor Comparison Method

Overall, the factor comparison method involves the consideration of five to seven factors common to all jobs in the enterprise such as skill, experience, mental and physical efforts, working conditions, supervisory responsibility, education, etc. This method has several steps including preparation of job description, selection of factors to be employed, selection of the raters and key jobs, assignment of a value of each factor in terms of its relative significance in the work, rating of key jobs, assignment of monetary values to each factor of every job in purview, and rating and assignment of monetary value to all jobs.

The soundness of this method stems from its reliance on job-to-job comparisons, tailor-made yardsticks for the measurement of organization's positions and built-in check on consistency. However, it embodies the snags of the point system, requires adequate effort and care to devise the rating plan and suffers from a relatively slow process of factor-to-factor evaluation.

7.2.17 An Example of Job Evaluation from Ballarpur Industries

Bhatia reports how Ballarpur Industries compares the merits and significance of one job vis-à-vis another. The chart-profile method of job evaluation has become of utmost importance in view of the flattening organizations, long-term career planning and the rationalization of reward system. As Debashish Mitra, group vice-president (HR) points out, "If you want to understand which job stands where in a hierarchy, job evaluation is the only objective way of doing so." The company uses chart-method of the HAY job evaluation developed by Hay Group consultancy firm. It has more than 1,300 management jobs. The job evaluation has enabled it to eliminate at least 200 such excess jobs. Based on three factors, i.e., know-how, problem-solving and accountability, it was possible to estimate complexity of jobs. As soon as all the jobs were awarded HAY points, it was easy to evolve the correct hierarchical levels in the company.

For example, if a CEO earned 4,224 points, while the junior-most management trainee obtained only 115 HAY points, the seniority levels were accordingly designed. There must be a difference of 15 per cent for a visible distinction between the two levels. Thus, if a superior had 304 points, the subordinate level was expected to be no higher than 264 HAY points. The company found this method to be an excellent leveller in other ways also. The process cascaded from chairman L.M. Thapar's post to the joint managing directors (i.e., Vikram Thapar and Gautam Thapar) and then to its 12-member executive committee. When it was evaluated and validated, it was then extended to the other management levels. As P.G. George, general manager (corporate management development) points out, "A formal job evaluation system has a demonstrable objectivity that makes it easier to sell the entire process to employees." In conjunction with providing a benchmark for comparing job complexities and streamlining responsibility levels, it has helped the company in flattening organizational structures and equating pay with jobs for senior managers.

Check Your Progress

1. List the types of methods of job evaluation.
2. What steps are needed in the ranking method?
3. How does grading method function for job evaluation?
4. Who developed the point system?
5. What is the factor comparison method?

NOTES

7.3 ESSENTIALS FOR A SUCCESSFUL JOB EVALUATION PROGRAMME

The International Relations Section of Princeton University presents the following conditions considered essential for conducting successful a performance appraisal programme:

1. It must be established with care and caution to ensure that:
   (i) The aims of the management are understood by all including skilled and semi-skilled workers and employees at the supervisory and management level who should fully assimilate the implications of these aims.
   (ii) In order to arrive at final scheme all related internal and external factors have to be studied.
2. It must be fully approved, supported and backed by the highest in the management's hierarchy.
3. It should be accepted by the trade unions.
4. There should be an appropriate administrative control to make sure:
   (i) The scheme is centrally co-ordinated.
   (ii) New and changed jobs must be evaluated.
   (iii) The rate changes should be controlled adequately.
   (iv) Wage surveys must be conducted to provide necessary information about the intra-plant ranges.
   (v) While taking up a performance appraisal programme, factors other than job content in deciding wages must be recognized.
5. Before launching a job evaluation programme, certain issues should be decided before- hand. They are:
   (i) Which category of employees is to be covered and up to what range?
   (ii) Who will evaluate a job–outside consultants or trade analysts or the personnel of the personnel department?
   (iii) How will the employees be consulted in regard to the method of putting the programme through?
   (iv) Does a proper atmosphere exist for launching of the programme?

7.3.1 Use of Job Evaluation

Some form of job evaluation is invariably a part of a formal wage and salary programme. Job evaluation is concerned with assessing the value of one job in relation to another for it is only when each job has been properly evaluated that a

NOTES

sound wage structure can be built. According to Sibson, job evaluation process plays a key role in wage and salary administration in the following ways:

1. Job evaluation is the most effective means of determining internal pay relationships for most types of jobs.
2. It can be used as an instrument for implementing the company's basic pay policies.
3. Equitable base-pay relationships set by job evaluation serve as a foundation for incentive or bonus plans. Through job evaluation, the company is able to establish the standard job value upon which extra incentive earnings, bonus payments or merit increases can be established.
4. Job evaluation provides a reasonable basis for personnel moves. Unless relative classes of jobs are established in the first place, managers will not know whether a personnel move represents a promotion or a demotion or a transfer.
5. Useful controls over wage and salary costs can be greatly aided by job evaluation.
6. Job evaluation provides a realistic foundation for gearing company's pay scales to the pay-scales of competing companies. This, in turn, gives reasonable assurance that the company will get the numbers and types of persons needed to operate the business and at the same time, maintain wage costs at a competitive level.
7. It assists managers in meeting day-to-day problems. This in turn contributes to the reduction of employee grievances, to higher employee productivity through higher morale and to fewer turnovers.

Check Your Progress

6. List a few essentials for a successful job evaluation programme.
7. How does job evaluation process play a key role in wage and salary administration?

7.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. There are four major systems or methods of job evaluation: ranking method, grading or classification method, point method and factor comparison method.
2. This method involves five steps: preparation of job descriptions, selection of raters and key jobs, ranking of key jobs in relation to each other, ranking

NOTES

of all jobs in relation to key jobs and preparation of job classification based on the rating to provide the same wage rate for all jobs falling in a single group.

3. Grading method overcomes some of the limitations of the ranking system by incorporating a well-defined and graduated scale of criteria against which different jobs are compared and classified into pay scales.
4. This method was developed in 1924 by M.R. Lott in the USA. It is widely used in view of its efficacy to overcome most of the snags in ranking and grading systems.
5. This is the most precise and objective method. It was developed in 1926 by Eugene Benge, an American consultant. It forms a mixture of the ranking and point systems.
6. Some of essential for conducting successful a performance appraisal programme are:
   i. It must be established with care and caution to ensure that:
   ii. It must be fully approved, supported and backed by the highest in the management's hierarchy.
   iii. It should be accepted by the trade unions.
7. Job evaluation is the most effective means of determining internal pay relationships for most types of jobs. It can be used as an instrument for implementing the company's basic pay policies. Through job evaluation, the company is able to establish the standard job value upon which extra incentive earnings, bonus payments or merit increases can be established.

7.5 SUMMARY

- There are four major systems or methods of job evaluation: ranking method, grading or classification method, point method and factor comparison method.
- The ranking system is a highly simple and least costly method. Its installation requires the minimum input of time and effort. It involves ranking of jobs by comparing their relative significance and levels of difficulty
- With a view to avoid using one's own informal guides by each rater, a certain common criteria can be evolved to guide all raters in determining the overall differences in the relative worth of different jobs.
- The process of making distinctions between grades becomes easier with the diminishing number of pay scales. However, if the pay grades are very few, several jobs which should be at different pay levels, tend to fall within a single pay scale.

NOTES

- The point system is widely used in view of its efficacy to overcome most of the snags in ranking and grading systems. It involves evaluation of varied aspects or factors which are important as well as common to a number of jobs.
- The perceivable increase in each factor can be shown in an ascending scale in the form of a series of degree definitions which forms the yardstick of that factor. The highest and the lowest degree on this yardstick must define the greatest and the least amounts of the factors obtained within the range of jobs under evaluation, respectively.
- Overall, point system involves selection of factors relevant for all jobs in purview embracing areas of skill, effort, responsibility and working conditions. Attempts are made to divide each factor into degrees or levels and assign a point value to each level.
- Factor comparison method forms a mixture of the ranking and point systems. Like the point system, it involves selection and definition of factors. However, it does not involve the use of written degree definitions.
- The criteria for the selection and definition of factors are similar to those involved in the point system. The original factor comparison plans embody five factors: mental requirements, skill requirements, physical requirements, responsibility and working conditions
- The chart-profile method of job evaluation has become of utmost importance in view of the flattening organizations, long-term career planning and the rationalization of reward system.
- If a CEO earned 4,224 points, while the junior-most management trainee obtained only 115 HAY points, the seniority levels were accordingly designed. There must be a difference of 15 per cent for a visible distinction between the two levels.
- Job evaluation provides a realistic foundation for gearing company's pay scales to the pay-scales of competing companies. This, in turn, gives reasonable assurance that the company will get the numbers and types of persons needed to operate the business and at the same time, maintain wage costs at a competitive level.

7.6 KEY WORDS

- **Hay Job Evaluation**: This is a method used by corporates and organizations to map out their job roles in the context of the organizational structure. The general purpose for carrying out job evaluations using this is to enable organizations to map and align their jobs.
- **Wage Surveys**: These are the tools used to determine the median or average compensation paid to employees in one or more jobs.

7.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

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Short-Answer Questions

1. Write a short note on the ranking method of job evaluation.
2. Write in brief about the advantages of the point system.
3. Write a short note on the use of monetary units in factor comparison method of job evaluation.
4. Write a short note on the role of the rates in ranking different jobs.

Long-Answer Questions

1. Analyse the various disadvantages of the Ranking Method in job evaluation.
2. Discuss in detail the handling of factor used in job evaluation.
3. Elucidate the role of chart-profile method of job evaluation.
4. What, according to you, is the most suitable method of job evaluation? Illustrate your view with relevant examples.

7.8 FURTHER READINGS

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UNIT 8 EMPLOYEE MAINTENANCE AND INTEGRATION

Structure

8.0 INTRODUCTION

The employee and employer relationship is vital for the success and growth of company/organization. Workers need to have a strong and positive relationship with their employers. But more often than not, they are clueless about how to navigate. Each employee has his/her needs that should be addressed, such as good benefits to meet basic needs, a positive work environment, a sense of place to develop a feeling of belonging and a way to become professionally self-actualized. A holistic industrial relations make the employee and employer relationship a strong and reciprocal one. Industrial Relations Policy are closely related to broad social and economic objectives.

It has been found that insensitivity of certain managements have driven employees into the protective field of the unions. In recent times, industrial relations with legalistic orientation have come to engage the attention of the management which doesn't show concern for the safety, welfare, health, remuneration, benefits and quality of the working life of employees. Unions have begun to articulate them, organise overt and covert conflict before, during and after negotiations and they invariably get a better deal than would otherwise be possible. Employees generally began to perceive unions as their saviour and managements as selfish.

This situation has necessitated the launching of human resource development (HRD) initiatives and interventions that fit into an overall business plan wherein

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concern for organisational development is integrated with concern for individual growth and development. The state and central governments also play crucial roles in conciliation and arbitration whenever there are disputes between organization/employers and employees.

This unit aims to analyse the role of industrial relations, employer-employee relationship and institutional mechanism like human resources management, trade unions for a smooth industrial development.

8.1 OBJECTIVES

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

- Understand the employer-employee relations
- Enumerate the significance of industrial relations
- Analyse the Industry Relations Policy of India
- Understand the formation of trade unions
- Enumerate the setting up of employers association
- Explain the role of state and central governments in industrial relations

8.2 EMPLOYEE MAINTENANCE AND INTEGRATION: AN INTRODUCTION

The relationship between an employee and employer is primary. It may be referred to as employer-employee relationship or as employee relations. The relationship between employees and union(s) is secondary. The relationship may be referred to as union management relations or industrial relations. Organisations need to maintain relations with both the employees as individuals and with their groups referred to either as unions or associations. Employee's relations come within the purview of personnel/human resource functions. Union management relations are handled by industrial relations specialists within the personnel/human resource functions. Over the years, by and large, organisations seem to have found it easy and in some situations, they have been compelled to deal with aspects concerning employees with the unions.

This insensitivity of certain managements may have driven employees into the protective field of the unions. In this way, the process of neglect of employee relations began. Employee relations were relegated to a back seat. Industrial relations with legalistic orientation have come to engage the attention of the management which doesn't show concern for the safety, welfare, health, remuneration, benefits and quality of the working life of employees. Unions have begun to articulate them, organise overt and covert conflict before, during and after negotiations and they invariably get a better deal than would otherwise be possible. Employees generally began to perceive unions as their saviour and managements as selfish. Unions are seen to provide and protect while management is perceived as striving to withhold and exploit unions. Management is seen as secretive, withholding information, feigning ignorance or indifference to grievances and ever eager to discipline and punish rather than recognise and reward.

Some managements find it difficult to deal with all the employees on an individual basis, because of the large number involved. If numbers are a problem for the management, the same is for unions too.. Some managements thought it wise to communicate with the unions and over time forfeited their right to communicate with their own employees. Employee's concerns received attention when unions articulated them. In such organisations trade unions become the de facto management. Few organisations realize that it is possible to have a balance approach for both employee relations and industrial relations without seeing the two as dichotomous.

8.2.1 Role of Human Resource Development (HRD)

This situation has necessitated the launching of human resource development (HRD) initiatives and interventions that fit into an overall business plan wherein concern for organisational development is integrated with concern for individual growth and development. Almost all HRD mechanisms refer to the neglected development and jobs of the traditional personnel function. Now the focus is on the individual employee. If management takes genuine care of employees, union(s) may feel concerned that management has started taking away their role which they, in the first instance, acquired from management because of the employees' defaults and failures. There is need to involve the union, seeking cooperation and collaboration in HRD efforts covering all employees in the organisation. Ultimately, HRD should be integrated into managerial robs, stressing the accountability of managers, at every level, to help their team members to help themselves for their own development and growth.

The integration should be such that it should result in HRD focussing on the developmental roles of the traditional personnel function, moving away from the principle of direction and control to a system based on the philosophy of consent and commitment. Good industrial relations should provide the network of rules and relations in a spirit of joint partnership and joint decision making and HRD should harmonize the concerns of both management and union for the well-being of the employees, which is contingent upon the well- being of the enterprise.

There is a dominant view that modern human resource management polices focus on the employee as an individual, reduce the emphasis on collectivism and seek to marginalize the role of trade unions. This view gains strength when managements function in the following ways:

- Substitute and support rather than supplement representative forms of employee participation/involvement through direct form of employee

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participation/investment such as suggestion schemes, quality control circles, kaizen, etc.

- Make the maintenance of union free environment a key result for the managers.
- Actively pursue anti-union or discriminatory policies against trade union members and
- Refuse to deal with trade unions' objectives

8.2.2 The Industrial Relations and its Objectives

Industrial Relations Policy is closely related to broad social and economic objectives. Industrial relations in a totalitarian set up are regimented according to the pattern and purpose by the concerned authority. However, a developed economy places greater value on the freedom of the parties to pursue their own interest with a little or no intervention of the state. The development economy maintains its intervention in the labour management relations.

According to Nair and Nair, there are four objectives for industrial relations. These are as follows:

- Improvement of economic conditions of workers.
- State control on industries for regulating production and promoting harmonious industrial relations.
- Socialisation or rationalisation of industries by making state a major employer.
- Vesting of the proprietary interest of the workers in the industries in which they are employed.

The fundamental objectives of industrial relations are to maintain sound and harmonious relations between employees and employers. The other objectives drawn from this are:

1. To safeguard the interests of labour as well as management by securing the highest level of mutual understanding and goodwill among all those parties in the industry which participate in the process of production.
2. To raise productivity to a higher level which is the need of the day to contribute to the economic development of the country.
3. To avoid all forms of industrial conflict so as to ensure industrial peace by providing better working conditions and standards to workers.
4. To establish and maintain industrial democracy based on the participation of labour in the management and profits so that an individual's personality may grow to its full stature for the benefit of the industry and the country as well.
5. To reduce the tendency of higher labour turnover and absenteeism by providing satisfaction of the workers.

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6. To avoid protests, lockouts and gheraos by providing reasonable wages and fringe benefits.
7. To establish government control over such plants and units, which are running at loss, for protecting employment or where production needs to be regulated in public interest.
8. To ensure a healthy and balanced social order through recognition of human rights in industry and adaptation of complex social relationships to the advancement in technology.

According to Lister, "Industrial relations involve attempts at arriving at solutions between the conflicting objectives and values, between the prefect motive and social gain, between discipline and freedom, between authority and industrial democracy and between conflicting interests of the individuals, the group and the community."

The objectives of industrial relations are to facilitate production; to safeguard the rights and interests of both labour and management by enlisting the cooperation of both; to achieve a sound, harmonious and mutually beneficial relationship between employers and employees.

According to Kiskaldy, "Industrial relations in a country are intimately connected with the form of its political government and the objectives of an industrial organisation may change from economic to political ends." He described the objectives of Industrial relations into four categories:

1. Improvement in the economic conditions of workers in the existing state of industrial management and political government.
2. Control exercised by the state over industrial undertakings with a view to regulating production and promoting harmonious industrial relations.
3. Socialisation or rationalisation of industries by making the state itself a major employer and
4. Vesting of a proprietary interest of the workers in the industries in which they are employed.

According to the National Commission of Labour, "The goal of labour management relations may be stated as maximum productivity, leading to rapid economic development, adequate understanding among employers, workers and government of each other's role in industry commitment to industry and to the individual way of life on the part of labour as well as management, sound unionism, efficient institutionalised mechanisms for handling industrial disputes and willingness among parties to cooperate as partners in the industrial system."

Check Your Progress

1. What do you mean by the employee relations?
2. List some of the objectives of industrial relations.

8.3 PARTICIPANTS/VARIABLES IN INDUSTRIAL RELATIONS

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According to Dunlop Systems Theory, industrial relations is defined as the complex of inter-relations among workers, managers and government. There are three main participants/variables in industrial relations. These are as follows:

1. Workers and their organisations

The personal characteristics of workers, their cultural and educational attainments, qualifications, skills and attitude to work, play an important role in industrial relations as they seek to improve their terms and conditions of employment. As members of the organisations, the workers get support from trade unions who put pressure at plant and industry level bargaining due to strong political and emotional overtones. A vital factor in all matters concerning industrial relations is the states and role of the trade union. A strong and responsible trade union is essential for sound industrial relations. It is the union which gives coherent and practical expression to the expectations and aspirations of workers and makes discussion and negotiations between the parties possible. When, as a result of the negotiations, an agreement is reached between the employer and the union on any issue in dispute, the union sees to it that the agreement is accepted and honoured by the workers. The union discourages workers from entertaining unrealistic expectation and making impossible demands by explaining to them, what is within the possibility of achievement and what is not. The existence of a strong union is itself a source of confidence to the workers that their legitimate interests will not be encroached upon. This confidence is extremely helpful in building satisfactory industrial relations.

2. Employers and their organisations

These are bureaucratic institutions which regulate the workers' behaviour for getting higher production and coordinate their action through a system of graded authority. Employers negotiate individually as well as through their association with employees' representatives to settle terms and conditions of employment. They also participate in tripartite bodies constituted by the government to regulate industrial relations.

3. Government

Government plays an increasing role in industrial relations by protecting the interest of employers and employees and regulate the activities of trade unions and employers organisation in the interest of the nation through official intervention and interaction within the social and economic environment that prevails at particular time.

All the participants interact within the social and economic environment that prevails at a particular time. Every industrial relations system creates its own complex of rules and regulations which govern the place of work and the working community. These rules and regulation may take a variety of forms in different systems. There may be agreements, written or sanctioned by custom, usage, practice or tradition or which may be the result of government policies or intervention.

8.3.1 Workers and their Organisations

A trade union is an association of workers who are engaged in securing economic benefits for its members. It is essentially a cooperative labour marketing association. Its purpose is to secure control of the supply of labour in one or more markets and to maintain that control as a means of fixing the price of labour as well as the conditions under which it works. One purpose of trade union is to advance the economic interests of its members. It also tries to advance the social political and cultural interests of its members. The traditional concept of trade union's function, which was to defend the workers' right and interests against the employers and the state, has now changed and been replaced by a new approach to its functions. These are as follows:

(i) Protection of workers and provision for their security.

(ii) Improving the wages, conditions of work and standards of living.

(iii) Raising the status of the worker as a part of industry and citizen of society and

(iv) Contributing to nation's social and economic development.

The character of the trade union has been constantly changing. The changes in technology and system of production create fresh problems. Trade unions change their methods and their working to adjust themselves to changing circumstances. Therefore, there has been no finality about trade unions, their working and their methods. They have gradually evolved and have now come to occupy an important place in modern industrial order. From criminal and illegal associations, they have now become institutions which are interested in the social, cultural and political development of the country. The trade unions have mode remarkable progress since their inception.

Trade union retains four characteristics from its early origin. These are:

(i) It is economically oriented

(ii) It is an instrument of defence

(iii) It implies class distinction

(iv) It is an outcome of an Industrial Society.

As per the Indian Trade Union Act 1926, the primary function of a trade union is to protect and promote the interests of the workers and the conditions of their employment. They can also have other objectives which are not inconsistent with the primary purpose or opposed to any law. In India, trade unions generally undertake the following functions:

(i) To achieve higher wages and better working and living conditions for the members.

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(ii) To acquire control over running of the industry by workers.

(iii) To minimise the helplessness of the individual workers by making them stand up unitedly and increasing their resistance power through collective bargaining, protecting the members against victimisation and injustice by employers.

(iv) To raise the status of the workers as partners in industry and citizens of society by demanding an increasing share for them in the management of industrial enterprises.

(v) To generate self-confidence among the workers.

(vi) To encourage sincerity and discipline among workers.

(vii) To take up welfare measures for improving the morals of the workers.

The National Commission on Law has underscored certain basic functions to which trade unions have to pay greater attention such as:

(i) To secure for wages for workers.

(ii) To safeguard the securely of tenure and improve conditions of service.

(iii) To enlarge opportunities for promotion and training.

(iv) To improve working and living conditions.

(v) To provide for educational cultural and recreational facilities

(vi) To cooperate and facilitate technological advancement by broadening the understanding of workers in the issues involved in their jobs

(vii) To promote identity of interests of the workers with their industry

(viii) To offer responsive cooperation in improving levels of production and productivity, discipline and high standards of quality.

(ix) To promote individual and collective welfare.

8.3.2 Trade Union and its Responsibility

A responsible trade union should cooperate in all crucial areas so that the tempo of growth, particularly in the industrial sector, can be speeded up. Thus trade unions should maintain these key elements:

1. A reasonable degree of peace in industry by promoting an uninterrupted flow of industrial output which will add to the national income and create the needed investment climate. A responsible union balances the short-term workers' gain with their long-term gain which will originate from a stable growth of Industry where they are employed.
2. Supporting technological change and cooperate in the introduction of new technology, new processes, new management techniques, etc. These technological changes by promoting an increase in the production also boost its efficiency and effectiveness.

3. Accept a growth- oriented wage payment system. The adoption of growth-oriented wage system enables the management to utilize workers' untapped potential.

By extending cooperation in the above areas, the trade unions will be able to promote industrial growth, in particular and economic growth, in general. The improved production brought about by the promotion of technological charges and better utilization of labour would generate higher profits which can be ploughed back into industry.

Check Your Progress

3. What is a trade union?
4. List some of the functions of trade union.

8.4 THE EMPLOYERS ORGANISATIONS

Association of employers is the union that works in the interests of employers. The increasing awareness of trade unions and efforts of International Labour Organisation (ILO) contributed to the formation of association of employers. The Royal Commission of Labour recommended that there should be an organisation of Indian employers. Earlier, there was absence of any association to represent the employers point in industrial disputes.

An employers association can be registered under any of the following bodies for legal recognition:

- The Trade Unions Act
- The Companies Act
- The Societies Registration Act

An association can also operate without registration with any of these bodies. According to Mr. Naval Tata, following reasons assert the requirement of association of employers. These are:

- To develop healthy and stable industrial relation.
- To promote collective bargaining at different levels in the industry.
- To bring a unified viewpoint of the employers on matters of industrial relations to the government in a concerted manner.
- To represent employers in meetings and conferences.

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8.4.1 Levels of the Association of Employers

The association of employers are executing following three levels:

1. Local Association

Local association work for the sales of local businessman. For example, the Bombay Mill Owners' Association works for the welfare of the owners of the manufacturing mills in the city.

2. Regional Associations

Regional Associations are affiliated to central associations that work for the sake of interests of businessmen in a particular area or region. The Employers' Federation of South India is a regional body that offers consultancy services on employment-related issues including health, safety and welfare on behalf of the employers.

3. Control Associations

They work for the sake of interests of businessmen being at the apex point of control over local and regional associations. These associations are formed to establish coordination and support for the lower level associations. All India Organisation of Employers and Employers Federation of India are central level organisations A Council of Indian Employers has been established in 1956 to combine these two separate associations.

The membership of any employers' association is available for the employers or business owners at their wish by a registration which is done under the Trade Unions Act in India. The membership is available in three types; for individual enterprise owner, for owners of group of enterprise, and for legal experts. Some other features associated with this are:

- The subscription fee charges on member employers.
- The interest on the deposit fund of subscription fee.
- The fee of conferences organized.
- The amount charged on publications of the association.
- The role of the government in Industrial Relations.

8.4.2 Role of State and Central Governments in Industrial Relations

The role of the state in industrial relations varies depending on the stage and level of development and the strategy of industrialization. The state has a direct interest in preserving industrial peace in the country. Accordingly in all industrialized developing and under developed economics steps have been taken by the state to promote healthy growth of trade unions and set up a well-organised industrial relations machinery to achieve industrial peace and prosperity with the twin objects of reducing production losses due to industrial disputes and assisting employers

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and workers towards the settlement of industrial conflicts through the conciliation and arbitration machinery.

Industrial relations in India are regulated by administration through legislation and adjudication. Labour management is in the Concurrent List of the Constitution. As a result, both the centre and the states evince interest in the regulation of industrial relations. Employers and workers can have their industrial disputes settled through direct negotiations, conciliations and adjudication instead of trial of strength. Greater emphasis is laid on the recourse to voluntary arbitration for settlement of industrial disputes.

The government plays on interventionist role. The intervention is in the form of conciliation and adjudication. The state intervention has been deemed necessary because there are numerous labour organisations which are relatively weak and all employers cannot be trusted; some of them may be profit-seeking exploiters. The government delineates certain parameters of industrial relations when the labour situation worsens on the law and order situation and gets out of hand. The state cannot be expected to be silent spectator. As a guardian of the people and of the economy of the country it has to intervene and adopt industrial relations policies which are likely to ensure social justice and industrial pace. The federal nature of the Constitution has made it imperative for the state to intervene in labour matters to ensure smooth and continuing production. During the Second World War, the Government of India referred all industrial disputes for compulsory adjudication under the Defence of India Rules. This clause was later incorporated in the Industrial Disputes Act 1947 which is today the principal instrument for prevention and settlement of under trial disputes all over the country.

A small tripartite standing committee of the Indian labour conference also exists. Besides there are industries committees which deal with special problems of their respective industries. Various tripartite bodies have also been set up to look after the working of Social Security Schemes, Technical Education, Provident Fund, etc. At the State level also, tripartite consultative bodies have been established.

The government also plays the role of the largest employer. As an employer in a mixed economy the State seeks to set standards with a view to influencing the employers in the private sector.

The intervention from a planned economy to a market economy has resulted in major shifts in the means of state intervention in industrial relations in the field of legislation, approaches to trade unions, wage settings, collective bargaining, workers' participation in management, employment security and welfare. Though labour law reforms have been slow, the attitude of the judiciary and the executive bureaucracy has been changing to achieve increased work place flexibility within the existing legal and institutional framework. Most judicial pronouncements in the post-reform have curtailed the accumulated rights of the workers in the organised work force by putting restrictions on protests, bandhs, gheraos, strikes paid leave for union work, etc.

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The government has been trying hard to simplify and rationalize the laws and formalities government employment. Trade unions have been generally cooperative in introducing negotiated changes for increased workplace flexibility. The policy framework in the sphere of labour and labour management has been varied due to stage and level of development. The legal framework is reviewed from time to time to align laws with emerging requirements and to ensure their simplification and nationalization.

The interface between government and industrial relations in centre-state relations is more complex because of the relative distribution of power and authority regarding policy making, legislation and enforcement between state government and central government. Political differences among the parties in power caused problems for industrial enterprises due to political pressures and the government policies. It is difficult to have a unified labour policy.

During the post-liberalisation period, the central government has dilly-dallied on labour reformed due to fear of the political pressure. However, some state governments have announced to bring in the requisite changes in order to woo investment and generate new jobs.

The Central Government monitors about 18 out of 68 central legislations on the various aspects of labour. The government needs to focus on some of the persistent problems that it faces with regard to its role in the industrial relations situation.

The role of the state will come under heavy scrutiny by social institutions. The state should facilitate the factors and processes that ensure that the effectiveness of industrial relations institutions and employment practices are adopted to fit into the different cultural settings of the country.

Check Your Progress

5. How is an employers association registered?
6. How many legislations on the various aspects of labour do the Central government monitor?

8.5 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The relationship between an employee and employer is primary. It may be referred to as employer-employee relationship or as employee relations.
2. Some of the major objectives for industrial relations are as follows:
    - Improvement of economic conditions of workers.

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- State control on industries for regulating production and promoting harmonious industrial relations.
- Socialisation or rationalisation of industries by making state a major employer.
- Vesting of the proprietary interest of the workers in the industries in which they are employed.

3. A trade union is an association of workers who are engaged in securing economic benefits for its members. It is essentially a cooperative labour marketing association. Its purpose is to secure control of the supply of labour in one or more markets and to maintain that control as a means of fixing the price of labour as well as the conditions under which it works.
4. These are as follows:
   - Protection of workers and provision for their security.
   - Improving the wages, conditions of work and standards of living.
   - Raising the status of the worker as a part of industry and citizen of society and
   - Contributing to nation's social and economic development.
5. An employer's association can be registered under any of the following bodies for legal recognition:
   - The Trade Unions Act
   - The Companies Act
   - The Societies Registration Act
6. The Central Government monitors about 18 out of 68 central legislations on the various aspects of labour.

8.6 SUMMARY

- The relationship between employees and union(s) is secondary. The relationship may be referred to as union management relations or industrial relations. Organisations need to maintain relations with both the employees as individuals and with their groups referred to either as unions or associations.
- Ultimately, HRD should be integrated into managerial robs, stressing the accountability of managers, at every level, to help their team members to help themselves for their own development and growth.
- The integration should be such that it should result in HRD focussing on the developmental roles of the traditional personnel function, moving away from the principle of direction and control to a system based on the philosophy of consent and commitment.

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- Industrial Relations Policy are closely related to broad social and economic objectives. Industrial relations in a totalitarian set up are regimented according to the pattern and purpose by the concerned authority. However, a developed economy places greater value on the freedom of the parties to pursue their own interest with a little or no intervention of the state.
- The objectives of industrial relations are to facilitate production; to safeguard the rights and interests of both labour and management by enlisting the cooperation of both; to achieve a sound, harmonious and mutually beneficial relationship between employers and employees.
- The personal characteristics of workers, their cultural and educational attainments, qualifications, skills and attitude to work, play an important role in industrial relations as they seek to improve their terms and conditions of employment.
- A responsible trade union should cooperate in all crucial areas so that the tempo of growth, particularly in the industrial sector, can be speeded up.
- Association of employers is the union that works in the interests of employers. The increasing awareness of trade unions and efforts of International Labour Organisation (ILO) contributed to the formation of association of employers. The Royal Commission of Labour recommended that there should be an organisation of Indian employers. Earlier, there was absence of any association to represent the employers point in industrial disputes.
- The role of the state in industrial relations varies depending on the stage and level of development and the strategy of industrialization. The state has a direct interest in preserving industrial peace in the country.
- The government plays on interventionist role. The intervention is in the form of conciliation and adjudication. The state intervention has been deemed necessary because there are numerous labour organisations which are relatively weak and all employers cannot be trusted; some of them may be profit-seeking exploiters.
- The government has been trying hard to simplify and rationalize the laws and formalities government employment. Trade unions have been generally cooperative in introducing negotiated changes for increased workplace flexibility. The policy framework in the sphere of labour and labour management has been varied due to stage and level of development.
- During the post-liberalisation period, the central government has dilly-dallied on labour reformed due to fear of the political pressure. However, some state governments have announced to bring in the requisite changes in order to woo investment and generate new jobs.

8.7 KEY WORDS

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- **The Trade Union Act, 1926:** The Act extends to the whole of India except the State of Jammu and Kashmir. Trade Unions can be registered only under the Trade Union Act, 1926.
- **The Concurrent List:** This is a list of items given in the Seventh Schedule to the Constitution of India. It includes the power to be considered by both the central and state government.
- **Post-Liberalization period**: It refers to the period of economic liberalisation in India initiated in 1991 which brought changes and reforms of the country's economic policies, with the goal of making the economy more market- and service-oriented, and expanding the role of private and foreign investment.

8.8 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. Write a short note on the human resource development (HRD) initiative.
2. Write in brief about Industrial Relations Policy.
3. Write a short note on the 'workers and their organizations'.
4. Write in brief the changing character of trade unions.
5. Write a short note on the functioning of regional associations of employers.

Long-Answer Questions

1. Analyse the various issues which arise between employers and employees.
2. Discuss the role of integration in industrial relations.
3. Elucidate the formation of employers' organization/association in India
4. Analyse the critical role of state and central government in industrial relations

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BLOCK - III
SAFETY EDUCATION FOR ADMINISTRATION

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UNIT 9 ASPECTS OF EMPLOYEES

Structure

9.0 INTRODUCTION

In this unit, we will discuss two very important aspects related to employees and their relationship with the organization. Administration support is needed in order to make sure that employee feels like a part of the organization. The two aspects of employees we will discuss in this unit are employee integration and industrial relations. 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. Orientation programs targeted at employee integration is important for overcoming employee anxiety, reality shocks and for accommodating employees.

Industrial relations deal with the relationship between labour and management and their organization. The concept of 'industrial relations' is very broad and includes in its fold all the relationships in modern industrial society which arise out of employee-employer relationships and also the role of the state in these relations.

The role of the employer in employee integration and industrial relations has changed significantly with the need for greater employee empowerment. Nurturing employee skills and providing them greater opportunities in the organization has become necessary for the employer.

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9.1 OBJECTIVES

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

- Explain the concept of employee integration
- Describe the conditions required for the maintenance of industrial peace
- Discuss the objectives and significance of industrial democracy
- Examine the scope and functional requirements of industrial development programs

9.2 EMPLOYEE INTEGRATION

Employee integration also known as employee orientation is the process of successfully integrating new employees into the organization. Effective on-boarding sets the tone for new employees. On-boarding helps to foster a positive first impression and increases the likelihood that employees will buy into the corporate culture and assimilate into the position properly. Executing the orientation process can greatly increase the new employees' satisfaction success which bodes well for retention.

On-boarding requires upfront planning and coordination to ensure that the organization has covered all areas. Depending on the size of the organization, the process may take a few hours or a few days and may involve the participation of one or more stakeholders. Efforts are made to ensure that everything that the employee needs and requires at the workplace to do the job is available and prepared before the arrival of the employee which may include the following:

- Work spaces
- Equipment such as computer software, cell phone, etc.
- Supplies such as pens, paper, stapler, keys, passwords, and codes, telephone extension and voice-mail, email account and network access, business cards, etc.

Upon commencement of employment of the employee, he/she is oriented about the following topics:

- History of the company
- Company's Mission, Vision and Values
- Organization chart
- Culture how people work and relate to each other
- Important policies and how they support the company culture

The Human Resource Department and Administration Department is required to undertake the following functions in respect of the employees:

Paper Work

Necessary paper work for completion such as employees record, pay roll, tax forms and benefits application; pay records, methods of payments, benefits, so forth; and list of employees and their coordination, operational processes and procedures.

Office Tour and Introduction

The employee is to be introduced to staff, customers and suppliers as appropriate, especially those with whom they will regularly interact. Printout location of washrooms, printers, photocopiers, stationary supplies and so forth.

Appropriate Training

Appropriate training about the followings be provided to the employees:

- Company Products and services,
- Operation such as accessing the network and using the phone system,
- Health and Safety, and
- Other areas specific to the company and or position

Job expectations

The management may undertake the following:

- Review job description,
- Set goals and objectives (Short Term and long term), and
- Provide day to day working requirements such as hours of operation, staff meeting and breaks.

Developments of healthy labour management relations

Harmonious industry relations is *sine qua non* of the progress and prosperity of an industrial establishment at the micro level and the nation at the macro level. National Commission on Labour Report, 1969 has rightly observed that 'economic progress is bound up with industrial harmony for the simple reason industrial harmony inevitably leads to more cooperation between employers and employees which results in more productivity and thereby contributes to all round prosperity of the country. In this context, modern mechanism of industrial relations emphasises the people who handle the techniques and not the techniques alone. It is now admitted all over the world, particularly in industrialised countries that for higher productivity and sound industrial relations, it is extremely important to give the workers the place of partners in industry.

Harmonious industrial relations depend upon the employer and employee relationship in the industry. Supportive interaction between the two is work outcome conditions prevailing in the industry. Industrial health relations basically depend upon the trade union abilities and employer's association. To maintain the industrial relations following cases are essential:

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- **Effective trade unions**

It offers strength to the employees to bargain for rights with employers or their representatives. Actually, it is very important to provide same opportunities to both the parties so that there can be fair bargaining. Effective trade unions are really important to protect employee's interests.

- **Effective regulations**

It offers support to the employers and employees in maintaining the industrial relations. Guidelines offered by the government standardize employer and employee relations in the industry. If regulatory measures are not effective in securing the rights of both the parties in same way, either of the parties will suffer and as a result of this, industrial unrest will occur.

- **Maintenance of healthy work condition**

The maintenance of healthy work conditions offers productive work environment in the industry. The healthy work conditions in the industry are made by offering sufficient for safety and healthy measure for the employees. As a result of this it offers protection to industry productivity.

- **Protection of employees' interest**

It brings peace in the industry. When interests of the employees are safe, they are supported and motivated to make peace in the industry.

Organizations acquire competitive edge over its competitors due to its employees. The productivity and efficiency of the employees depends on the healthy and safe work environment provided to them. Health and safety programs implemented at the organizational level foster a safe and secure environment to its workers. Such an initiative aims at minimizing the chances of risks, injuries and accidents by implementing health and safety techniques and operations.

Maintaining proper health and safety standards within the organization is essential in order to maintain high quality of work life and improve productivity and quality of work. This leads to reduction of accidents, absenteeism and labour turnover. If an employee's health is not good, he/she may not work productively towards the organizational goals. This may lead to unrest and poor performance of employees both in industrial and corporate set ups.

The existence of strong, well organized, democratic and responsible trade unions and associations of employers in an industry help bring about a greater sense of job security among the employees and assist in the workers increased participation in decision making, particularly in those decisions which affect the terms and conditions of their employment and ensure that labour has a dignified role to play in society. They also try to create favourable conditions for negotiations, consultations and discussions with employers so that these may pave the way to better labour management relations.

Collective bargaining pre-supposes an equality of status between two contending groups which are in conflict with each other and prepares the ground for mutual trust and goodwill which will ensure fair discussion, consultation and negotiation on matters of common interest to both industry and labour. The welfare work undertaken by the government, the trade unions and employers create and maintains good and healthy labour management relations and paves the way for the industrial peace.

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9.2.1 Maintenance of Industrial Peace

Industrial harmony and peace can be established if:

- A machinery for the prevention and settlement of industrial disputes is provided in the form of legislative enactments and administrative action for example, the Trade Union Act, the Industrial Disputes Act and Industrial Employment Act, Work Committees and Joint Management Councils, Conciliation Officers and Conciliation Boards, Labour Courts, Industrial Tribunals, National Tribunal Courts of Voluntary Arbitration.
- The government has armed itself with appropriate powers to refer disputes to an adjudicator when the situation gets out of control and the industry is faced with economic collapse because of strikes or when it is urgent and in the public interest to refer disputes for adjudication.
- The government has the power to maintain the status quo and exercises it when it discovers that after a dispute has been referred to an adjudicator a strike or lockout continues and that strike or lockout is likely to adversely affect the economic life of the community or create chaotic conditions in an industry.
- There is provision for bipartite and tripartite forms of the settlement of the disputes which operate on the basis of the Code of Discipline in industry. The Code of Conduct, the Code of Efficiency and Welfare and on the basis of Model Standing Orders, Grievance Redressal Procedure and the grant of voluntary recognition to trade unions by industrial organizations and,
- Implementation and Evaluation Committees are created and maintained for specific purposes of ensuring the implementation of agreements, settlements and awards and of looking into any violations of statutory provisions of the various labour laws.

Maintenance of industrial peace is one of the important aspects of industrial relations in order to increase productivity. It depends on the quality of the union-management relations at work places. In fact, proactive labour administrations of some countries have changed their focus from being a law enforcer to facilitator to maintain industrial peace. Good industrial relations avert strikes through proactive interaction. In the highly competitive area of global business, maintaining high productivity is important for the survival of the organizations.

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Check Your Progress

1. How do organizations acquire competitive edge over its competitors?
2. What does collective bargaining pre-suppose?

9.3 INDUSTRIAL DEMOCRACY

Industrial democracy means that the management in industrial units is by the people, of the people and for the people. Here people includes all those who are concerned with the industrial unit.

Industrial democracy connotes an equilibrium between the rights of the dominant industrial hierarchy and the rights of employees with a broad social objective.

Industrial democracy is also known as worker's control. According to retired professor and economist Solomon Barkin, this is a socio-political concept to philosophy of industrial organization, which focuses on the introduction of democratic procedures to restrictive the industrial power and authority relationship within organisations. He further argues that thereby it creates a system which involves determination by the whole labour force of the nature, methods and indeed purpose of production. Solomon elaborates that the central objective of industrial democracy is the establishment of employee self-management within an organization whose ownership is vested in either the employees or the state and whose managerial function is exercised ultimately through a group elected by the employees themselves. This group has the authority over all decisions of the organization including the allocation of profits between extra wages and reinvestment.

The concept of industrial democracy is a complete departure from the traditional concept of autocratic management or one man rule. Industrial democracy means the application of democratic principles in managing industrial units. In such type of system workers are treated as responsible partners of an enterprise and are allowed to participate in the decision-making process through different methods. Workers are given the right of self-expression and an opportunity to communicate their views on policy formulation. The salient features of industrial democracy are as follows:

- Workers are treated as partners in the organization and are given an opportunity to participate in the management.
- The various methods through which industrial democracy can be introduced are work committees, joint management councils, suggestion schemes, etc.

- Workers are generally allowed to participate indirectly i.e. through their representatives. This participation is restricted to certain aspects of management only. The participation of workers is sought only in those areas which are directly related to them.
- The morale of the workers is boosted as they have an effective say in the working of the enterprise where they one working. They feel as if they have been elevated to a higher status.

Prerequisites of Industrial Democracy

The conditions necessary for effective implementation of industrial democracy are as follows:

- In every organization these should be a strong trade union with effective leadership.
- There should be willingness on the part of employees to treat workers as partners.
- Industrial democracy cannot succeed unless all concerned workers, employers, government and the public fully realise its importance and its due place in the national life.
- The management and the unions should have the strong and genuine desire to deal with the industrial problems peacefully and through democratic means.

Objectives of Industrial Democracy

The objectives of industrial democracy are:

- To create a sense of belongingness of workers to the organization.
- To improve the sense of commitment to the organisational objectives, plans and activities among employers.
- To satisfy the psychological needs of the employees.
- To respect the human dignity of the employees.

Significance of Industrial Democracy

The advantages of industrial democracy are as follows:

- There would be full cooperation of employees for the implementation of decisions as they participate in decision making.
- Industrial harmony can be maintained as the employees feel the sense of belongingness.
- Productivity can be increased.

The idea of the extension of the principle of democracy to the industry is that labour should be associated in managerial decisions. The important methods to associate the workers are: Establishment of various schemes of workers' participate in the management like shop councils, joint councils, joint management councils, works committee, etc.

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Recognition of human rights in industry. The days of treating the workers as commodity are gone. Humanitarian approach to labour and human relations approach have come to stay. Hence management of various organizations should maintain human relations by recognising the human dignity and values. Creation of an environment which is materially, socially and psychologically conducive.

9.4 INDUSTRIAL RELATIONS PROGRAMME

In the new economic environment, only those companies which follow welfare-oriented policies and human resource development have healthy industrial relations.

Porter has identified three main sources of competitive advantage viz. innovation, quality and cost leadership. Innovation and quality strategies require employee commitment while cost leadership strategies are believed by management to be achievable only without a union. The logic of a market driven HRM strategy is that where high organizational commitment is sought unions are irrelevant. Where cost advantages are the goal, unions and industrial relations system appears to incur higher cost.

The Industrial Relations Manager looks upon his department as an adjunct to management supervision at all levels. He keeps other executives informed about new discoveries, programme trends and needs. He provides efficient source in the operation of several centralized sources.

A successful industrial relations programme reflects the personal viewpoint which is influenced by three main considerations:

(a) Industrialized thinking,
(b) Policy awareness, and
(c) Expected group reaction

Industrialized thinking makes it imperative for the administrator to consider the entire situation in which the affected individual is placed. Policy awareness underscores the idea of the consistency of treatment and the precedent value of any decision which a management takes.

Expected group reaction balances what we know of human nature in groups against an individual's situation in the light of the policy that has been formulated and implemented.

In all these different circumstances reality demands that all the three aspects of the personal view point should be considered at once in terms of the past, the present and the future. This viewpoint is held at all the levels of management form the top to the bottom, from the top executives and staff to the line and supervisory personnel.

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In the 21st century, the business is the responsibility of both the employee and the employer. Performance is the key driver of success, which will lead to survival. Labour relations being a crucial management function of HRM, is essential to understand that in developing workers as the integral part of the business management decisions, the biggest challenge that lies with the Industrial Relations professionals is to take up a developmental initiative in making the work force more accountable, committed as business partners. The distribution of benefits should not be based on collective bargaining, rather it should be based on business growth model which implies maximizing the profit ethically and distributing the same proportionately among all the stake holders. Organizations and unions should take initiatives in demolishing the management worker barriers and developing a mutual gain model to avail competitive advantage.

- Develop sensitivity to human needs and human problems at work and beyond work.
- Evolve a value system based on trust transparency, fairness and equity. Pay attention and practice the core values professed by the organization. In all areas of decision making, specifically transfer, promotion and reward systems, there is a need for objectivity and concern for balancing the aspirations of the people with that of the organization.
- Deal with employee grievance's promptly and explain the logic and rationale of decisions to convince the aggrieved. People cooperate when they understand.
- Review HR/LR polices and practices from time to time. Rules and procedures should unleash and facilitate not block and hinder human potential in the organization.

Scope of Industrial Relations

The concept of industrial relations has been extended to denote the relations of the state with the employers, workers and their organizations. The subject therefore includes industrial relations and joint consultations between employers and work people at their workplace, collective relations between employers and their organizations. Labour relations now-a-days are not solely determined by direct, relationship between employers and employees. State participation in the regulation of labour management relations has been constantly growing. The scope of industrial relations has extended to include the relations of the state with employers-employees and their organizations. Both the management and the labour have to realize that they are co-partners in the service of the society and develop a sense of sacrifice rather than a self-interest. This new culture may bring about a perpetual change in a desirable direction. The joint decision-making and participative management will change the character of industrial relations and there will be no place for industrial unrest.

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In the industrial relations department in an organization the Industrial Relations Manager has several assistants who help him perform his functions effectively. The functions of the industrial relations staff are:

1. Administration, including overall organization, supervision and coordination of industrial relations policies and programmes.
2. Liaison with outside groups and personnel departments as well as with various cadres of the management staff.
3. The drafting of regulations, rules, laws or orders and their construction and interpretation.
4. Position classification, including overall direction of job analysis, salary and wage administration, wage surveys and pay schedules.
5. Recruitment and employment of workers and other staff.
6. Employment testing, including intelligence tests, mechanical aptitude tests, and achievement tests.
7. Placement including induction and assignment.
8. Training of apprentices, production workers foreman and executives.
9. Performance Reports or merit ratings.
10. Employee counselling on all types of personnel problems educational, vocational, health or behaviour problems.
11. Medical and health services.
12. Group activities, including group health insurance, housing, cafetarial programmes and social clubs.
13. Safety services including first and training.
14. Suggestions plans and their uses in labour management and production committees.
15. Employee relations, especially collective bargaining in the representatives and settling grievances.
16. Public relations.
17. Research in occupational trends and employee attitudes and analyses of labour turnover.
18. Employee record for all purposes.
19. Control of operation surveys, fiscal research and analysis.
20. Benefit, retirement and pension programmes.

Functional Requirements of a Successful Industrial Relations Program

It is not easy to promote and maintain sound and harmonious industrial relations. The basic requirements on which a successful industrial relations program is based are:

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1. Top Managements Support

Top management style needs to be proactive and geared to problem solving. The actions and decisions of the management must bear the testimony of professional approach to HRM. Industrial relations, being a functional staff service, derives its authority from the line organization. This is ensured provided that the IR director reports to the top line authority.

2. Sound Personnel Policies

Personnel policies constitute the business philosophy of an organization and guides it in arriving at human relations decisions. Practices and procedures should be developed to put personnel policies into practice. The purpose of policies is to decide before any emergency arises, what shall be done about the large number of problems which crop up every day during the working of organization. Sound policies and rules are of little help unless they are objectively and equitably at all the levels of an organization

3. Strong Trade Unions

Existence of a strong, well organized and democratic employees union is a must for sound industrial relations. Industrial relations can be sound only when the bargaining power of the employees' union is equal to that of management.

4. Sound Employers' Union

Employers' union should also be sound and well organized. These unions are helpful for the promotion and maintenance of uniform personnel policies among various organizations and to protect the interests of weak employers.

5. Positive Attitudes

Both management and trade unions should adopt positive attitudes towards each other. Management must recognise trade unions as the representatives of workers and spokesman of their grievances union and workers should recognise and accept the rights of employers.

6. Collective Bargaining

The industrial peace can be maintained only if the employers and employers settle their differences through mutual negotiation and consultation rather than through the intersection of the third party. Collective bargaining is a process through which employees' issues are settled through mutual discussions and negotiations through a give and take approach. Government agencies should assist the two sides in public interest. If the problems are not settled through collective bargaining, these should be referred to voluntary arbitration but not to adjudication in order to maintain congenial relations.

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7. Grievance procedure

These should be a well-established and properly administered grievance redressal machinery. It provides an outlet for tensions and frustrations of workers. Similarly, a suggestion scheme will help to satisfy the urge of workers.

8. Supervisory Training

Job supervisors should be trained thoroughly to ensure that organizational policies and practices are properly employment and carried into effect. The supervisors should also be trained in leadership and communications.

9. Follow up

A regular flow up of industrial relations programme is essential so that existing practices may be properly evaluated and a check may be exercised on certain undesirable tendencies, should they manifest themselves.

Check Your Progress

3. What is another name used to refer to industrial democracy?
4. State the three main sources of competitive advantage as per Porter.
5. What should the basis of distribution of benefits in industrial relations?

9.5 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Organizations acquire competitive edge over its competitors due to its employees.
2. Collective bargaining pre-supposes an equality of status between two contending groups which are in conflict with each other and prepares the ground for mutual trust and goodwill which will ensure fair discussion, consultation and negotiation on matters of common interest to both industry and labour.
3. Industrial democracy is also known as worker’s control.
4. Porter has identified three main sources of competitive advantage viz. innovation, quality and cost leadership.
5. The distribution of benefits should not be based on collective bargaining, rather it should be based on business growth model which implies maximizing the profit ethically and distributing the same proportionately among all the stake holders.

9.6 SUMMARY

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- Employee integration also known as employee orientation is the process of successfully integrating new employees into the organization. Effective on-boarding sets the tone for new employees. On-boarding helps to foster a positive first impression and increases the likelihood that employees will buy into the corporate culture and assimilate into the position properly. Executing the orientation process can greatly increase the new employees' satisfaction success which bodes well for retention.
- On-boarding requires upfront planning and coordination to ensure that the organization has covered all areas. Depending on the size of the organization, the process may take a few hours or a few days and may involve the participation of one or more stakeholders.
- The Human Resource Department and Administration Department is required to undertake the following functions in respect of the employees: paper work, office tour and introduction, appropriate training, job expectation.
- Harmonious industrial relations depend upon the employer and employee relationship in the industry. Supportive interaction between the two is work outcome conditions prevailing in the industry. Industrial health relations basically depend upon the trade union abilities and employer's association. To maintain the industrial relations following cases are essential: effective trade unions, effective regulations, maintenance of health work condition, protection of employees' interest, etc.
- Maintenance of industrial peace is one of the important aspects of industrial relations in order to increase productivity. It depends on the quality of the union-management relations at work places. In fact, proactive labour administrations of some countries have changed their focus from being a law enforcer to facilitator to maintain industrial peace. Good industrial relations avert strikes through proactive interaction. In the highly competitive area of global business, maintaining high productivity is important for the survival of the organizations.
- Industrial democracy means that the management in industrial units is by the people, of the people and for the people. Here people includes all those who are concerned with the industrial unit.
- Industrial democracy connotes an equilibrium between the rights of the dominant industrial hierarchy and the rights of employees with a broad social objective.
- Porter has identified three main sources of competitive advantage viz. innovation, quality and cost leadership. Innovation and quality strategies require employee commitment while cost leadership strategies are believed

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by management to be achievable only without a union. The logic of a market driven HRM strategy is that where high organizational commitment is sought unions are irrelevant. Where cost advantages are the goal, unions and industrial relations system appears to incur higher cost.

- A successful industrial relations programme reflects the personal viewpoint which is influenced by three main considerations: (a) Industrialized thinking, (b) Policy awareness, and (c) Expected group reaction.
- The concept of industrial relations has been extended to denote the relations of the state with the employers, workers and their organizations. The subject therefore includes industrial relations and joint consultations between employers and work people at their workplace, collective relations between employers and their organizations. Labour relations now-a-days are not solely determined by direct, relationship between employers and employees. State participation in the regulation of labour management relations has been constantly growing.
- It is not easy to promote and maintain sound and harmonious industrial relations. The basic requirements on which a successful industrial relations program is based are: 1. Top Managements Support, 2. Sound Personnel Policies, 3. Strong Trade Unions, 4. Sound Employers' Union, 5. Positive Attitudes, 6. Collective Bargaining, 7. Grievance procedure, 8. Supervisory Training, and 9. Follow up.

9.7 KEY WORDS

- **Employee integration:** Also known as employee orientation, it is the process of successfully integrating new employees into the organization.
- **Industrial democracy:** It connotes an equilibrium between the rights of the dominant industrial hierarchy and the rights of employees with a broad social objective.
- **Industrial relations:** It is a dynamic socio-economic process. It 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.

9.8 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What are the topics when an employee is oriented about upon commencement of employment?

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2. Differentiate between industrial democracy and autocratic management or one man rule.
3. What are the salient features of industrial democracy?
4. 'A successful industrial relations programme reflects the personal viewpoint which is influenced by three main considerations'. Name the considerations.

Long-Answer Questions

1. Describe the different on-boarding requirements that must be met when an employee joins an organization.
2. Explain the cases essential cases for maintaining industrial relations.
3. Discuss the objectives and significance of industrial democracy.
4. What are the functions of the industrial relations staff?
5. Describe the functional requirement of a successful industrial program.

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UNIT 10 EMPLOYEE WELFARE AND SAFETY

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Structure

10.0 INTRODUCTION

Employee welfare is a comprehensive term, which 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.

10.1 OBJECTIVES

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

- Explain the principles, types and objectives of employee welfare
- Describe the statutory provisions related to employee welfare in India
- Discuss the reasons for industrial accidents as well as their prevention

10.2 EMPLOYEE WELFARE

Employee (or Labour) welfare implies providing better work conditions (for e.g., proper lighting, cleanliness, low noise) and reasonable amenities (for e.g., recreation, housing, education etc). The need for providing such services and facilities arises 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 such other services, amenities and facilities as contribute to improve the conditions under which workers are employed'.

The Encyclopaedia of Social Sciences (vol XV, 1935) defines labour welfare as 'The voluntary efforts of the employers to establish within the existing industrial system, working and sometimes living and cultural conditions of the employees beyond that which is required by law, the custom of the industry and the conditions of the market.'

Labour welfare has its 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. The impact of employee welfare has a far-reaching impact on the employees and also on society as a whole. Employee welfare includes activities that aim not only at the financial and social well-being of employees, but also aim at enriching the moral and spiritual elements of their character. It involves achievement of short- and long-term goals to build a humane society. It ensures the improvement of the man, his family and his community. Since employee welfare activities are dynamic, the principles and strategies for its implementation also keeps changing. Implementation strategies of employee welfare range from ensuring adequate and minimum wages to introducing democratic values and empowerment of employees, depending upon the level and nature of education, social customs, value system, political situation and degree of industrialization in a particular society. Even within industries, the strategies are shaped to fulfill the needs of employees differing in age, gender, marital status, educational qualifications, economic background, etc. Though flexible and elastic in nature, the form of welfare differs between regions, industries and countries. Several theories of employee/labour welfare have arisen based on the fact that it is the man, and not the machine, that is responsible for achieving organizational goals. Employees can perform to the best of their ability only when their needs are fulfilled and they are satisfied with their job. Economic welfare of employees is also a part of their social welfare. According to English economist Arthur Cecil Pigou, if the economic welfare of a

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society increases, its major share should be accrued to the poor. However, he maintains that holistic welfare is much more than just economic welfare. Organizations have several reasons to introduce employee welfare schemes. Some of these are as follows:

- To gain employee loyalty
- To help retain employees and fight turnovers
- To make employees feel secured and cared for
- To reduce trade unionism
- To increase employee job satisfaction

A report from the Asian Regional Conference of the International Labour Organization (ILO) has defined labour welfare as: 'such services, facilities and amenities, which may be established outside or in the vicinity of undertakings, to enable the persons employed therein to perform their work in healthy and congenial surroundings and to provide them with the amenities conducive to good health and high morale.'

Objectives and Scope of Employee Welfare

The basic objective of introducing welfare schemes is to ensure a healthy employer-employee relation that smoothens and improves productivity. When the employee has all his needs taken care of, he would naturally become loyal towards the organization and put in his best efforts thereby ensuring adequate production and timely achievement of organizational goals. This also ensures that there is an increase in his wages that keeps him satisfied. Another objective is the introduction of humane conditions of working and living. Hazardous working conditions entail dust, fumes, smoke, high temperature and noise, etc., that often pose health problems for employees. Employers should ensure that in such cases there are safety measures taken within the work environment and adequate health benefits provided to employees. So, humanitarian principles and social justice play a part in planning and devising welfare strategies. Welfare strategies are based on the philosophy that healthy industrial relations are required for successful industrial advancement. As employees are the ultimate assets of an organization, it is the organization's liability fto ensure holistic development of its employees' lives. Introduction of employee welfare takes place through many steps. The ultimate aim of these, however, is to ensure that human beings are treated with due respect, dignity of labour is promoted; management and employees work in a healthy atmosphere of mutual trust and fair dealing. It is for the organizations to ensure that employees are able to work without the constant fear of losing their job; to guarantee adequate wages, food, accommodation, etc., for its employees if they want a smooth functioning of their industries. It is important for management to remember the human angle at every stage of its production process so that employees take pride in being given freedom and in being empowered, thereby putting more than the required effort for the organization to run smoothly.

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Need for Employee Welfare

1. *From the point of view of workers:* Welfare measures must eliminate risk and insecurity. The organization besides providing fair wages must also provide facilities like medical aid, crèches, subsidizsed 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 work force 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 union's role in labour welfare stems from workers' need for welfare services. Unions feel that welfare services ought to be provided either 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 Employee 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.

Types of Employee Welfare

The ILO classifies labour welfare services under two heads:

(i) Intra-Mural

Intra-mural services are those which are provided within the factory. They include

(a) Drinking water
(b) Toilets
(c) Crèche
(d) Washing facilities
(e) Occupational safety
(f) Uniforms and protective clothing
(g) Shift allowance
(h) Canteen

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(ii) Extra-Mural

Extra-mural services are those which are provided outside the factory. They include:

(a) Health and medical facilities
(b) Education facilities
(c) Recreation facilities
(d) Leave travel facilities
(e) Transport to and from place of work
(f) Social security like gratuity, pension and PF
(g) Maternity benefits
(h) Benevolent fund

Classification of Employee Welfare

Employee welfare measures has its origin either in some statute or in the employers, own initiative or by collective agreement. Thus, it can be classified into two categories:

1. Statutory labour welfare
2. Voluntary labour welfare

Statutory Labour Welfare

The Government of India passed several acts to ensure a fair deal to employees in various aspects of their job. Statutory welfare comprises those provisions whose observance is binding on employers by law. These relate to certain essential working conditions and standards of health. The most important of the welfare acts is the Factories Act.

The Factories Act 1948: The Factories Act 1948, was conceived in 1881 when a legislation was enacted to protect children and to provide health and safety measures. In 1934, following the recommendations of the Royal Commission of Labour, the act was amended. A more comprehensive legislation to regulate working conditions replaced the act in 1948.

The Factories Act 1948 came into force on the 1st day of April 1949. Its objectives is to regulate the conditions of work in manufacturing establishments which come within the definition of the term 'factory' as used in the Act. The Act extends to the whole of India including the state of Jammu and Kashmir.

According to sec 2 (m) 'factory' means any premises including the precincts thereof-

(i) whereon 10 or more workers are working or were working on any day of the preceding 12 months and in any part of which a manufacturing process is being carried on with the aid of power, or is ordinarily so carried on or

(ii) whereon 20 or more workers are working or were working on any day of the preceding 12 months and in any part of which a manufacturing process is being carried on without the aid of power or is ordinarily so carried on.

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Worker (sec 2 (l)): A worker means a person employed, directly or by or through any agency (including a contractor) with or without the knowledge of the principal employer. He may be employed for or without remuneration but he must be employed in a manufacturing process.

General Provisions:

Working Hours: No adult worker shall be required or allowed to work in a factory for more than 48 hours in any week (sec 51). For female workers, the working hours are to be only between 6 A.M. to 7 P.M.

Inspectors (sec 8): The State Government may appoint any person to be Chief Inspector to exercise the powers conferred on him by the Factories Act. He shall exercise the powers of an Inspector throughout the State. The manager may be penalised for not following the Factory Act.

Statutory Provisions

***Health*:** The Act provides detailed instructions on cleanliness, disposal of wastage, ventilation, lighting, over-crowding etc. The factors which influence the general health of the worker in the working environment which tend to produce ill health have to be controlled. 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.

Section 11 to 20 of the Act provides detailed instructions. They are discussed below.

Sec 11 – Cleanliness: Every factory shall be kept clean and free from effluvia and dirt. Accumulation of dirt shall be removed daily by some effective method.

Sec 12 - Disposal of Wastes: Effective arrangements shall be made in every factory for the treatment of wastes due to the manufacturing process carried on therein, so as to make them harmless and for their disposal.

Sec 13 – Ventilation and Temperature: Effective and suitable provision shall be made in every factory for securing and maintaining in every workroom, adequate ventilation by the circulation of fresh air and such a temperature as will secure to workers therein reasonable conditions of comfort and prevent injury to health.

Sec 14 – Dust and Fume: Where dust or fume or impurity of such a nature as is likely to be injurious or offensive to the workers is given off as a result of the

NOTES

manufacturing process being carried on in a factory, effective measures shall be taken in the factory for prevention of inhalation or accumulation of dust and fumes in workrooms.

Sec 15 – Artificial Humidification: In respect of all factories in which the humidity of the air is artificially increased, the State Government may make rules prescribing standards of humidification.

Sec 16 – Overcrowding: There shall not be overcrowding in any room of the factory so as to be injurious to the health of the workers employed therein. There shall be at least 13.2 cubic metres of space for every worker.

Sec 17 – Lighting: In every part of a factory where workers are working, there shall be provided and maintained sufficient and suitable lighting, natural or artificial or both.

Sec 18 – Drinking Water: In every factory, effective arrangements shall be made to provide and maintain at suitable points conveniently situated for all workers employed therein as sufficient supply of wholesome drinking water.

Sec 19 – Latrines and Urinals: In every factory, separate enclosed accommodation of latrine and urinals of prescribed types for male and female workers shall be provided for. Such accommodation shall be conveniently situated and accessible for workers at all times.

Sec 20 – Spittoons: In every factory, there shall be provided a sufficient number of spittoons in convenient places and they shall be maintained in a clean and hygienic condition.

Safety: Prevention of accidents is an objective which requires no expansion. This is one area in which there is complete identity of employer-employee interests. The employee does not want to be injured and the employer does not want to incur the cost of injuring him. The Act provides 20 different sections on obligatory safety measures.

Sections 21 to 41 of the Act provide detailed instructions. They are discussed below:

Sec 21 – Fencing of Machinery: Every dangerous part of every machinery shall be securely fenced by safeguards of substantial construction which shall be constantly maintained and kept in position while the parts of machinery they are fencing are in motion or in use.

Sec 22 – Work on Machinery in Motion: Where in any factory it becomes necessary to examine any part of machinery while the machinery is in motion, such examination shall be made only by a specially trained adult male worker wearing tight fitting clothing. The clothing shall be supplied by the occupier.

Sec 23 – Employment of Young Persons on Dangerous Machines: No young person shall be required or allowed to work on any machine unless

(a) He has been fully instructed as to the dangers and the precautions to be observed.

(b) He has received sufficient training or is under adequate supervision by an experienced person.

Sec 24 – Striking gear and devices for cutting off power: When a device, which can inadvertently shift from 'off' to 'on' position is provided, arrangements shall be provided for locking the device in safe position. This is to prevent accidental starting of the machinery.

NOTES

Sec 25 – Self-acting Machines: No traversing part of a self-acting machine shall be allowed to run on its outward or inward traverse within a distance of 45 centimetres from any fixed structure which is not part of the machine.

Sec 26 – Casing of new machinery: All machinery driven by power and installed in any factory, shall be completely encased unless it is safely situated, to prevent danger.

Sec 27 – Prohibition of employment of women and children near cotton-openers.

Sec 28 – Hoists and lifts: In every factory every hoist and lift shall be of good mechanical construction, sound material and adequate strength.

Sec 29 – Lifting machines, chains, ropes and lifting tackles: In every factory, cranes and other lifting machines shall be of good construction, sound material, adequate strength, free from defects and properly maintained.

Sec 30 – Revolving Machinery: In every factory in which the process of grinding is carried on, there shall be permanently kept near each machine a notice indicating

(a) Maximum safe working speed

(b) The diameter of the pully.

Sec 31 – Pressure Plant: If in any factory any plant or any machinery is operated at above the atmospheric pressure, effective measures shall be taken to ensure that the safe working pressure is not exceeded.

Sec 32 – Floors, stairs and means of access: All floors, steps stairs passages and gangways shall be of sound construction and properly maintained.

Sec 33 – Pits, slumps, openings in floors etc: In every factory, pits, slumps, fixed vessels, tanks, openings in the ground or in the floor shall be securely covered or securely fenced.

Sec 34 – Excessive weights: No person shall be employed in any factory to lift, carry or move any load so heavy as to be likely to cause him injury.

Sec 35 – Protection of eyes: Screen or suitable goggles shall be provided for the protection of persons employed on or in immediate vicinity of any process which involves any danger or injury to the workers' eyesight.

Sec 36 – Precautions against dangerous fumes: No person shall be required or allowed to enter any chamber, tank, vat, pit, flue or other confined space in any factory in which any gas, fume vapour or dust is likely to be present to such an extent as to involve risk to persons being overcome thereby, unless it is provided with a manhole of adequate size or other effective means of exit.

NOTES

Sec 37 – Precautions against explosive or inflammable dust, gas etc: When in any factory any manufacturing process produces dust, gas fume or vapour which is likely to explode on ignition, all practicable measures shall be taken to prevent any such explosion.

Sec 38 – Precautions in case of fire: In every factory, all practicable measures shall be taken to prevent outbreak of fire and its spread both internally and externally and to provide and maintain safe means of escape.

Sec 39 – Power to require specifications of defective parts or tests of stability: If it appears to the inspector that any building, machinery or plant may be dangerous to human life or safety, he may ask the manager to carry out tests to prove their safety.

Sec 40 – Safety of building and machinery: If any building, machinery or plant is dangerous to human life or safety, the inspector may prohibit to use it until it has been properly repaired or altered.

Sec 40 A – Maintenance of building: If any building is in a state of disrepair, the inspector may ask the manager to specify the measures to be taken for such repairs.

Sec 40 B – Safety Officers: Wherein 1000 or more workers are employed and the manufacturing process involves any risk of injury, hazard to health, safety officers may be appointed.

Welfare: The Act also obligates the organizations to provide certain amenities like facilities for washing, drying and storing of clothes, first-aid box, canteen, crèches, welfare officers etc.

Sections 42 to 49 of the Act provide detailed instructions. They are discussed below:

Sec 42 – Washing facilities: In every factory, adequate and suitable facilities (separately for male and female workers) should be provided and maintained for the use of workers.

Sec 43: Facilities for storing and drying clothes

Sec 44 – Facilities for sitting: Suitable arrangements for sitting shall be provided and maintained for all workers who are obliged to work in a standing position.

Sec 45 – First Aid appliances: At least one first aid box with prescribed contents for every 150 workers.

Sec 46 – Canteens: If more than 250 workers are ordinarily employed, a canteen shall be provided and maintained for the use of workers.

Sec 47 – Shelters, rest rooms and lunch rooms: If more than 150 workers are ordinarily employed there shall be a provisions for shelters, rest rooms and a suitable lunch room with provision for drinking water.

Sec 48 – Crèches: If more than 30 women workers are ordinarily employed, a suitable room should be maintained for the use of children of such women under the age of 6 years.

Sec 49 – Welfare Officer: Welfare officer should be provided in a factory employing more than 500 workmen.

Employees' State Insurance Scheme

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The scheme is a pioneering attempt of the government to provide medical facilities and unemployment insurance during illness to industrial workers. The scheme is administrated by the ESI Corporation, an autonomous body consisting of representatives of the central and state governments, employers, employees, and medical professionals and also members of Parliament.

The scheme offers five major benefits:

(i) *Medical Benefit:* The scheme provides for medical care through dispensary system, hospitals etc. During medical treatment, the insured person is paid around half his daily wages.

(ii) *Sickness Benefits:* Cash benefit is provided for a period not exceeding 90 days and in two installments of six months. The insured person can claim sickness benefit if they have paid contribution for at least 13 weeks.

(iii) *Maternity Benefits:* Every insured woman is entitled to receive maternity benefits for a maximum period of 12 weeks. The benefit is only for women who do not work during these 12 weeks.

(iv) *Disablement Benefits:* Disablement benefit entitles the insured person to receive cash benefit for absence from work due to employment injury or a result of specified occupational diseases.

Voluntary Labour Welfare

Non-statutory welfare, on the other hand, concerns those activities which are undertaken voluntarily by employers e.g., housing, education, recreation, transportation etc. An employer may voluntarily initiate labour welfare measures in his undertaking with the following objectives.

(a) To increase employees' loyalty and morale.

(b) To develop efficiency and productivity.

(c) To enhance public image.

(d) To recruit the most talented workmen.

(e) To reduce labour turnover and absenteeism.

(f) To combat trade unionism.

(g) To give expression to philanthropic and paternalistic feelings.

Although many non-statutory welfare activities either started as paternalism or on account of the aggressiveness of unions, the workers today take them very seriously as an important compensation for their work. In some cases they have almost become property rights and any hint of eliminating them causes serious

NOTES

concern and frustration among workers. However, it must be borne in mind that non-statutory welfare will result in a sense of gratitude and loyalty among employees and motivate them to work hard.

History of Employee Welfare in India

Employee welfare in India started in1833 when the English abolished slavery in the country. In 1837, countries that were British colonies started to bring in Indian labourers. The Apprenticeship Act of 1850 helped poor children to learn a trade under an able craftsman. In 1853, the Fatal Accidents Act was passed aiming to provide compensation to the families of deceased workers. The Factories Act of 1881 was the first form of labour laws in the country, and held that children under the age of seven could not be forced to work in industrial settings and children between seven and twelve could not be made to work for more than nine hours a day. World War I brought in its wake immense industrial activities and also the establishment of the ILO that ascertained that the welfare of employees in various industries across the world was necessary for the social and economic restoration of the world. The Factories Act of 1922 was introduced by the Government of India after the ILO reviewed the Indian welfare schemes and advised the country to incorporate certain changes in them. This Act provided that factories could not force employees to work for more than sixty hours in a week and children below twelve years were not allowed to work in factories. Employees were entitled to rest for an hour after completing six hours of work. World War II saw a frenzy of industrial activity throughout the world. Indian industries, at this point, felt the need for increased and sustained productivity. Following independence in 1947, employee welfare attained new dimensions. The Factories Act of 1948 and the Five Year Plans implemented since 1950 brought about a revolution in welfare activities with provisions that ensured holistic development of employees. The Eleventh Five Year Plan that India is currently implementing focuses primarily on bringing welfare schemes for promotion of employment opportunities, addressing problems of underemployment and organizing employees of the unorganized sectors such as the urban household workers.

Social Security

The meaning of the term 'social security' varies from country to country. In socialist countries, the nation's goal is to provide complete citizen security. In capitalist countries, a measure of protection is afforded to a needy citizen in consistence with resources of the state. According to the social security (minimum standards) convention (No. 102) adopted by the ILO in 1952, following are the nine components of social security:

(i) Medical care
(ii) Sickness benefit
(iii) Unemployment benefit

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(iv) Old-age benefit
(v) Employment injury benefit
(vi) Family benefit
(vii) Maternity benefit
(viii) Invalidity benefit
(ix) Survivor's benefit

Social security in India

Social security schemes may be of two types:

(i) Social assistance

Under this scheme, the state finances the entire cost of the facilities and benefits are porvided. Here benefits are paid after examining the financial position of the beneficiary.

(ii) Social insurance

Under social insurance, the State organizes the facilities financed by contributions from both the workers and employers, with or without a subsidy from the State. Here, benefits are paid on the basis of the contribution record of the beneficiary without testing his means.

At present both types of social security schemes are in vogue in India.

Drawbacks of social security schemes in India

The following are several drawbacks of the social security schemes in India:

- Our social security measures are fragmented in character. All social security provisions need to be integrated into one Act.
- The burden of various social security benefits, at present, is borne predominantly by the employer. Very little contribution is made by the workers or the State. This is against the social security principle.
- The social security benefits at present cover the industrial workers only. Workers in the unorganized sectors do not get these benefits.
- There is no effective implementation and enforcement of the Acts pertaining to social security schemes.

Check Your Progress

1. Define labour welfare.
2. What is the basic objective of introducing welfare schemes?
3. When did the Factory Act 1948 come into force?

10.3 EMPLOYEE SAFETY

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In an industrial plant, the health of the employees working there plays a vital role in the production. If the workers are not in good health, they will not be able to give good output, and this will directly affect production. Hence, we can say that the health of employees and production are directly proportional to each other.

(a) **Physical health:** Bad health of employees increases absenteeism and, hence, affects the production process. On the other hand, healthy employees help in increasing the production. Therefore, we can say that healthy employees are more productive, confident in their work and are always regular. The common health hazards that affect the employees physically are given in Table 10.1.

Table 10.1 *Health Hazards*

Health Hazards	*Causes*
Lung cancer	Coke oven emission, asbestos, active or passive cigarette smoke
White lung cancer	Asbestos
Black lung cancer	Coal dust
Brown lung cancer	Cotton dust
Leukemia	Benzene, radiation
Cancer of other organs	Asbestos, radiation, vinyl chloride, coke oven emission
Reproductive problems	Radiation
Deteriorating Eye-sight	Chemical fumes, Office equipments
Hearing impairment	High noise levels

(b) **Mental health:** These days the mental health of employees has become a matter of concern for the employers. There are three main factors that increase the mental problems of the employees. The first factor is the mental breakdown that occurs because of the result of pressures and tensions. The second factor is the mental disturbance of different types, which results in reduced productivity, and hence, decreases the company profit. The third and last factor is the mental illness, which arises due to personal disputes, among the employees and high employee turnover.

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Noise Control: The noise problems till the past few years were considered due to old age, or they were not taken so seriously. Health problems due to noise came into existence with the invention of machinery for almost all the productions.

These days noise from the machines has increased problems like hearing impairment among the employees. It is said that exposure of an individual to noise for a long period of time results in deafness. Hearing impairment is not the only result of exposure to noise, other problems such as hormonal imbalance, changes in blood circulation, dizziness, increase in respiratory rate, heartburn, sleep disturbance and fatigue, also occur because of noise. The Factories Act, 1948, and Workmen's Compensation Act, 1923, also includes noise problems as a disease that should be taken care of by the management. Table 10.2 lists the permissible levels of noise in an industry.

Table 10.2 *Permissible Exposure*

Permissible Exposure	
Total Time per day, in Hours	***Sound Pressure Level in (dBA)***
8	90
6	92
4	95
3	97
2	100
11/2	102
1	105
3/4	107
1/2	110
1/4	115

It seems that the workers are used to the noise but their body slowly suffers from the noise problems. Table 10.3 presents the noise level that the industry produces.

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Table 10.3 *Industrial Noise Levels*

Industrial Noise Levels	
Industry	***Sound Pressure Level (dBA)***
Detonator manufacturing and testing	94-140
Pharmaceutical	94-128
Foundry in motor manufacturing plant	104-120
Heavy engineering	94-124
Synthetic fibre manufacturing unit	90-117.5
Electronics	87-122
Hydel power plant	92-106
Road transport workshop	90-124
Cotton textile mill	92-105
Fertilizer plant	104-118
Fertilizer plant	104-11

Work Stress: Stress is defined as the reaction of disturbing factors around the environment of the plant and the result of those reactions. The factors that cause stress can be physical, psychological and behavioural. These factors are called the stressors. Stress can be positive or negative. Positive stress is the one from which an individual can gain something. Such stress is also called the Eustress. For example, when you do any kind of exercise, you stress yourself, but the result of the exercise is a good health. Negative stress is the one from which an individual loses something.

The level of experiencing stress for each individual is not the same. These levels depend on how an individual reacts to stressors. Some might react to stressors in a faster pace and get deeply stressed while others might react slowly. The reaction of an individual to stressor depends on: the person's way to the situation, the past experience of the person, the presence of social support and the difference between the individual's way of taking the stress. Figure 10.1 shows the relationship between the stressor and the stress.

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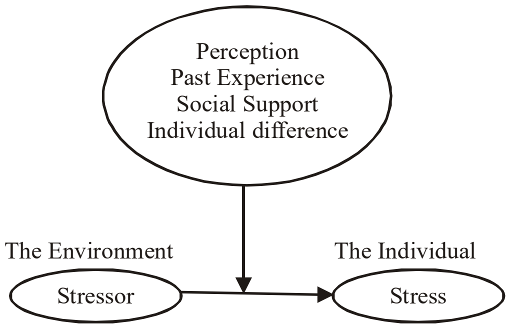

Fig. 10.1 *Work stress*

10.3.1 Industrial Accident and Injury

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 as follows:

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 Es.

- Engineering – the job should be engineered for safety
- Employees – employees should be educated in safe procedure
- Enforcing safety – safety rules should be properly enforced

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Accidents can be prevented through two basic activities:

i. Reducing unsafe conditions, i.e. removing and reducing physical hazards.

ii. 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 cleanli-ness, disposal of wastage, ventilation, lighting, overcrowding and so on. The factors that influence the general health of the worker is the working environment that tends to produce ill health. Every employee 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

Check Your Progress

4. How does bad health of employees affect the production process?
5. What is stress?

10.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The Oxford dictionary defines labour welfare as 'efforts to make life worth living for workmen'.
2. The basic objective of introducing welfare schemes is to ensure a healthy employer-employee relation that smoothens and improves productivity.

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3. The Factories Act 1948 came into force on the 1st day of April 1949.
4. Bad health of employees increases absenteeism and, hence, affects the production process.
5. Stress is defined as the reaction of disturbing factors around the environment of the plant and the result of those reactions. The factors that cause stress can be physical, psychological and behavioural.

10.5 SUMMARY

- 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 such other services, amenities and facilities as contribute to improve the conditions under which workers are employed'.
- Organizations have several reasons to introduce employee welfare schemes. Some of these are as follows:
  - o To gain employee loyalty
  - o To help retain employees and fight turnovers
  - o To make employees feel secured and cared for
  - o To reduce trade unionism
  - o To increase employee job satisfaction
- When the employee has all his needs taken care of, he would naturally become loyal towards the organization and put in his best efforts thereby ensuring adequate production and timely achievement of organizational goals.
- Employee welfare measures has its origin either in some statute or in the employers, own initiative or by collective agreement.
- The Government of India passed several acts to ensure a fair deal to employees in various aspects of their job.
- Statutory welfare comprises those provisions whose observance is binding on employers by law. These relate to certain essential working conditions and standards of health.
- Stress is defined as the reaction of disturbing factors around the environment of the plant and the result of those reactions. The factors that cause stress can be physical, psychological and behavioural.
- 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.

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10.6 KEY WORDS

- **Absenteeism:** It means the practice of regularly staying away from work or school.
- **Eustress:** It is a positive form of stress having a beneficial effect on health, motivation, performance, and emotional well-being.
- **Industrial Accident:** It is a sudden and unforeseen event, attributable to any cause, which happens to a person, arising out of or in the course of his or her work, and resulting in an employment injury to that person.
- **Social Security:** It is a system under which a government pays money regularly to certain groups of people, for example the sick, the unemployed, the poor, or those with no other income.

10.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What are the reasons why an organization may introduce labour welfare schemes?
2. List the principles of employee welfare.
3. Differentiate between positive and negative stress.
4. What is social security? What are the drawbacks of such schemes in India?

Long-Answer Questions

1. Describe the various statutory provisions passed by the government for the benefit of employees.
2. Discuss the history of labour welfare in India.
3. What is an industrial accident? What are its causes? How can one prevent industrial accidents?
4. Examine the different types of employee welfare schemes.

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UNIT 11 SAFETY EDUCATION AND TRAINING

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Structure

11.0 INTRODUCTION

Systematic training of industrial employees is necessary if they want to do their jobs efficiently and safely. This is an escapable requirement regardless of how much aptitude and experience they may have for the jobs to which they are assigned. Training practices in the industry will be found to vary widely with respect to method, content quality, quantity and source of instruction. The differences are influenced, strongly by the size of the company, the types of jobs performed and the awareness of the management regarding the importance of training.

11.1 OBJECTIVES

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

- Discuss the safety provisions given under the Factories Act, 1948
- Explain safety education and training
- Identify the various aims and objectives of discipline
- Describe the various factors contributing to indiscipline
- Explain the important features of the code of discipline

11.2 SAFETY EDUCATION AND TRAINING

Safety education for all levels of management, personal and for employers is vital for any successful safety programme. The goal of safety education is twofold, one is to develop safety consciousness among employers and built up a favourable attitude on their part towards safety measures and precautions and secondly, to ensure safe work performance on the part of each employees by developing his skill in the use and operation of any equipments. Safety equipment training is concerned with providing immediate job knowledge, skills and methods of work, besides bringing home to the employees an awareness of the hazards, he is likely to encounter in the course of his work in particular department of a particular job and impressing upon here the need for a prompt report of any personal injury, for an understanding of the causes of accidents and how they may be prevented, the importance of good housekeeping and handling materials safely. It is not enough if workers are trained on the methods of avoiding accidents. They must be trained on ways of minimising damage. For example, high voltage line repairers must be given through indoctrination in correct work methods before they are permitted to undertake more hazardous phases of work. They must also be taught the principles of first aid and, the need for avoiding machine hazards, for taking precautions to prevent the outbreak of a fire, for using hand tools properly and for protecting his eyes.

Training may be given by the foreman or superiors or anyone who is responsible for the job. However, now days, the management is finding it worthwhile to use specialists in training to supplement the work of the supervisor as in the case of job analysis and injury prevention. Training specialists do not necessarily do the job for which the supervisor is responsible. The function of the specialist is to set up the procedure so that the training can be imparted by qualified persons in the plant or individual departments. The specialist will prepare the instruction manuals and other details for conducting the training programme and supervise the activity.

Safety Contests

Same companies encourage safety competitions among their departments with a view to bringing about a reduction in the number of accidents.

11.2.1 Accident Analysis and Tabulation

The life of industrial workers is full of risks and hazards. Every year lakhs of employees are injured in factories, movers, railway parts and docks, leading to acute ailments or permanent handicaps. The injuries may be caused as a result of any unsafe activity or an act on their part on chance occurrences or as a result of some unsafe work conditions or unsafe acts of employers themselves, or defective plant or shop layout, moderate ventilation, unsafe and insufficient lighting arrangements or in sufficient lightning arrangements or insufficient space for movement inside the plant or shop, etc.

An industrial accident may be defined as an 'occurrence which interrupts or interferes with the orderly progress of work in an industrial establishment.'

An industrial injury has been defined as 'a personal injury to an employee's which has been caused by an accident or an occupational disease, and which

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arises out of, or in the course of employment, and which would entitle such employees to compensation under the workmen's compensation Act, 1923.'

Industrial accidents can be classified into two broad categories-external accidents and internal accidents.

External industrial accidents can take the form of fires, chemical spill, discharge of toxic gases and radiation. These types of accidents can be huge disasters. The causes of these industrial accidents can be huge disasters. The causes of these industrial accidents include organisational errors, human factors components failures deviation from normal operation conditions, software defects, outside interference and natural forces.

Internal industrial accidents can involve machines dealing with transmission, metal working, woodworking agriculture; construction textile machines, etc., as well as pressure vessels, furnaces, refrigerators and hard tools.

Accidents cause a lot of botheration to the workers involved employer and the government. There are both direct and indirect costs.

Two man statistical ratios are as follows:

(i) Frequency rate

(ii) Severity rate

To measure accident rate in the frequency rate, the number of time lost in accidents per 1000000 man hours worked. In severity rate, it is the total number of days changed or lost because of accidents per 1000000 man-hours worked. The formulas for calculating accidents are as follows:

(i) Frequency rate: No. of injuries × 1000000/Total number of man-hours worked

(ii) Severity rate: No. of man day lost × 1000000/Total member of man-hours worked

The safety director must investigate and report on every accident. He should moreover, periodically summarise all the injuries during a particular period of time and classify the plant wise, department wise and shift wise. He should also classify the cause and kinds of those injuries and mention whether they were disabling or not. Records are useful because they help one to identify the areas in which further action is called for to achieve improvement in safety programmes and compare the present records with the past ones.

Proper reports and records of accidents have to be maintained by an organisation in the prescribed manner and complete information about an accident and the circumstances attending the death or disablement of a worker or any other serious injury to him has to be submitted to the government.

As per the International Labour Organisation (ILO), a data bank on industrial accidents recorded 124 fatal accidents involving hazardous substances in the Asian region. Since more than 65 per cent of them took place in only two countries and none in seven it appears that many more occurred, but went unrecorded.

Early action should be taken by governments and employers to stem the rising number of accidents. In India, the Ministers of labour and environment are carrying out an extensive programme on major hazard controls and legislative for this purpose. Major risks are recognised, but preventive laws are generally inadequate to cope with hazards and emergencies.

Check Your Progress

1. What is the goal of safety education?
2. What is the main function of the training specialist?

11.3 STATUTORY PROVISIONS FOR SAFETY IN INDIA

The safety provisions given under the Factories Act, 1948 are as under:

1. Fencing of machinery (Section 21)

In every factory, every moving part of a prime mover and every wheels connected to prime mover, every part of an electric generator, motor or rotary convertor, every part of transmission machinery and every dangerous part of any other machinery shall be securely fenced by safeguards of substantial construction which shall be constantly maintained and kept in position while the parts of machinery they are fencing are in motion or in use. However, such fencing may be removed to safe extent for an examination lubrication or other adjusting operation while the machinery is in motion. The state government is empowered to frame rules in this regard.

2. Work on or Near the Machine in Motion (Section 22)

With a view to secure the safety of the workers when it is necessary to examine the machinery while in motion, it is required that such examination or operating shall be made or carried out only by a specially trained adult male worker wearing a tight fitting dress which shall be supplied by the occupier of the factory. Such worker shall handle a moving pulley under safe conditions only as per the provisions of Act.

No woman or young person shall be allowed to lubricate, clean or adjust any part of machinery in motion if it exposes the woman or the risk of injury from any of the moving part or any adjacent machinery. The state government in empowered to make rules in this regards.

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3. Employment of Young Persons on Dangerous Machines (Section 23)

No young person shall be required or allowed to work at any dangerous machine unless he has been fully instructed and trained regarding the dangers arising from the machine and the necessary precautions have been taken. He can, however be allowed to work at such a machine under proper supervision by a person who has a thorough knowledge and experience of the machine. The state government has the right to declare any machine was dangerous for the purposes of the section.

4. Striking Gear and Devices for cutting off power (Sec 24)

In every factory suitable striking gear or other efficient mechanical appliances shall be provided and maintained and used to move driving belts to and from fast and loose pulleys which form part of the transmission machinery, such gear or appliances shall be so constructed, places and maintained as to prevent the belt from creeping back on the fast pulley. During belts, when not in use, shall not be allowed to rest or ride upon the shafts in motion.

In every factory suitable devices for cutting off power in emergencies from the running machinery shall be provided and maintained in every work room. However, the above provision shall apply only work rooms in which electricity is used as power.

5. Self Acting Machines (Sec 25)

No part of a self acting machine which moves sideways in any factory and no material carried there on shall, if the space over which if runs is a space over which it runs is a space over which any person is likely to pass, whether the cause of his employment or otherwise, be allows to run in its outward or inward movement within a distance of 45 cms from any fixed structure which is not a part of the machine

6. Casting of New Machinery (Sec 26)

It is an important duty of the seller or hirer or their agents to encase, sunk or otherwise effectively guard every screw, bolt or key revolving shaft, spindle, wheel or pinion of the machine to prevent danger to the workers. Anybody who does not comply with the provisions of this subsection shall be punishable with imprisonment up to 3 months or with both. The state government may also make rules specifying further safeguard to be provided in respect of any other dangerous part of any particular machine or machines.

7. Prohibition of Employment of women and Children near Cotton Openers (Sec 27)

No women or child shall be employed in any part of a factory where pressing cotton opener is at work. Provided that if the feed end of the cotton opener is in a room separated from the definery and by a partition extending to roof or to such height as the inspector may in specified case specify in writing, women and children may be employed on the side of the partitioned where the feed end is situated.

8. Hoists and lifts (Sec 28)

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In every factory;

(a) every hoist and left shall be

(i) of good mechanical construction sound material and adequate strength.

(ii) properly maintaining and shall be thoroughly examined by a competent person at least once in every period of six months and register shall be kept containing the prescribed particulars of every such examination.

(b) every hoist way and lift shall be sufficiently protected by an enclosure flitted with gates and the hoist on left and every such enclosure shall be so constructed as to prevent any person or thing from being trapped between any part of the hoist or thing and any fixed structure or moving part.

9. Lifting Machines, Chains, Ropes and Lifting Tackles (Sec 29)

In any factory, the following precautions shall be comprehended with respect to every lifting machine other than a host and lift, and every chain, rope and lifting tackle for the purpose of raising or lowering persons, good or materials.

(a) All part of every lifting machine chain, rope or lifting tackle shall be of good construction, sound material and adequate strength, it shall be free from defects. It shall be thoroughly examined by a competent person at least once in every period of 12 months or at such intervals as the chief inspector may specify in writing. A register shall be kept containing the presumed particulars of every such examination.

(b) No lifting machine, chain rope or lifting tackle shall, except for the purpose of test, be loaded beyond the staff working load which shall be plainly marked thereon.

(c) where any person is employed or is working on or near the wheel track of a travelling crane in any place where he may be struck by the crane, effective measures shall be taken to ensure that the crane does not approach within six metres of that place.

The state government may make rules in addition to those set out in this section.

10. Riveting machinery (Sec 30)

In every factory, in which the process of grinding is carried on, there shall be permanently affixed to or placed near each machine in use, a notice indicating the maximum safe working speed of every grindstone or abrasive wheel, the speed of the shaft or spindle and the diameter of the pulley upon which such shaft or spindle and such speeds shall in no case be exceeded.

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11. Pressure plant (Sec 31)

In any factory, any part of the plant or machinery used in a manufacturing process is operated at a pressure above atmosphere pressure effective measures shall be taken to ensure that the safe working pressure of such part is not exceeded.

12. Floors, Stairs and Means of Access (Sec 32)

In every factory, all floors, steps, stairs, passages and gangways shall be of sound construction and properly maintained and shall be kept free from obstruction and substances likely to cause persons to slip and where it is necessary to ensure safety, steps stars passages and gangways shall be provided with substantial handrails.

13. Pits, sumps, opening in floors, etc (Sec 33)

In any factory, any fixed vessel, sump and tank in the ground or in a floor which by reason of depth, situation construction or contents is or may be a source covered or may exempt compliance in any particular case.

14. Excessive weights (Sec 34)

No person shall be employed in any factory to left, carry or move any load so heavy as to be likely to cause him injury. The state government may make rules persecuting the maximum weights which may be lifted, carried or moved by adult men, adult women, adolescents and children employed in any factory.

15. Protection of Eyes (Sec 35)

In respect of any such manufacturing process carried on in any factory as may be prescribed being a process which involves.

(a) Risk of injury to the eyes from particles or fragment throw off on in the course of the process or.

(b) Risk to the eyes by reason of exposure to excessive light, the state government may by rules require that effective screens or suitable goggles shall be provided for the protection of persons employed on or in the immediate vicinity of the process.

16. Precaution against Dangerous Fumes (Sec 36)

No person shall be required or allowed to enter any chamber, tank vat pit, pipe, flue or other confined space in any factory in which any gas, fume, vapour or dust is likely to be present to such an extent as to involve risk to persons being overcome thereby, unless it is provided with a manhole of adequate size or other effective means of getting out. No person shall be required or allowed to enter any confine space referred to above unless all practical measures have been taken to remove any gas fume, vapour or dust which may be present so as to bring its level within the permissible level and to prevent any entry of such gas, fume vapour or dust etc, unless;

(i) A certificate in writing has been given by a competent person, based on a test carried out by him that the space is reasonably free from dangerous, gas, fume, vapour or dust or.

(ii) Such person is bearing suitable breathing apparatus and a belt securely attached to a rope, the free end of which is held by a person outside the confined space.

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17. Precautions regarding the use of Portable Electric Lights (Sec 36A)

In any factory;

(a) No portable electric light or any other appliance of voltage exceeding twenty four volts shall be permitted for use inside any chamber, tank, vat, pipe, put, flue or other confined space and.

(b) If any inflammable gas, fume or dust is likely to be present in such chamber, tank, vat, pipe pit, flue or other place, no lamb light other than that of flame proof construction shall be permitted to be used therein.

18. Explosive or Inflammable Dust, Gas, etc (Sec 37)

Where in any factory any manufacturing process produces dust, gas, fume or vapour of such explode, all practicable measures shall be taken to prevent any such explosion by.

(a) Effective enclosure of the plant or machinery used in the process.

(b) Removal or prevention of the accumulation of such dust, gas, fume or vapour.

(c) Exclusion or effective enclosure of all possible sources of ignition.

19. Precaution in case of Fire (Sec 38)

All practicable measures shall be taken in every factory to prevent any outbreak of fire and if its spread both internally and externally, safe means of escape for all persons in the event of fire and necessary equipments and facilities for extinguishing the fire shall also be provided and maintained.

All the workers shall also be adequately trained and made familiar with the means of escape in case of fire. The state government may make rules requiring the measures to be adopted for the above provision.

If the chief instruction is of the opinion that the measures provided in the factory are inadequate he may consider reasonable and necessary be provided on the in the order.

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20. Power to reasonable Specification of Defective Parts or Tests of Stability (Sec 39)

If it appears to the inspector that any building or part of the ways, machinery or plant in a factory is in such a condition that it may be dangerous to human life or safety, he may serve on the occupier or manager or both of the factory an order in writing requiring him before a specified date.

(a) To furnish such drawings, specifications and other particulars as may be necessary to determine whether such building ways, machinery or plant can be used with safety.

(b) To carry out such tests in such manner as may be specified in the order and to inform the inspector of the results there of.

21. Safety of Building and Machinery (Sec 40)

If it appears to the inspector that any building or part of a building, or any part of the ways, machinery or plant in a factory is in such a condition that it is dangerous to human life or safety, he may serve on the occupier or manager or both of the occupier or manager or both of the factory an order in writing specifying the measures which in his opinion should be adopted and requiring then to be carried out before a specified date.

22. Maintenance of buildings (Sec 40A)

If it appears to the inspector that any building or part of a building in a factory is in such a state of disrepair as is likely to lead to conditions detrimental to the may serve on the occupier or manager or both of the factory an order in writing specifying the measures which in his opinion would be taken and requiring the same to be carried out before such date as is specified in the order.

23. Safety official (Sec 40B)

In every factory where in one thousand or more working are ordinarily employed or where in the opinion of the state government any manufacturing process or operation is carried on, which involves any risk of bodily injury, poisoning or disease or any other hazard to health, to the occupier shall if so required by the state government by notification in the official gazette employ such number of safety officials as may be specified in that notification the duties, qualifications and condition of service of the safety official shall be such as may be presented by the state government.

24. Power to make rules to supplement the above provisions (Sec 41)

The state government may make rules requiring the provisions in any factory or in any class or division of factories of such further measures for securing the safety of persons employed therein as it may seem necessary.

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In addition to the Factories Act, 1948, there are a few more acts which provide measures for the safety of workers, as given below.

(i) The Dock workers (Regulation of Employment) Act, 1948 provides for measures for ensuring the health and welfare of the dock workers and the Dock workers (Safety, Health and Welfare) Scheme 1961 under the Act of 1948 which provides safety measures for those workers who are not covered under the regulation of 1948.

(ii) The Indian Dock blouners Act, 1934 tables care of workers engaged on board the ship and alongside the ship.

(iii) The Mines Act, 1952 applies to mines of all types including mines of atomic minerals and oil fields the Directorate General of Mines Safety has been entrusted with the function of enforcing the provision of the Mines Act, 1952 and the rules and regulations framed therein.

11.3.1 Administration of Discipline

Discipline refers to the presence of orderliness in any particular field of activity. It is the opposite of confusion, irregularity and disorder in human behaviour and action. Poor discipline refers to the failure of individuals to observe the rules established by the organisation. Discipline is very important for smooth and efficient working of on the enterprise.

Discipline in industry may be described as willing cooperation and observance of the rules and regulation of the organisation. It means securing consistent behaviour in accordance with the accepted norms of behaviour. Discipline is essential to a democratic way of life, simply stated discipline means orderliness. It implies the absence of chaos, irregularity and confusion in the behaviour of workers; in other words, disciplined workers cooperate and behave in a normal and orderly way.

According to some thinkers, discipline is a positive concept in as much as that the absence of indiscipline does not imply a state of discipline. Too often discipline has been oriented towards punishment for the past misdeeds Many managers and supervisors see discipline primarily as a means to enforce external demands for responsible behaviour. They do not place any enhance on spontaneous self discipline. Instead, they expect orderly behaviour to depend primarily on fear of penalties. Thus, they exercise discipline as a punishment. But this negative approach should be abandoned by the managers and supervisions in order to secure good human relation in industry.

Aims and Objectives of Discipline

1. To ensure the orderly obedience of rules and procedures followed in the organisation so that organisational goals are properly achieved.
2. To ensure an element of certainty in the organisation despite of difference of opinions.

3. To help increasing the efficiency of employees.
4. To create an atmosphere of mutual respect.
5. To develop a spirit of understanding and tolerance among employees.

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Causes of Indiscipline

It is very difficult to prepare an exhaust list of the reasons, which lead employers to indiscipline, in fact, a number of socially economic, cultural and political reasons contribute to indiscipline in an organisation.

Important among these causes are as following:

1. Ineffective leadership which cannot control, coordination and motivate workers.
2. Low wages and poor working conditions lack of promotional opportunities due to which people feel stagnated.
3. Lack of promotional opportunities due to which people feel stagnated.
4. Absence of any code of conduct to regulate behaviour on both sides.
5. Lack of timely redressal of workers grievances.
6. Unfair management practices.
7. Defective communication system.
8. Lack of workers education.
9. Uninteresting work.
10. Drunkenness and faulty problems.
11. Outside political influence.
12. Excessive work pressure.

Factors Contributing to Indiscipline

There are a number of factors which contribute to indiscipline. It is generally taken as the failure of manager because he is not fit to implement it properly. Some factors contributing to indiscipline are given as follows:

1. Lack of consistency

Lack of consistency in enforcing discipline contributes to indiscipline when a casual approach is made in taking disciplinary action then resentment erupts among employees. The management should be impartial, fair and judicious in taking disciplinary actions.

2. Absence of code of discipline

The absence of well defined code of discipline leads to indiscipline. The management and employees are not aware of what constitutes indiscipline in case there is a code of conduct then employees will try to adhere to its provisions. The adoption of a code of conduct leads to personal restrains, so a code of conduct for both management and the managed is essential for creating congenial atmosphere in the organisation.

3. Policy of divide and rule

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Certain managements follow a policy of divide and rule. The feeling among management may be that week workers will be managed best. This is a wrong perception. The division among workers will lead to more indiscipline due to their rivalries. The absence of team spirit among workers will bring more quarrels and indiscipline.

4. Faulty supervision

When the supervision is faulty then indiscipline will be more. The supervisors come in direct contract with employees. If supervisors do not follow well laid down rules and procedures for control, then subordinates will pickup wrong things. The wrong impression about superiors will sow the seeds of indiscipline.

5. Neglect of personal problems of employees

The negligence on the part of management in attending to the personal problems of employees will also contribute to indiscipline. The personal problems of employees will have an impact on their behaviour.

6. Delay in setting grievances

Undue delay in settling grievances of workers will adversely affect the morale of employees. This will lead to indiscipline among employees and will disturb the authority of management. The grievances of employees should be redressed at the earliest for avoiding ugly situations.

Misconduct is the violation of established rules, regulation and procedures act. The act is prejudicial to the interests of the organisation and is likely to have an adverse effect on its working. It does not matter whether the act is undertaken inside or outside the organisation. Disciplinary problems may be classified on the basis of the safely of the consequences which flow from them.

Principles for maintenance of discipline

In India, the problem of indiscipline was stated by the Indian labour conference held in 1957. The conference notes the alarming record of breach of discipline by employers and employees. A subcommittee was appointed to draft a model code of discipline which would be acceptable to all. A code of discipline drafted by the subcommittee was duly certified by the central organisations of workers and employers at the 16th session of the Indian above conference in March 1958 and it became operative from 1st June 1958. The code is based in the following principles.

(i) There should be no lockout or strike without due notice.

(ii) No unilateral action should be taken in connection with any industrial matter.

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(iii) There should be no recourse to go slow tactics.

(iv) No deliberate damage should be caused to plant a properly.

(v) The existing machinery for the settlement of disputes should be utilised.

(vi) Acts of violence coercion, intimidation or interment should not be indulged in.

(vii) Awards should be speedily implemented.

(viii) Any agreement which is likely to destroy cordial industrial relations should be avoided.

Basic Features of the Code

The code of discipline is applicable to both public and private sector units. The important features of the code of discipline are as follows:

1. Both employers and employees should recognise the sights and responsibilities of each other and should willingly discharge their respective obligation. There should be no unilateral action on other side.
2. It prohibits strikes and lockouts without prior notice and also intimidation and the adoption of go slow tactics by workers.
3. All disputes are to be settled through the existing machinery provided for this purpose by the government.
4. It discourages litigation and lays emphasis on a mutual settlement of disputes through negotiation, conciliation and voluntary arbitration rather than through adjudication.
5. A mutually agreed grievance procedure should be set up and both the parties to abide by it without taking arbitrary action.
6. Both employers and trade unions to educate then members regarding their mutual obligations.
7. The employers will not increase workload without their agreement with the workers.
8. Management will take prompt action for the settlement of grievances and for the implementation of all awards and agreements.
9. Prompt action will be taken against those officers whose conduct provokes indiscipline among the workers.
10. The employers will provide all facilities for the unfettered growth of trade unions.
11. The workers will not indulge in trade union activity during the working hours. They will not engage in any demonstration or activity which is not peaceful.

NOTES

12. The workers will implement their part of the awards and settlements properly and will take action against those office bearers of the union who have violated the code.
13. The union will discourage negligence of duty careless operation damage to property. Insubordination and disturbance in normal production factories. They will discourage unfair labour practices and will not engage in rowdy demonstrations.

    The code of discipline thus consists of three sets of principal:

    (i) Obligations to be observed by the management.

    (ii) Obligations to be observed by trade unions.

    (iii) Principles pending on both the parties.

The code of discipline has been helpful in improving industrial relations in a country. The code was re-enforced by the Industrial True Resolution in 1962. In 1965, a seminar was held on the working of the code and it was concluded that the contents were satisfactory, but its implementation has been in effect in 1967. The Central Implementation and Review Committee of the Union Ministry of labour and Employment made an evaluation of the code with the passage of time. The spirit of the code has been lost sight of and a genuine desire to exercise self restraint is lacking.

Check Your Progress

3. Define the term discipline.
4. State any two important features of the code of discipline.

11.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The goal of safety education is twofold, one is to develop safety consciousness among employers and built up a favourable attitude on their part towards safety measures and precautions and secondly, to ensure safe work performance on the part of each employees by developing his skill in the use and operation of any equipments.
2. The main function of the training specialist is to set up the procedure so that the training can be imparted by qualified persons in the plant or individual departments.
3. Discipline refers to the presence of orderliness in any particular field of activity. It is the opposite of confusion, irregularity and disorder in human behaviour and action.

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4. Two important features of the code of discipline are as follows:
   - Both employers and employees should recognise the sights and responsibilities of each other and should willingly discharge their respective obligation. There should be no unilateral action on other side.
   - All disputes are to be settled through the existing machinery provided for this purpose by the government.

11.5 SUMMARY

- Safety education for all levels of management, personal and for employers is vital for any successful safety programme.
- The goal of safety education is twofold, one is to develop safety consciousness among employers and built up a favourable attitude on their part towards safety measures and precautions and secondly, to ensure safe work performance on the part of each employees by developing his skill in the use and operation of any equipments.
- Same companies encourage safety competitions among their departments with a view to bringing about a reduction in the number of accidents.
- The life of industrial workers is full of risks and hazards. Every year lakhs of employers are injured in factories, movers, railway parts and docks, leading to acute ailments or permanent handicaps.
- An industrial accident may be defined as an 'occurrence which interrupts or interferes with the orderly progress of work in an industrial establishment.
- Industrial accidents can be classified into two broad categories-external accidents and internal accidents.
- In every factory, every moving part of a prime mover and every wheels connected to prime mover, every part of an electric generator, motor or rotary convertor, every part of transmission machinery and every dangerous part of any other machinery shall be securely fenced by safeguards of substantial construction which shall be constantly maintained and kept in position while the parts of machinery they are fencing are in motion or in use.
- No young person shall be required or allowed to work at any dangerous machine unless he has been fully instructed and trained regarding the dangers arising from the machine and the necessary precautions have been taken.
- In every factory, in which the process of grinding is carried on, there shall be permanently affixed to or placed near each machine in use, a notice indicating the maximum safe working speed of every grindstone or abrasive wheel, the speed of the shaft or spindle and the diameter of the pulley upon which such shaft or spindle and such speeds shall in no case be exceeded.

- No person shall be required or allowed to enter any chamber, tank vat pit, pipe, flue or other confined space in any factory in which any gas, fume, vapour or dust is likely to be present to such an extent as to involve risk to persons being overcome thereby, unless it is provided with a manhole of adequate size or other effective means of getting out.
- Discipline refers to the presence of orderliness in any particular field of activity. It is the opposite of confusion, irregularity and disorder in human behaviour and action.
- Discipline in industry may be described as willing cooperation and observance of the rules and regulation of the organisation. It means securing consistent behaviour in accordance with the accepted norms of behaviour.

11.6 KEY WORDS

- **Safety education:** Safety education is the teaching of specific knowledge, skills and understanding that children need in order to stay safe in a given situation.
- **Training:** Training is teaching, or developing in oneself or others, any skills and knowledge that relate to specific useful competencies.
- **International Labour Organization (ILO):** The International Labour Organization, which will mark its centenary in 2019, is a United Nations agency dealing with labour issues, particularly international labour standards, social protection, and work opportunities for all.
- **Poor discipline:** Poor discipline refers to the failure of individuals to observe the rules established by the organisation.

11.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-answer Questions

1. Mention the two broad categories of industrial accidents.
2. What are the various aims and objectives of discipline?
3. Identify the causes of indiscipline.
4. What are the important features of the code of discipline?

Long-answer Questions

1. Discuss the safety provisions given under the Factories Act, 1948.
2. Explain the administration of discipline.

3. Describe the various factors contributing to indiscipline.
4. Discuss the principles for maintenance of discipline.

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11.8 FURTHER READINGS

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BLOCK - IV
PERSONAL MOTIVATION FOR ADMINISTRATION

NOTES

UNIT 12 EMPLOYEE MOTIVATION

Structure

12.0 INTRODUCTION

People differ by nature, not only in their ability to perform a specific task but also in their will to do so. People with less ability but stronger will are able to perform better than people with superior ability and lack of will. Hard work is crucial to success and achievement. This belief was underscored by Albert Einstein when he said that 'genius is 10 per cent inspiration and 90 per cent perspiration.' This 'will' to do is known as motivation.

The force of motivation is a dynamic force setting a person into motion or action. The word motivation is derived from motive that is defined as an active form of desire, craving or need that must be satisfied. All motives are directed towards goals. New needs and desires affect or change your behaviour that then becomes goal oriented. For example, if you ordinarily do not want to work overtime, it is likely that at a particular time, you may need more money (desire) so you may change your behaviour, work overtime (goal oriented behaviour) and satisfy your needs.

12.1 OBJECTIVES

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

- Explain the meaning and importance of motivation
- Assess the various types of motivation

- Discuss the various theories of motivation
- Define frustration, aggression, regression, rationalization and depression

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12.2 EMPLOYEE MOTIVATION: OBJECTIVES

The term 'motivation' has been derived from the Latin word *movere*, which means to move. Motivation may be explained as the process of stimulating people to action to accomplish desired goals. It involves arousing needs and desires in people to initiate and direct their behaviour in a purposive manner. Motivation includes creation and sustenance of the desire to work for certain goals among the employees in an organization. Motivation is a complex task because the factors that motivate employees to work are complicated. Financial incentives may be important for some workers and non-financial incentives may be important for others. The managers must determine what motivates the personnel behaviour at work.

Definitions of Motivation

Some of the important definitions of motivation are as follows:

- According to Dalton E. McFarland, 'Motivation refers to the ways in which urges, drives, desires, aspirations, striving, aspirations or needs direct, control or explain the behaviour of human beings.'
- According to W. G. Scott, 'Motivation means a process of stimulating people to action to accomplish desired goals.'
- According to Michael J. Jucius, 'The act of stimulating someone or oneself to get a desired course of action, to push the right button to get a desired reaction.'
- According to Fred Lathan's, 'A goal in the motivational cycle can be defined as anything which will alleviate a need and reduce a drive.'

Importance of Motivation

Motivation causes goal directed behaviour. The needs of individuals serve as driving force in human behaviour. The management tries to govern the behaviour of employees by satisfying their needs. Any act or promise which induces an individual to respond in a desired manner is called an incentive. Incentives are necessary to motivate the employees by satisfying their needs. Effectiveness of motivation contributes a real deal to the success of an organization.

- **Motivation creates willingness to work:** The utilization of physical and financial resources depends on the ability and willingness of the human resources. Motivation puts human resources into action. It creates the will to work among employees. It enables the management to secure the cooperation of the workers and the best possible utilization of all resources.

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- **Improves the efficiency:** The level of performance of employees depends not only on individual's abilities but also on his willingness to achieve a high level of performance. Motivation induces employees to work better and use their full potential. Thus, it helps in increasing productivity and overall efficiency.
- **Ensures achievement of organizational goals:** Management can achieve goals effectively by motivating subordinates. The motivated employees contribute to the fulfillment of the assigned tasks with their best efforts. If a satisfactory system of motivation exists in the organization, the workers cooperate voluntarily with the management towards the accomplishment of the goals of enterprise.
- **Creates cordial relationships:** Motivation brings about employee satisfaction through monetary and non-monetary incentives. It leads to cordial and friendly relationship between the employer and the employees. Industrial disputes are reduced and morale is improved. Effective motivation helps management to overcome resistance to change. Motivated employees support all changes that are in the organizational interest as they identify their own advancement with the prosperity of the enterprise.
- **Leads to stability in the work force:** Motivated employees are sincere and loyal to the organization. The rate of absenteeism and labor turnover is reduced. This results in maintaining a stable work force. Existence of a satisfactory motivation system builds a better image of the organization. It helps in attracting qualified and competent people.
- **Increase in work efficiency:** When workers are motivated for satisfaction of their needs, they work towards satisfying the organizational needs also. This increases the efficiency of organizational activities.
- **Communication:** Motivation promotes communication between managers and workers. Both try to understand each other's needs and satisfy them as much as possible.
- **Reduction in rate of labor absenteeism and turnover:** Workers who are satisfied with their work and work environment contribute positively towards organizational goals and objectives. The rate of absenteeism and turnover, thus, gets reduced.
- **Development of leaders:** Motivation helps managers ascertain the need of employees and lead their behaviour in the right direction. Efficient leaders, thus develop as a result of effective motivation.

Nature of Motivation

The nature of motivation is described below.

- **It is an internal force:** The degree of motivation cannot be measured in quantitative terms. It can only be observed through action and performance of employees. Motivation is an internal force or feeling of a person.

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- **Effect of environmental factors:** Internal organizational factors play important role in motivating the employees. Poor working condition, labour management conflict, autocratic style of management may affect individual's initiative to work. Conversely, a clean and a quiet environment, healthy and cordial relationships encourage workers to contribute to organizational output.
- **It is an ongoing process:** The process of motivation, observing human needs, behaviour and action is continuously followed by managers. Since human needs keep on changing, managers constantly watch the needs-behaviour-action of the employees.
- **It is a pervasive function:** Motivation is required at all levels of management. Both managers and non-managers need to be motivated to accomplish the organizational goals and through them their personal goals.
- **It is a complicated process:** Since understanding human needs is a difficult task, motivation is a complicated or complex task.
- **Skilled managers:** Managers have to be skilled in motivating their employees. Unless they understand human needs, right motivators cannot be adopted. Of all the skills that managers must have, the skill of motivating employees was greatly emphasized upon in a study conducted on motivation.

Approaches to Motivation

The following are the major approaches to motivation:

- **Traditional approach to motivation:** It advocates that workers are lethargic by nature and non-innovative and they work only for wage and salary. Extra efforts are put by them only for financial rewards. Money is the main motivator that makes people work. If managers want workers to put extra efforts, they should provide the monetary incentives only. To maximize their income, workers would also be ready for extra working hours. The proponents of this approach like F. W. Taylor, Henry Fayol etc. give emphasis on the monetary incentive rather non-monetary.
- **Human relation approach to motivation:** This approach is of the view that by virtue workers become part of the informal groups and get bonded by the norms and values of the same group. After strengthening their financial situation, the employees of the organization want that their social and esteem needs should be recognized and satisfied by the management. It is advocated in this approach that the worker should make their own decisions and enjoy doing their jobs by creating an effective working environment. It makes the employees feel important and allows them to be self-directed and control their activities. Elton Mayo is the propagator of this approach who advocated that the employees should have participation in the decision making process which will motivate them.

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- **Human resources approach to motivation:** This approach holds the view that money and job satisfaction are not the prime motivators that initiate employees to perform organizational objectives. McGregor, Maslow, Likert and Argyris advocated that the human resources should be utilized up to optimum level and they should have contribution in the planning as well as the decision making process. Further, they advocated that the managers and workers should sit together and discuss both the individual as well as the organizational goal of the organization.
- **System approach to motivation:** Layman Porter and Raymond Miles advocated that the entire set or system operating on the employee must be considered before the employee's motivation and behaviour can adequately be understood. The characteristics of the employees should be understood before motivation because some employees join for the sake of money while others join for the sake or recognition and status. Thus, accordingly, they should be provided the suitable system of motivation. Further, they advocated that the nature and situation of work motivate employees to a great extent. For example, some employees like challenging work while others like routine works.

Steps in Motivation

Motivated people are in a constant state of tension. This tension is relieved by drives towards an activity and outcome that is meant to reduce or relieve such tension. The greater the tension, the more activity will be needed to bring about relief and hence higher the motivation. Thus the basic motivation process can be depicted as follows:

The concept of motivation has three basic characteristics. These are as follows:

Effort: The amount of effort put into the activity identifies the strength of the person's work related-behaviour. Hard work usually reflects high motivation. A student who works very hard to get top grades can be referred to as highly motivated. A professor who is engaged in research and publishes many high quality articles is exerting extensive effort relating to his job.

Persistence: Motivation is a permanent and an integral part of a human being. Its second characteristic is persistence in the efforts. Motivation is continuously goal directed so that once a goal is achieved, a higher goal is selected and efforts are exercised towards this higher goal. For example, a professor who published simply to get a promotion and then stops or reduces research efforts would not be considered as highly motivated. Accordingly, high motivation requires persistent efforts.

Direction: Persistent hard work determines the quantity of effort while direction determines the quality of the anticipated output. All efforts are to be directed towards the organizational goal. This would ensure that the persistent

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effort is actually resulting into accepted organizational outcomes. For example, a quality control inspector is consistently expected to direct his efforts in discovering defects in the produced items so that the organizational goal of high quality output is met.

As an example, let us assume that a professor has established a goal for himself to get a promotion and monetary raise in order to improve upon his standard of living. Thus the professor will shape his behaviour to achieve that goal. He will choose a course of action designed to obtain promotion. This course of action may comprise five published articles or one published book. He will be highly motivated and will put in persistent efforts in research and publish the desired number of articles or the book.

Once the promotion has been obtained, the professor will re-evaluate his achievement relative to his initially established objective. If the pay raise is not adequate and there are grounds for further promotion and pay raise, the professor will establish a higher goal and strive towards it. This example fits the basic motivational process as follows:

In this example, if the motivator (publishing) does not serve the required purpose then the professor will look at other alternatives as motivators such as service to the college and community, student guidance and curriculum development and good interactive relations with peers and superiors. Thus the motivation process involves the following steps.

1. *Analysis of situation:* The situation that needs motivational inducement must be sized up so as to ascertain the motivational needs. From organizational behaviour point of view, it must be recognized that since the needs of different employees differ both in nature as well as intensity, a composite view of the collective needs of the group is established with appropriate recognition of differences in individual needs.
2. *Selecting and applying appropriate motivators:* A list of all devices of motivation is drawn and a selection made of such motivators that motivate different types of people under different circumstances (Figure 12.1). Proper timing and the extent of motivation is also to be considered. The individual goals should be given adequate attention within the framework of group goals and the organizational goals.

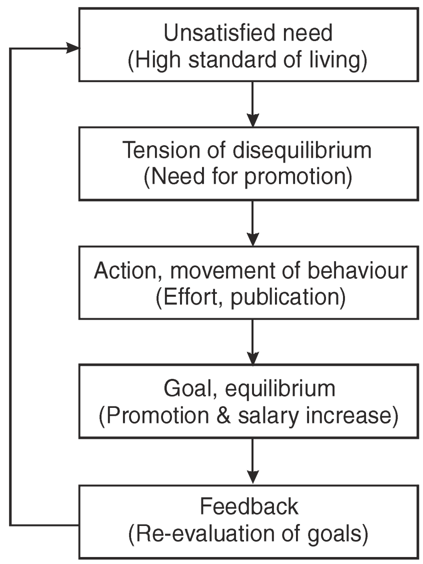

Fig. 12.1 *Devices of Motivation*

3. *Follow-up:* It is important to know that the motivators selected are indeed providing the desired motivation. This can be accomplished by getting and evaluating the feedback. If these motivators are not showing the optimum effect, then alternative motivators should be selected and applied.

Sources of Motivation

Experts in the field of organizational behaviour have a divided opinion as to whether workers are motivated by factors in the external environment such as rewards or fear or whether motivation is self-generated without the application of external factors. It is quite well understood that under the same set of external factors, all workers are not equally motivated. Some of these motivational sources are as follows:

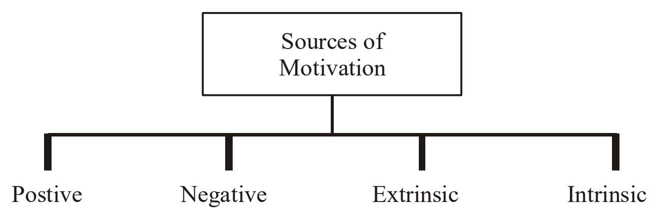

Fig. 12.2 *Sources of Motivation*

Positive motivation—Positive motivation involves proper recognition of employee efforts and appreciation of employee contribution towards the organizational goal achievement. Such motivations improve the standards of performance, lead to good team spirit and pride, a sense of cooperation and a feeling of belonging and happiness.

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Some of the positive motivators are as follows:

- Praise and credit for work done
- Sincere interest in the welfare of subordinates
- Delegation of authority and responsibility to subordinates
- Participation of subordinates in the decision-making process

Negative or fear motivation—This motivation is based upon the use of force, power, fear and threats. The fear of punishment or unfavourable consequences affects the behavioural changes. Some examples of negative motivation include the fear of failing in the examination, and fear of being fired or demoted. Fear of failure in the examination induces motivation in many students to work harder and pass the course. Similarly, the fear of being fired keeps the workers in line with the organizational rules and regulations as well as do a satisfactory job.

The fear of punishment and actual punishment have resulted in controlling individual misbehaviour while they have contributed towards positive performance in many situations and are necessary and useful in many other situations such as disciplining a child or handling a riot, they are not recommended or considered as viable alternatives in the current business and industrial environment. This is based upon the changing trends in the workforce including higher level of employee education and extensive employee unionization.

However, punishment or fear of it is still the most common technique of behaviour modification or control in today's life. When a child misbehaves, he is still spanked. If a worker does not behave according to the way the organization wants him to behave, he is fired. If a person does not behave as the society and law wants him to behave, he is punished by arrest and jail. All religions threaten punishment in the life hereafter if a person does not behave according to God's and religious rules.

Does the punishment system work? Does it change behaviour? Does the prison system reform the criminal? Does spanking make a 'good' child? This area has received considerable attention and has become highly controversial. It has been proposed that while punishment has immediate and short-term effect in changing behaviour, the long-term effects are highly questionable. A driver, who gets fined for jumping a red light where he is supposed to stop, may vow never to do it again at that time, but as time passes, he may do it again.

In the context of organizational behaviour, no worker likes to be criticized, or threatened with employment termination. Specifically, if the worker is punished for an occasional undesired behaviour, it will have a negative effect on his morale, make him bitter with a hostile state of mind, affecting negatively his social interaction as well as his sense of loyalty, perhaps resulting in poor performance and productivity and quality.

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***Extrinsic motivation*—**This type of motivation is induced by external factors that are primarily financial in nature. It is based upon the assumption that the behaviour resulting in positive rewards tends to be repeated. However, the reward for the desired behaviour should be sufficiently powerful and durable so that it improves the probability of occurrence of desirable behaviour. Money is probably the most important incentive for positive behaviour since money can be used for a number of other resources.

These financial incentives and rewards have been a subject of debate whether they really motivate the employees or simply move them to work and perform. These include higher pay, fringe benefits such as retirement plans, stock options, profit sharing schemes, paid vacations, health and medical insurance, sympathetic supervision and people-oriented company policies.

***Intrinsic motivation*—**Intrinsic motivation stems from feelings of achievement and accomplishment and is concerned with the state of self-actualization in which the satisfaction of accomplishing something worthwhile motivates the employee further so that this motivation is self-generated and is independent of financial rewards. For example, there are many retired doctors who work free in hospitals because it gives them a sense of accomplishment and satisfaction. Mother Teresa's works in the slums of Kolkata (India) not only motivated the people who worked with her, but also many others who simply heard about her work and then wanted to join the team. Similarly, Peace Corps workers work in uncomfortable environments for a minimal pay. Some of the intrinsic motivators are praise, recognition, responsibility, esteem, power, status, challenges and decision-making responsibility.

12.2.1 Guidelines for Motivating Employees

Following are some important motivational techniques used by the managers:

- **Financial techniques:** Incentives in terms of cash emoluments, fringe benefits, security of job tenure, and conditions of services are some of the financial techniques which may be adopted by management to motivate the employees. Since money is not an end but a means of purchasing ends, it can fulfill both physical (food, shelter, clothes etc.) as well as safety needs.
- **Job based technique:** To satisfy the social and psychological requirements of employees some job based techniques like job simplification, job enrichment, job enlargement and working relation may be pursued as a motivator. It helps in making the environment vibrant and conducive and employees develop the sense of belongingness and responsibility.
- **MBO technique:** The core concept of MBO is planning, which means that an organization and its members are not merely reacting to events and problems but are instead being proactive. MBO requires that employees set measurable personal goals based upon the organizational goals. For example, a goal for a civil engineer may be to complete the infrastructure of

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a housing division within the next twelve months. The personal goal aligns with the organizational goal of completing the subdivision.

- **Leadership technique:** Autocratic, democratic and participative styles of leadership have their own implications for employee motivation, morale and productivity in the short term and in the long term.
- **Sensitivity training:** The technique of training is given to groups of managers themselves, so that they may behave with and motivate their subordinates better. The sensitivity training helps in developing the better understanding, become open minded, to know the motives, needs of employees, to develop insight about group process, situations, develop scientific process of thinking, and acquiring behavioural skills for dealing with subordinates.

Check Your Progress

1. What do you understand by the term 'motivation'?
2. Name any two approaches to motivation

12.3 MANAGEMENT TECHNIQUE DESIGN TO INCREASE MOTIVATION

A number of theories have been developed by keeping in view the importance of motivation on the working behaviour of employees as well as the productivity. A lot of research work has been done. Some of them are discussed below.

Need Theories of Motivation

Human behaviour is a need based phenomena and greatly influenced by it. The need based theory of motivation is based on the assumption that an individual behaves in a particular manner to satisfy his needs. These theories are also known as content theories and focus on inner needs that motivate behaviours of the employees. Therefore, provisions to reduce or satisfy their needs would force them to behave in a particular way. Some of the important need theories are as follows:

1. Maslow's Need Hierarchy Theory

Influencing human behaviour requires knowledge of various types of needs and wants of human beings working in the organization. To motivate the employees, a manager has to identify their needs and satisfy them. After satisfaction, employees will feel happy and do their jobs with their best efforts. This theory of motivation has received more attention from the managers than any other theory of motivation. Abraham H. Maslow, a famous psychologist, developed a theory of motivation, called the 'need hierarchy theory'. According to him:

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- Man's needs depend completely on what he already has. For this reason, satisfied needs do not motivate behaviour. A manager has to look out for the unsatisfied needs of the individuals in the organization so that he can take proper steps to motivate them by providing opportunities for the satisfaction of such needs.
- Needs are arranged in a hierarchy of importance, i.e., they follow a definite sequence. As soon as needs of a lower level are satisfied, those of a higher level emerge and demand satisfaction. Maslow classified human needs into following five categories in order of priority:

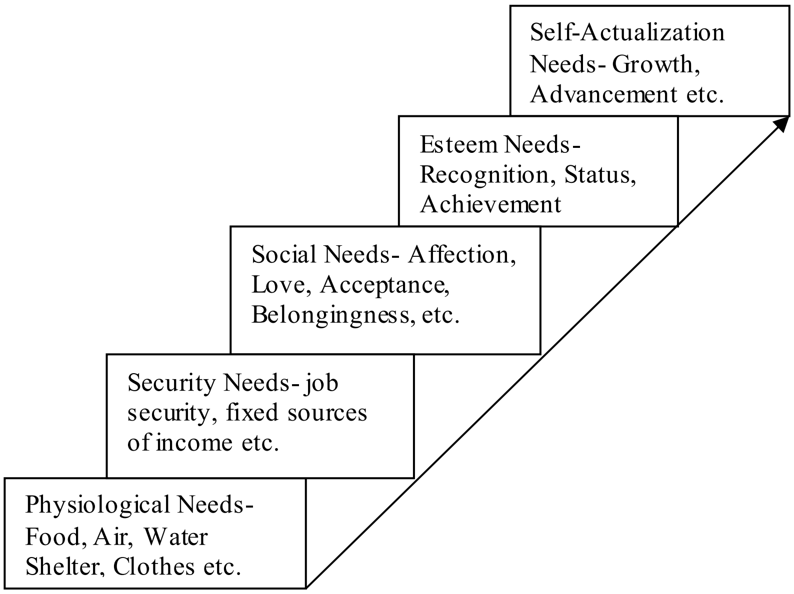

Fig. 12.3 *Maslow's Need Hierarchy*

- **Physiological needs:** These needs are related to the survival and maintenance of human life. They include such things as food, clothing, shelter, air, water and other necessities of life. The need for these things is felt not for oneself, but also for the members dependent on the employee. These are also called economic needs as these cannot be fulfilled without money.
- **Security needs or safety needs:** These needs are related to the safety and security of life and future. Human beings want physical security, economic security as well as social security. Physical security means protection from fire, accident, and crime, etc. It may require satisfied working conditions. Economic security means assured regular income to fulfill basic needs. It may include security of job, i.e., protection against arbitrary dismissal from service. Social security means assured income in case of illness, partial or full incapacity or old age. When physiological needs are satisfied, people want to satisfy their security needs.

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- **Social needs:** The employees have social needs. These needs include need for love, affection, exchange of feelings and grievances, companionship, belongingness, etc. Such needs can be satisfied through friendship on the job. Family and community relationship outside work. Organizations should encourage team spirit and provide opportunities to interact socially.
- **Esteem needs**: Esteem needs arise when social needs are fulfilled. These needs arc concerned with prestige and status of the individual. They include needs for self-respect, competence, knowledge, recognition and respect from others. Techniques of proper promotion and delegating authority help the individuals in satisfying self-development and self-esteem needs.
- **Self-actualization needs:** Such needs arise when esteem needs are satisfied, these needs relate to the desire for personal achievement and to become what one is capable of becoming. Such needs refer to need to grow and self-fulfillment. It is very difficult to identify and satisfy such needs.

Managers use various monetary and non-monetary incentives to satisfy the above mentioned needs of their subordinates and to motivate them. Maslow's need hierarchy theory of motivation is concise, informative and widely accepted by the managers. The theory has few limitations. The above mentioned hierarchy of needs may not be followed strictly in all cases. Some of the persons may like to satisfy the higher level needs first. A person may seek to satisfy several needs at the same time. Thus, the motivation function is dynamic. A constant review of incentives is required to have an effective system of motivation.

2. Herzberg's Two Factor Theory

Herzberg was a behavioural scientist who developed this theory after surveying hundreds of accountants, engineers and other managerial personnel. He advocated that the employee's motivation is the outcome of their job satisfaction. It is advocated that the satisfied employees are motivated from within to work harder and dissatisfied employees are not self-motivated. Since Herzberg has discovered two sets of factors associated with satisfaction and dissatisfaction of the employees, therefore, it is known as the Herzberg two factor theory. The first set is of hygiene factors and the other is that of motivators. The elements of hygiene and motivators can be better understood from the following table.

Table 12.1 *Herzberg's Hygiene and Motivator Factors*

Hygiene Factors	Motivational Factors
Money and compensation	Challenging work
Personal life	Added responsibility
Working condition	Advancement
Working relation	Recognition of good work
Status	Personal growth
Job security	
Company policy and administration	
Quality of supervision	

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- **Hygiene factors:** The hygiene factors are dissatisfying because if all of them are adequately met with in a work situation, people will not be dissatisfied. Their adequacy hence does not really motivate people. However, if any of the hygiene factors is not attended to properly in a job, dissatisfaction can occur. For example, lower pay, bad supervision, a hazardous or uncomfortable workplace can create substantial dissatisfaction among employees.
- **Motivating factors:** These factors are aspects of the task or work itself. They include challenge, chance for personal growth and performance feedback. In other words, as viewed by the employee, a job with these characteristics means it bears the motivational factors. These factors contribute heavily to the satisfaction of the employee and have a positive effect on their performance.

A Comparison between Maslow's Need Hierarchy Theory and Herzberg's Two Factor Theory

Though Maslow and Herzberg have different approaches towards explaining motivational philosophy and process; yet there seems to be a great similarity between the two theories of motivation. In fact, basic needs, safety needs, social needs and a part of ego needs, as stated by Maslow correspond with what Herzberg calls hygiene factors (or maintenance factors or dissatisfiers); while the latter part of ego needs and self-realisation needs correspond much with the motivational factors (or satisfiers) of Herzberg's two-factor theory.

However, there is a sharp contrast between Maslow's theory and Herzberg's theory. According to Maslow, any type of need (which is unsatisfied) can be a motivator whereas according to Herzberg only higher level ego needs and self-realization needs could be motivators. In fact, Maslow's account of motivation is of a universal nature while Herzberg's theory is valid only in the context of developed countries, where lower level needs are always found to be fulfilled and hence cease to be motivators at all.

3. McGregor's Theory X and Theory Y

Douglas McGregor, a behavioural scientist, has developed approach to manage and motivate on the basis of various assumptions relating to human behaviours. It has been formulated as theory X and theory Y. Both these theories are based on certain assumptions regarding human behaviour. Though, he was a great critic of classical approach of management. But his theory X is related to philosophy of traditional management, assumptions about employees and the way to manage them. Theory Y is based on humanistic assumptions about employees and describes the approaches to manage and motivate them. The assumptions of the theories are as follows:

Theory X

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- Average employee in the organization is lazy, dull, self-centered, resists change and does not want to share responsibility.
- He has limited number of needs, mostly physical needs and to some extent security needs.
- Average employee lacks responsibility and has little ambitions.
- Thus, the responsibility of getting things done by others for achieving organizational goals lies on the managers and the managers must use coercive measures to control the workers and they must be threatened and punished as to get them to work.
- To get things done by the employees, McGregor suggested rigid, bureaucratic and rule based organization.
- Narrow span of management, one way communication, close supervision, more concentration on monetary incentives and centralization of managerial authority should be followed.
- It was also considered necessary to guide, direct and control the employees in a strict manner and the approach of carrot and stick should be used for motivating them.

Theory Y

- Work is as natural as play or rest for the workers.
- Average employee or workers like work. They are cable of assuming responsibilities and accepting challenges.
- They are ambitious, achievement oriented, and capable of exercising self-control.
- They have wide range of needs, both economic and non-economic.
- They have potential to learn, to accept and seek responsibility. They have imagination and creativity that can be applied to work.
- In view of these assumptions, the role of management is to develop potential and help the employees to use it for achieving common objectives.
- Organizational structure should be marked by open communication, flexibility, informal relation, and decentralization of authority.
- The approach of management should include participative management, supportive supervisory style, self-direction and control, opportunity for developing and using creativity and innovativeness and package of both monetary and non-monetary incentives.

4. Vroom's Valence-Expectancy Theory

According to this theory, a person's motivation towards an action at any time would be determined by his perception that a certain type of action would lead to

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attainment of a specific goal. Vroom's model is built around the concept of value, expectancy and force. The basic assumption is that the choice made by a person among alternative courses of action is lawfully related to psychological events occurring contemporaneously with the behaviour. Vroom's concept of force is basically equivalent to motivation and may be shown to be the algebraic sum of products of valences multiplied by expectation e.g.

Motivation (force) = Valence × Expectancy

There are three variables and they have high positive values to imply motivated performance choices. If any one of the variables approaches zero, the probability of motivated performance approaches will be zero. Valence is the strength of an individual's preference for a reward and instrumentality denotes and individuals estimate that performance will result in achieving the reward. Valence may be used as an incentive, attitude, and expected utility. In order for the valence to be positive for individual, they must prefer attending the outcome to not attending it, otherwise the valance will be zero which will refer to non-attainment of the goal.

Another factor which influence motivation is expectancy that is the probability that a particular action will lead to the outcome. Expectancy is different from instrumentality input into valence. It differs from instrumentality in that it relates to first level outcomes whereas instrumentality relates first and second level outcomes to each other. Thus, expectancy is the probability that a particular action will lead to a particular first-level outcome. The strength of motivation to perform a certain act will depend on the sum of the products of the values for the outcomes times of expectancies. Therefore, overall it can be said that the combination that produced the strongest motivation comprises high positive valence, high expectancy and high instrumentality. If all three are low, the resulting motivation will be weak. In brief, Vroom's model attempts to explain how individual's goal influences his efforts.

5. Alderfer ERG Theory

This theory of motivation has been developed by Clayton Alderfer as an extension of Maslow's need hierarchy theory. It was considered as reformulation or refinement of Maslow's need theory. This theory states that employees attempt to meet a hierarchy of existence, relatedness and growth needs. If the efforts to seek one level of needs are defeated, individual would regress to lower level of needs. Alderfer classified needs into three categories as characterized by its name as ERG where 'E' stands for existence needs, 'R' stands for relatedness needs and 'G' stands for growth needs.

- **Existence needs:** They refer to all physiological and safety needs of an employee. Thus, existence needs group physiological and safety needs of Maslow into one category as these have similar impact on the behaviour of the individual.
- **Relatedness needs:** They refer to all those needs that involve relationship with other people whom the individual cares. Relatedness needs cover

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Maslow's social needs and that part of esteem needs which is derived from the relationship with other people.

- **Growth needs:** They refer to involve employees making creative efforts to achieve full potential in the existing environment. These include Maslow's self-actualization need as well as that part of the esteem need which is internal to the individual like feeling of being unique, valuable for the growth of the organization.

Table 12.2 *Compression between Need and ERG Theory*

Maslow Need Hierarchy Theory	**Alderfer ERG Theory**
Self-Actualization and Self Esteem Needs	Growth Needs
Social and Belongings	Relatedness Needs
Physiological and Safety Needs	Existence Needs

This theory has conceived that needs along a continuum which avoids the implication that the higher up an individual is in the need hierarchy, better it is. According to this theory different types of needs operate simultaneously in chronically way.

12.3.1 Position in India

In spite of the fact that practically all societies share a similar set of values, experts now argue that the importance and the hierarchy of these values vary in each particular society (or culture). A different hierarchy of values naturally implies variations in the techniques employed in order to retain and motivate staff. Reducing attrition involves a thorough understanding of the human psyche. Therefore, methods to motivate employees need to be cultural-specific. Indian cultures are in several ways different not only from Western cultures, but also from neighbouring ones.

The traditional method of motivating employees in the Western business culture has been to use extrinsic motivation such as pay rises, bonuses, and promotions. However, in places like India, increasing the basic salary hardly reduces turnover or increases motivation. Since India has comparatively cheaper standard of living, satisfaction with the salary tends to be reached more quickly. Employees look beyond the money factor and new aspects become crucial. In India, employees look towards needs such as safety and acceptance. According to a survey that was undertaken, around 70 per cent of employees in India see job security and emotional comfort as the major elements of motivation. Traditional Indian companies often play the role of a family extension for their staff. They provide a feeling of belonging, build personal relations, and offer long-term (often life-long) contracts.

12.3.2 Changing Nature of Human Needs

As you learnt earlier, human needs can be sorted from the most basic and immediate, to the most ambitious, according to the classical Maslow's pyramid. There is a natural human tendency to struggle on for higher levels in Maslow's pyramid, once the lower levels have been satisfied (which is not always the case). Human needs thus are never static. They keep changing with the development of the individual.

12.3.3 Frustration, Aggression, Regression, Rationalization and Depression

Psychologists have attempted to define frustration in their own way. Frustration has been looked upon as a sort of blocking in individual's life. If the blocking is minor, it is negligible, but if it creates serious difficulties, the frustration is more complicated. Anything that blocks the progress of an individual or interferes with the satisfaction of the motives, brings frustration. According to Rosenzweig, 'Frustration occurs whenever the organism meets a more or less insurmountable obstacle or obstruction in its route to the satisfaction of any vital need.' Nowadays, employees face business competition, marital problems, social laws and taboos, international tensions, and many other frustrations that are difficult to attack directly. There are different types of frustration. These include:

(i) Environmental Frustrations,

(ii) Personal Frustrations, and

(iii) Conflict Frustrations.

Frustration-Aggression Hypothesis

This hypothesis, advanced by Dollard et.al (1939), stated that 'aggression is always- a consequence of frustration', and 'the occurrence of aggressive behaviour always presupposes the existence of frustration. Aggression was defined as 'an act whose goal response is injury to an organism surrogate'.

Frustration-Regression Hypothesis

According to Barker, frustration leads to regression which is defined as a primitivation of behaviour, a 'going back' to a less mature state which the individual has already out grown. Regression may occur with respect to the original goal of the person, or other forms of activity.

Depression

Depression refers to feelings of severe despondency and dejection in an individual. In terms of employees in an organization, work depression leads to loss of energy and motivation, difficulty in mental concentration, feeling worthless, losing interest in everything, frequent despairing moods, and so on.

Rationalization

A reorganization of a business in order to increase its efficiency is known as rationalization. This reorganization may lead to an expansion or reduction in the size of the business, a change of policy, or an alteration of strategy pertaining to particular products. Similar to a reorganization, a rationalization is more widespread, encompassing strategy as well as structural changes.

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Check Your Progress

3. Name any two important theories of motivation.
4. What are the two factors in Herzberg's two-factor theory?
5. Who developed the ERG theory of motivation?

12.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The term 'motivation' has been derived from the Latin word *movere*, which means to move. Motivation may be explained as the process of stimulating people to action to accomplish desired goals.
2. The two approaches to motivation are traditional approach to motivation and human relation approach to motivation.
3. The two important theories of motivation are Maslow's need hierarchy theory and Herzberg's two factor theory.
4. The two factors in Herzberg's two factor theory are hygiene factors and motivator factors.
5. The ERG theory of motivation has been developed by Clayton Alderfer as an extension of Maslow's need hierarchy theory.

12.5 SUMMARY

- The term 'motivation' has been derived from the Latin word *movere*, which means to move. Motivation may be explained as the process of stimulating people to action to accomplish desired goals.
- It involves arousing needs and desires in people to initiate and direct their behaviour in a purposive manner.
- Motivation is a complex task because the factors that motivate employees to work are complicated. Financial incentives may be important for some workers and non-financial incentives may be important for others.
- Motivation refers to the ways in which urges, drives, desires, aspirations, striving, and aspirations or needs direct, control or explain the behaviour of human beings.
- Motivation causes goal directed behaviour. The needs of individuals serve as driving force in human behaviour. The management tries to govern the behaviour of employees by satisfying their needs.

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- Motivation brings about employee satisfaction through monetary and non-monetary incentives. It leads to cordial and friendly relationship between the employer and the employees.
- Incentives in terms of cash emoluments, fringe benefits, security of job tenure, and conditions of services are some of the financial techniques which may be adopted by management to motivate the employees.
- The core concept of MBO is planning, which means that an organization and its members are not merely reacting to events and problems but are instead being proactive.
- A number of theories have been developed by keeping in view the importance of motivation on the working behaviour of employees as well as the productivity.
- Human behaviour is a need based phenomena and greatly influenced by it.
- Influencing human behaviour requires knowledge of various types of needs and wants of human beings working in the organization. To motivate the employees, a manager has to identify their needs and satisfy them.
- Managers use various monetary and non-monetary incentives to satisfy the above mentioned needs of their subordinates and to motivate them.
- Herzberg was a behavioural scientist who developed this theory after surveying hundreds of accountants, engineers and other managerial personnel. He advocated that the employee's motivation is the outcome of their job satisfaction.
- Though Maslow and Herzberg have different approaches towards explaining motivational philosophy and process; yet there seems to be a great similarity between the two theories of motivation.
- Douglas McGregor, a behavioural scientist, has developed approach to manage and motivate on the basis of various assumptions relating to human behaviours. It has been formulated as theory X and theory Y.
- According to this theory, a person's motivation towards an action at any time would be determined by his perception that a certain type of action would lead to attainment of a specific goal.
- According to Vroom's Valence-Expectancy theory, a person's motivation towards an action at any time would be determined by his perception that a certain type of action would lead to attainment of a specific goal. Vroom's model is built around the concept of value, expectancy and force.
- There are three variables and they have high positive values to imply motivated performance choices. If any one of the variables approaches zero, the probability of motivated performance approaches will be zero. Valence is the strength of an individual's preference for a reward and instrumentality denotes and individuals estimate that performance will result in achieving the reward.

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- The ERG theory of motivation has been developed by Clayton Alderfer as an extension of Maslow's need hierarchy theory. It was considered as reformulation or refinement of Maslow's need theory. This theory states that employees attempt to meet a hierarchy of existence, relatedness and growth needs.

12.6 KEY WORDS

- **Motivation:** Motivation represents an unsatisfied need which creates a state of tension or disequilibrium, causing the individual to move in a goal directed pattern towards restoring a state of equilibrium, by satisfying the need.
- **Incentives**: An incentive is something that motivates an individual to perform an action.
- **Turnover:** Turnover is an accounting term that calculates how quickly a business collects cash from accounts receivable or how fast the company sells its inventory.

12.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What are the motivational techniques used by managers in an organization?
2. State in detail the McGregor's Theory X and Theory Y. Which theory of McGregor's is best suited for an Indian production unit?
3. What do you mean by Alderfer ERG Theory? Explain ERG and compare it with Maslow need hierarchy theory.
4. Write short notes on the following:
   - Frustration
   - Aggression
   - Regression
   - Rationalization
   - Depression

Long-Answer Questions

1. Discuss the various approaches to motivation.
2. What do you mean by Maslow's needs hierarchy theory of motivation? Compare this theory compare with Herzberg's model of motivation.

3. Explain Herzberg's two factor theory of motivation. Are hygiene factors stated in Herzberg's theory really maintenance factors, discuss in the Indian business scenario?
4. Discuss Vroom's Valence-Expectancy theory.

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UNIT 13 PERSONNEL RECORDS AND REPORTS

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Structure

13.0 INTRODUCTION

Records are created/received by an organization in routine transaction of its business or in pursuance of its legal obligations. A record may consist of two or more documents. Whereas, reports may refer to specific periods, events, occurrences, or subjects, and may be communicated or presented in oral or written form. In this unit, you will deal with the personnel records and reports. This unit will also deal with the concept of personnel audit.

13.1 OBJECTIVES

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

- Describe the essentials of a good report and record
- Differentiate between external and internal reports
- Discuss the significance of records and reports
- Explain the importance of personnel audit
- Critically analyse the scope of personnel audit
- Mention the process involved in a personnel audit

13.2 RECORDS

Records mean the preservation of information in files and documents. A record is a piece of writing or a chart which provides ready information and which preserves evidence for future reference or use. Records are generally prepared and compiled from reports and they are meant for long term use. They contain for the employer and the employees information on job analysis, evaluation and description and or recruitment, selection, test scores, on the results of physical examinations, on the interviewers notations, on employee training and development and periodical appraisals, on transfers, promotions, discharge, dismissals, layoffs, on grievances and on the disciplinary action taken against employees, on wages, pensions, provident fund contributions, employees benefits and services, programmes, safely and accident prevention measures and procedures, labour disputes, cost of the recruitment of employees and of training methods, scrap loss, the rate and extent of absenteeism and labour turnover suggestion schemes and a host of other activities in which an organisation is involved.

Essentials of a Good Record

In order to have reliable and effective records the following clarifications are required:

(i) The objectives for which it is maintained should be clearly and adequately stated.

(ii) It should be consistent with the requirement for which it is maintained and should be easily available.

(iii) Its upkeep and maintenance should not be costly it should be kept under lock and key to ensure that it is not misled or preferred or tampered with.

(iv) It should be periodically reviewed and brought up to date.

(v) It should be maintained in such a manner that the information it contained is easily accessible.

(vi) It should be easily identified and differentiated from another record.

(vii) The records of different kinds of information should be kept and maintained in separate files and dockets for ready reference.

(viii) Duplication of entries in different records should be awarded.

(ix) Some particular person should be entrusted with the responsibility of maintaining records.

(x) A procedural manual should be maintained, detailing the procedure to be followed for maintaining and dealing with records.

13.2.1 Reports

A report is a vehicle for carrying information and is a written statement of results, events, conditions, progress on interpretation of records the basic logic behind reports is to avoid misunderstanding and to serve as a record. A report is an official document that presents facts for the information of interested reader and requires careful and accurate presentation.

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A report is an account or statement describing in detail an event, a happening a situation, or evaluating an enterprise or a product that is proposed to be manufactured. It outlines and describes what has happened frequently, both in qualitative and quantitative terms. It is generally written on submitted periodically every week, month or year and includes many statistical serves containing data on employment recruitment, accidents, benefits and services, transfers, promotions, layout, etc. It also contains the observations and comments of the person who is called upon to make a report on items of special significance in manpower management.

Reports are generally divided into following categories.

1. Formal Report

When a report is prepared to comply with any requirement of statute on order it is known as a formal report. These types of reports have two sub-divisions viz.

(a) Statutory reports

These reports are prepared in accordance with the set principles and procedures as paid down by the law of land. For example, auditor’s report.

(b) Non-statutory reports

These reports are prepared for internal use like operational results of the company deviation from the standards fixed by the management, etc.

2. Informal Reports

It is written just like a communication in the form of a letter from one person to another. It is not prepared in accordance with the rules framed by any law.

3. External Reports

In an organised society, reporting to shareholders has assumed a wider dimension. The annual reports to shareholders are public documents copies of such reports are to be filed with the registrar of companies as well as with the stock exchanges. In the interest of general understanding, the final statements of accounts are expected to confirm to certain minimum standards of disclosure and to disclose certain basic details. In India, this is laid down by Schedule VI to the companies Act. It is thus that government tries to project the investing public from mischievous managements. In the USA, the quality of the financial reporting practices of manufacturing concerns has stemmed from four principal sources.

First, the gradual recognition by some managers of their public responsibility.

Second, increasing criticism of managements accounting and reporting practices by a number of influential groups and individuals outside of the management class.

Third, direct federal government legislation such as the Securities Act 1933.

Fourth, the recognition by the American accounting profession and acceptance by the business community of some common accounting and reporting standards.

4. Internal Reports

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Internal reports refer to the reports to various levels of management these are not public documents they generally do not have to conform to any statutory standards. They are basically vehicles for carrying information to the various levels of management. Such reports are prepared keeping in view the recipient of the reports—his accomplishments, his time for scanning the reports, the purpose to be served by the reports, etc.

Internal reports may be either routine or special reports. Routine reports are sent to the various levels of management. This is described as the feedback because the basic data for this information had gone from the recipient. It is sent back to him in a different shape. Depending upon the level of management the nature of information and details to be reported would differ. The periodicity of the routine reports again depends upon the various levels of management. There would be a tendency to neglect the routine reports by the recipient because of their routine nature. Therefore the report should be so framed as to bring out the significant information more permanently by special colours or special type of print, etc.

Special reports are required for special purposes. The time level for these reports has specifically to be laid down. The data required for this information may not be completely available with the accounting department further data may have to be collected. For a special report, depending upon the significance of the report special staff may have to be employed. Special reports may involve the coordination of various functions like industrial engineering, marketing, etc. Matters which may require treatment in special reports may be as follows:

(i) Political and economic development at home and abroad.

(ii) Results of market analysis and sales research including methods of distribution, attitudes and possible moves by competitors.

(iii) Materials reports by the purchase department on purchasing problems and by the cost accountant on the complications of price movements.

(iv) Technological developments in the industries which may offer competition.

(v) Patent rights and changes in patent laws.

(vi) Information about competitive products.

(vii) Comparative performance and costs of existing production plant and more up to date equipments.

(viii) Wages and other costs connected with labour.

(ix) Industrial relations

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(x) Important matters revealed by the costing system and the results in terms of costs of contemplated alternative lines of action.

(xi) Taxation

(xii) Trade association matters

(xiii) Reports by the secretary on company matters and legal obligations.

(xiv) Reports by consultants and outside advisers on financial, commercial and management problems including recommendations by auditors.

5. Operating Reports

These reports provide information about the operations of the company at different functional levels. These have to be distinguished finance reports which provide information about the financial position of the company.

6. Correct Control Reports

These are intended to spot deviations from budgeted performance without loss of time, so that prompt control action can be taken. These reports relate to a small fragment of a whole period.

7. Summary Control Reports

These reports are intended to summarise deviations from objectives over a certain period so that control could be initiated at higher levels.

8. Information Reports

These reports provide useful information which enable planning and policy formulation for the future. These reports can take the form of trend reports and analytical reports. Trend reports are those which provide information in a comparative fashion over a period of time. The report depicts the direction of events over a period of time. Graphical representation can be effectively used in trend reports.

Analytical reports provide information in a classified manner about composition of certain results, so that one can identify specific factors in the overall total. For example, the composition of various elements of cost in the total cost of a product can be depicted.

Essentials of a Good Report

The submission of a report on a particular issue is the responsibility of the person appeared for the purpose, who puts it up to one of the top executives. It may also be sent by an immediate supervisor to his departmental head to be useful a report should satisfy some conditions.

These are as follows:

(i) It should deal with a specific objective.

(ii) It should dwell on the issues referred to the person making it.

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(iii) The person who makes the report should collect the data and interpret it honestly.

(iv) A report should contain date on all the aspects of personnel management.

(v) It should make specific recommendations.

(vi) It should be timely so that proper action may be taken on it.

(vii) It should be clearly worded and easily comprehensible.

(viii) It may include illustrative points to strengthen the observations made in it.

(ix) It should be reader oriented.

13.2.2 Significance of Records and Reports

The importance of records and reports for the management of an organisation cannot be over emphasised for they enable it to get information with a view to taking timely decisions on issues pertaining to the different aspects of personnel management they are needed.

(i) To supply the information required by government agencies on the rate of accidents on large scale absenteeism or turnover or on wage rates occurring or prevailing in an organisation.

(ii) To conduct research in the field of industrial relations.

(iii) To enable personnel managers to prepare training and development programmes.

(iv) To review and reuse pay scales.

In the absence of reliable records and reports, the management would not be able to function, in fact, it would be paralysed, for it would not to know where the organisations weakness has and what precautions to take to set matters right.

Check Your Progress

1. What are records?
2. What are reports?
3. Define the term 'internal reports'.

13.3 PERSONNEL AUDIT

Personnel or human resource audit refers to checking the organizations' performance in its management of human resources. It reveals how the management is doing in getting things done through people. Personnel audit is an investigative, analytical and comparative process. It undertakes a systematic research of the effectiveness

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of the personnel programme. It analyses the operative functions of personnel management and if any deficiency is discovered steps are taken to remove it.

A personnel audit refers to an examination and evolution of polices procedures and practices to determine the effectiveness of personnel management. Personnel audit or periodical reviews of the effectiveness of a management are concerned with;

(a) The measurement of the effectiveness of personnel programmes and activities and

(b) The determination of what should or should not be done in the future as a result of such measurement.

Objectives of Personnel Audit

The main objectives of personnel audit are as under:

(i) To review the system of recruitment selection, training development allocation and utilisation of human resources in the organisation

(ii) To evaluate the extent to which the personnel management policies and procedures are implemented by the various departments in the organisation.

(iii) To find out any shortcomings in the management of human resources.

(iv) To evaluate the manpower in the organisation.

According to Gray, 'The primary purpose of personnel audit is to know how the various units are functioning and how they have been able to meet the policies and guidelines which were agreed upon and to assist the rest of the organisation by identifying the gap between objectives and results, for the end product of an evaluation should be to formulate plans for corrections or adjustments.'

Need for Personnel Audit

It is not an obligation on the part of the management to conduct personnel audit. The enlightened management uses it as a tool for managerial control of the human resource programmes and practices

According to Yadav, the need for personnel audit is largely influenced by several conditions. Some of these are as follows:

(i) **The number of employees:** Very small units, because of the very small number of persons they employ require comparatively little in the way of a formal audit.

(ii) **Organisational structure:** Continuing feedback is facilitated if an organisation has a personnel department

(iii) **Communication and feedback:** An effective two-way communications system often reduces the need for a formal audit.

(iv) **Location and dispersion:** The need for a formal audit is directly related to the number of isolated plants.

(v) **Status of an industrial relations manager:** If he participates in top management plans, reports, discussions and decisions the need for a formal audit may be less frequently felt.

(vi) **Administrative style:** The greater the delegation of authority and decentralisation of power, the greater the value of a regular and formal audit.

Importance of Personnel Audit

In modern times, personnel and industrial relations audits have been widely accepted as tools with which managers can control the programmes and practices of the personnel and industrial relations department. The importance of personnel audit has increased in recent years because of the following reasons:

1. There has been a change in the philosophy of management workers participation and indentation in the activities of the organisation is being regarded as a powerful influence for the success of the organisation.
2. Higher labour costs and greater opportunities for competitive advantage in the management of people is another cause which compels management to conduct personnel audit.
3. Government interference in the business is increasing nowadays in order to protect employee interest. Personnel audit can help in avoiding such intervention.
4. Personnel audit is essential to take problems of women employees.

Scope of Personnel Audit

Personnel audit cover the activities of the department and extend beyond because the people's problems are not confined to the personnel department alone. The audit should be brood in its scope. It evaluates the personnel functions, the use of its procedures by the managers and the impact of these activities on the employees.

Specifically, the personnel audit covers the following areas:

1. Audit of personnel function
2. Audit of managerial compliance
3. Audit of human resource climate
4. Audit of corporate strategy

In the words of the National Industrial Conference Board of the United States, 'The top management is interested in auditing all the programmes relating to employees, regardless of where they originate, on the channels through which they are administered.'

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The field of personnel audit includes:

(a) Job analysis
(b) Recruitment
(c) Testing
(d) Section
(e) Training
(f) Management development
(g) Information and transfers
(h) Rating
(i) Labour relations
(j) Morale development
(k) Employee benefits and services
(l) Employee communication
(m) Employee counselling
(n) Wage and salary administration
(o) Collective bargaining
(p) Personnel management, industrial relations and research

Personnel Audit can be used by an organisation for multiple purposes. Some of the more common reasons are as follows:

(i) To identify and address HR related problems
(ii) To seek out HR related opportunities
(iii) To conduct due diligence for managers and acquisitions
(iv) To support critical public offerings

An intended use determines how audit should be conducted. The audit used to support on initial public offering shall be different from the type of audit used to ascertain HR practices. Although, the areas examined may be similar. The process used and depth of enquiry will vary keeping in view the intended outcome.

Audit Process

The personnel audit process is conducted in different phases. Such phase is designed to build upon the proceeding phase so that at the end of the audit the organisation has a very strong overview of the condition of the personnel function. The phases include the following pre-audit information.

This phase involves acquiring and reviewing relevant HR manuals, handbooks, forms, reports and other information. A pre-audit information request is forwarded to the client, who compiles the necessary information and submits it for a review to the auditors.

Pre-audit self Assessment

In order to minimise the time spent during the subsequent positions of the audit, a pre-audit self assessment form is sent to the client. The self-administered Yes/No questionnaire asks a number of questions about current Personnel policies and practices.

The completion of this self administered questionnaire allows auditors to identify key areas for focus during the Personnel audit.

On the review

This phase involves a visit to the client's facility and interviews with the staff regarding personnel policies and practices.

Records review

A separate review is conducted of HR and Personnel records and postings employee personnel files are randomly examined as well as compensation; employee claims disciplinary actions, grievances and other relevant HR related information are checked.

Frequency and Types of Audit

Annual audit or evaluation is a common practice. At the end of each calendar or fiscal year a report is presented, covering statistical information on the activities performed, the results achieved the costs and expenditure involved and comparisons of objectives and accomplishments. By a perusal of this report, a great deal of useful information can be had about personnel activities.

In some organisations, however this personnel audit is conducted periodically, generally in accordance with the need of each organisation. For example, attitude on morale surveys on particular subjects on topics may be conducted, or special reports may be prepared on such issues as grievances, the working of seniority rules or the effects of overtime practices and collective bargaining agreements.

While conducting a personnel audit two practices are generally followed. In some case auditors or accountants working in the organisation conducts the audit. In other cases, the sources of outside experts are engaged, this is known as external audit.

The advantages of having an outside auditor are that;

(a) he has a background of knowledge of what others are doing in similar situations.

(b) he has a professional attitude towards his work and

(c) he is objective in that he personally will not become a party to recommended changes.

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Whole appointing an outside auditor certain conditions are kept in mind regarding his work

(i) He cannot work miracles. He can diagnose ills and recommend treatment, but the patient must provide the will to get well.

(ii) He must secure top management support.

(iii) He cannot and should not relieve management of its responsibilities for making the decisions. He can recommend but the acceptance of his recommendations rests with management.

Approaches to Personnel Audit

Auditors may adopt any of the following four approaches for the purpose of evaluation:

1. **Comparative approach:** In this approach, the auditors identify another company as model. The results of their organisations are compared with those of the modal company.
2. **Outside authority approach:** In outside authority approach, the auditors use standards set by an outside consulting as a bench mark for comparison of own results.
3. **Statistical approach:** In statistical approach statistical measures of performance are developed based on the company's existing information examples of such measures are absenteeism and turnover rates.
4. **Compliance approach:** In the compliance approach, the auditor review past actions to determine if those activities comply with legal requirements and company policies and procedures.

Methods of Analysis

The methods for analysing dates and information are as follows:

(i) Comparison of various time periods

(ii) Comparisons between departments and other companies

(iii) Trend lines, frequency distributions and statistical correlations

(iv) Ratio analysis for example, labour cost per unit of output

(v) Classification of data by kinds of employees, products and departments

(vi) Graphical or pictorial displays

The Audit Report

After examining the policies, programmes and results, the personnel auditor submit a written report containing its findings, conclusions and recommendations. The report is called the audit. In case of personnel audit, there is no prescribed format of the report. The overall form and style of the report will depend upon the auditor.

Personnel Audit report is meant mainly for the management. However, certain aspects of the report may be made available to the employees of morale survey report, safety survey report, etc. The report is based solely on the findings and is submitted within a reasonable time after the audit is over. The following items are generally included in the report:

(i) Table of contents

(ii) Preface giving a brief statement of the objectives

(iii) Summary and conclusions which is the main body of the report. This may be only part of the audit report that some of the important executives will read.

(iv) The report proper in which each major decision on department is separately covered. A separate section may be given for each department.

(v) Summary : It is general in nature and is relevant to all the persons concerned it does not include the matters reported to the top executives.

(vi) Appendix containing supporting data that might be too voluminous to appear in the body of the report.

Check Your Progress

4. What is personnel audit?
5. Mention any two main objectives of personnel audit.

13.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Records are created/received by an organization in routine transaction of its business or in pursuance of its legal obligations.
2. Reports may refer to specific periods, events, occurrences, or subjects, and may be communicated or presented in oral or written form.
3. Internal reports refer to the reports to various levels of management these are not public documents they generally do not have to conform to any statutory standards. They are basically vehicles for carrying information to the various levels of management.
4. A personnel audit refers to an examination and evolution of polices procedures and practices to determine the effectiveness of personnel management.

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5. Two main objectives of personnel audit are as under:
   (i) To review the system of recruitment selection, training development allocation and utilisation of human resources in the organisation
   (ii) To evaluate the extent to which the personnel management policies and procedures are implemented by the various departments in the organisation.

13.5 SUMMARY

- Records mean the preservation of information in files and documents. A record is a piece of writing or a chart which provides ready information and which preserves evidence for future reference or use.
- Records are generally prepared and compiled from reports and they are meant for long term use.
- A report is a vehicle for carrying information and is a written statement of results, events, conditions, progress on interpretation of records the basic logic behind reports is to avoid misunderstanding and to serve as a record.
- A report is an account or statement describing in detail an event, a happening a situation, or evaluating an enterprise or a product that is proposed to be manufactured.
- Internal reports refer to the reports to various levels of management these are not public documents they generally do not have to conform to any statutory standards.
- Personnel or human resource audit refers to checking the organizations' performance in its management of human resources. It reveals how the management is doing in getting things done through people.
- According to Gray, 'The primary purpose of personnel audit is to know how the various units are functioning and how they have been able to meet the policies and guidelines which were agreed upon and to assist the rest of the organisation by identifying the gap between objectives and results, for the end product of an evaluation should be to formulate plans for corrections or adjustments.'
- Personnel audit cover the activities of the department and extend beyond because the people's problems are not confined to the personnel department alone. The audit should be brood in its scope.
- The personnel audit process is conducted in different phases. Such phase is designed to build upon the proceeding phase so that at the end of the audit the organisation has a very strong overview of the condition of the personnel function.

- After examining the policies, programmes and results, the personnel auditor submit a written report containing its findings, conclusions and recommendations. The report is called the audit.

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13.6 KEY WORDS

- **Formal report:** When a report is prepared to comply with any requirement of statute on order it is known as a formal report.
- **Statutory reports:** These reports are prepared in accordance with the set principles and procedures as paid down by the law of land.
- **Informal reports:** It is written just like a communication in the form of a letter from one person to another. It is not prepared in accordance with the rules framed by any law.
- **External reporting:** External reporting is the issuance of financial statements to parties outside of the reporting entity.

13.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What are the essentials of a good record?
2. Differentiate between external and internal reports.
3. Write a short note on a personnel audit.
4. What are the main objectives of personnel audit?
5. Mention the process involved in a personnel audit.

Long-Answer Questions

1. Describe the essentials of a good report.
2. Discuss the significance of records and reports.
3. Explain the importance of personnel audit.
4. Critically analyse the scope of personnel audit.
5. Auditors may adopt four approaches for the purpose of evaluation. Discuss these approaches.

13.8 FURTHER READINGS

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UNIT 14 OVERVIEW OF PERSONNEL RESEARCH

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Structure

14.0 INTRODUCTION

Research is understood as the systematic and goal arrested investigation of the facts to establish a relationship between two or more phenomena. According to Yadav, 'research is a shortcut to knowledge and understanding which can replace the slower, more precarious rood of trial and error in experience. It implies reassessments and revaluations. It is a purposive and systematic investigation designed to test carefully considered hypotheses or thoughtfully framed questions.'

14.1 OBJECTIVES

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

- Discuss the objectives of personnel research
- Explain the various methods of personnel research
- Describe the tools of personnel research
- Identify the various types of research
- Explain the procedure of research

14.2 PERSONNEL RESEARCH

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According to Jucious, 'Personnel research is the task of searching for and analysing facts to the end that personnel problems may be solved or principles and laws governing their solution derived.'

Research is purposive and it seeks to answer specific questions and is not merely on accumulation of unstructured observations. The following are the key details of research:

- It is objective and it recognises and limits bias and prejudice in every step of the process.
- It is systematic and it begins with a comprehensive design or plan and the investigation is conducted in terms of that design.
- It is parsimonious and it identifies methods and techniques for the solution of problems with the minimum cost.
- It is repeatable and can be used independently by several researchers at the same time.

Characteristics of research are as under:

1. It is a planned and designed investigation and analysis.
2. It is conducted in a systematic manner to cheek, verify or disprove clues, assumptions or hunches.
3. It supplements knowledge and extends the broachers of understanding.

Personnel research may be defined as a systematic enquiry into any aspect of the brood question of how to make more effective an organisations recruitment, section and development programmes and how it may fully utilise human resources.

14.2.1 Types of Research

The different types of research can be classified by its purpose, its process and its outcome. These can in turn be broken down further:

1. **Exploratory Research:** This is conducted when there are few or no earlier studies to which references can be made for information. The aim is to look for patterns, ideas or hypotheses rather than testing or confirming a hypothesis. In exploratory research, the faces are on gaining insights and familiarity with the subject area for more rigorous investigation later.
2. **Descriptive Research:** This describes phenomena as they exist. It is used to identify and obtain information on the characteristics of a particular issue. It may answer such questions as what is the absentee rate amongst a particular group of workers.

   What are the feelings of workers faced with redundancy?

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The data collected are often quantitative and statistical techniques are usually used to summarise the information. Descriptive research goes further than exploratory research in examining a problem since it is undertaken to ascertain and describe the characteristics of the issue.

3. **Analytical or Explanatory Research:** Analytical research aims to understand phenomena by discovering and measuring causal relations among them. It may answer questions such as:
   - How can be number of complaints made by customers be reduced?
   - How can the absentee rate among employees be reduced?
   - Why is the introduction of empowerment seen as a threat by the departmental managers?
4. **Predictive Research:** Predictive research aims to generalise from the analysis by predicting certain phenomena on the basis of hypothesised, general relationships. It may attempt to answer questions such as:
   - Will the introduction of an employee bonus scheme lead to higher levels of productivity?
   - What type of packaging will improve our products?
   - Predictive research provides how, why, and where answers to current events as well as to similar events in the future. It is also helpful in situations where what if questions are being asked.
5. **Quantitative Research and Qualitative Research:** The quantitative approach usually starts with a theory on a general statement proposing a general relationships between variables with this approach it is likely that the researchers will take an objective position and their approach will be to treat phenomena as hand and real. They will favour methods such as surveys and experiments, and will attempt to test hypotheses on statements with a view to generalising from the particulars an understanding of the underlying reasons and motivations for people's attitudes, preferences or behaviours. With this approach, the emphasis is more on generating hypotheses from the data collection rather than testing a hypothesis.
6. **Applied Research:** Applied research is problem asserted as the research is carried out to solve a specific problem that requires a decision. For example, the improvement of safety in the workplace or market research.
7. **Basic Research:** Basic research is also called fundamental or pure research and is conducted primarily to improve our understanding of general issues, without any emphasis on its immediate application. It is regarded as the most academic form of research since the principal aim is to make a contribution to knowledge usually for the general good, rather than to solve a specific problem for one organisation. This may take the form of the following:

- o **Discovery**: Where a totally new idea or explanation emerges from empirical research which may revolutionise thinking on that particular topic. An example of this would be the Hawthorne experiments.
- o **Invention**: Where a new technique or method is created. An example of this would be the invention of TQM (Total quality management)
- o **Reflection**: Where an existing theory technique or group of ideas is re-examined possibly in a different organisational or social context. For example, to what extent can Herzberg's theory of motivation be applied to front line workers in the contract catering sector?

8. **Action Research:** This is a form of research where action is both an outcome and a part of the research. The researcher interferes with or changes deliberately what is being researched classical action research begins with the idea that if you want to understand something you should try changing it.

New paradigm research is based on a new model or framework for research. It claims that research can never be nautical and that even the most static and conventional research exposes the need for change in what is being researched. It involves inquiry into persons and relations between persons and is based on a close relationship between researcher and those being researched. The research is a mutual activity of a co-ownership involving shared power with respect to the process and the outcomes of the research those being researched can, for example, decide how the research will be undertaken, in what form and with what questions being asked. The researcher is a member of a community and brings to it special skills and expertise. The researcher does not dictate what will happen. This type of research is most easily carried out when working with individuals or small groups.

14.2.2 Objectives of Personnel Research

The objectives of personnel research are as follows:

- To and assess policy formulation implementation and review
- For problem solving and decision making
- for information and education

Research is a multipurpose tool which is used to help solve a variety of organisational problems. The concept of research can be applied to all organisational studies, be they large or small descriptive or analytical major or minor, human or nonhuman, brood or narrow in perspective dimension and scope. In fact, it is useful for everyone who is concerned with personnel problems labour management, the general public governmental agencies and consumers.

Research is related to the following aspects of personnel management, human relations and labour management relations.

(i) To measure and evaluate present conditions.

(ii) To predict future conditions, events, and behavioural patterns.

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(iii) To evaluate the effects and results of current policies, programmes and practices.

(iv) To provide an objective basis for a revision of current policies, programmes and practices.

(v) To appraise proposed policies, programmes and activities.

(vi) To keep the management alert of its competitors by replacing old products by new products, old techniques by new techniques and old organisational practices by new organisational practices.

(vii) To discover ways and means of strengthening and abilities and attitudes of employees at a good or a high level and on a continuing basis.

The need for personnel research stems from the requirement of funding the most efficient manner of handling people related employment concerns. Personnel research is the means of bringing about the end stage of improved performance. Its fundamental purpose is to improve the philosophy and practice of personnel administration and manpower management.

14.2.3 Coverage of Personnel Research Area

Research in manpower and human resources covers all those specific areas which are the subject matter of personnel administration. The scope of such research may vary from the very simply to the very complex or from the short and inexpensive to the long and costly. Most studies reveal that the four most dominant areas of research are selection, training and development; attitudes and leadership; and measurement devices.

The major topics covered in personnel research are as follows:

- Wage Surveys
- Effectiveness of various recruitment sources
- Effectiveness of training efforts
- Survey of supervisors effectiveness
- Recent industrial settlements
- Job analysis
- Job satisfaction survey
- Survey of employee needs
- Attitude survey towards reward
- System and Areas of high accident frequency

The personnel researcher seeks to discover the basis relationships which may lead to improved personnel decision making in such areas as turnovers, absenteeism, compensation levels and structure job satisfaction, employee morale, assessment of managerial potential, training effectiveness, grievance handling labour relations and collective bargaining.

Personnel research areas and often identified in terms of high or low appearance, selection, opinion measurement training and development appraisal, motivation, organisational effectiveness managerial obsolescence, counselling and retirement. Managerial selection and development and general employee motivation have generally been identified as the two main human resources areas which are in the greatest need of additional research.

Check Your Progress

1. What do you understand by the term 'personnel research'?
2. What is exploratory research?

14.3 METHODS AND TOOLS OF PERSONNEL RESEARCH

For conducting personnel research methods and tools may be used a choice has to be made of research design out of the various alternatives. The general practice is to choose the technique which promises to yield quality with the least difficulty effort and cost follower techniques methods on tools are available for research.

1. **Historical studies:** Almost all big organisations maintain records of the various personnel problems absenteeism turnover accident rates, wage structures, etc. Past records and documents are systematically investigated and interviews are conducted with farmer employees. The essential feature of this method is its systematic investigation utilising an extended time span or longitudinal dimension.
2. **Case studies:** In case study, a careful analysis and thoughtful generalisation is derived from a unique past situation of a case which leads to broaden significance and application. It consist of analytically investigating the relationships which are significant in a particular situation on set of circumstances. Individual case studies lead to the formulation of general hypotheses which are useful in laying a foundation for additional or more intensive future research. This method enables the researcher to make a thorough in depth investigation of key incidents or situation, however it is historical in nature and does not necessarily represent general conditions.
3. **Survey research:** In a survey research, attentions is concentrated on the collection of original data by administering a questionnaire or conducting a structured interview certain research hypotheses are established and survey questions one designed to collect data the correlation among observed phenomena possible causes and related efforts is then computed and conclusions are drawn. This method is time consuming and costly. Its

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application emphasize the importance of the selection of data and not the importance of analysing data and formulating a theory on that basis.

4. **Statistical studies:** These studies deal with the collection, analysis, classification and interpretation of mathematical data and quantitative information. They lay emphasis on the importance of the quantification, mathematical manipulation and statistical inference they may use averages, means, medians, modes, measures of dispersion, trends, regressions and correlations. Their use is becoming increasingly widespread because of the development of high speed modern electronic data processing equipment.
5. **Mathematical methods:** Mathematical models are generally used in research to explain the relationships among the variables that are to be examined. They help us to develop and test the designs and sequences of equations which tentatively describe the behaviour of interacting variables in terms of mathematical notations. These mathematical models also help us to examine comparatively simple and extremely complex relationships and evolve decision rules of wide applicability.
6. **Simulation:** Computers have popularised designs which involve simulation the process begins with the statement of a hypothesis. It is used to study problems of production and inventory control of marketing purchasing, hiring and training of personnel and of collective bargaining.
7. **Field or action research:** This method has been most effectively used in understanding group behaviour in communities and working organisation. It involves difficult design problems, for the observer himself becomes a variable in the process of observation. This self involvement on the part of the researcher gives him new insights and these are gained from an active interaction which would not have been possible under passive observation.

The personnel researchers, who utilise these methods on tools are as follows:

(i) Academic bodies: Universities, bureaux of business research, social research institutions or centres.

(ii) Government agencies: Department of labour and employment

(iii) Private consultants: individuals on sophisticated research organisations

(iv) Personnel departments: of commercial and industrial understandings and

(v) Time departments: either independently on in conjunction with personnel departments

Research Procedure

A research project is planned search for information. Time taken or spent in project planning should not only reduce the time needed to conduct the project but also ultimately result in securing more reliable and meaningful information. A researcher has to follow a certain research procedure.

- The researcher in the first place defence the problem of the research project and determine the problem, which is to be solved by constructing the research design.
- The researcher states the objective of the project and determines his goal that is to be reached as a result of his research.
- The researcher formulates and tests a hypothesis and collects data as a result of his observation of personnel and following the issue of a questionnaire and the holding of interviews.
- The researcher collects the data which he classifies, analyses and interprets his information draws conclusion, makes generalisations, or develops new hypothesis.
- The research prepares a formal report containing statements tables, charts, and other explanatory or illustrative material and submits the results of his research to those for whom they are meant.

14.3.1 Sources of Personnel Research Information

The results of research projects plans, findings and experiences are generally reported in a number of publications brought out by an organisation and in a number of other journals, technical or business magazines, they are also covered in seminar reports conference proceedings and monographic.

Yadav classifies these into three categories, such as follows:

(a) Those professing a major interest in the field of personnel and labour relations

(b) Those having a specialised focus on one or more of these and

(c) Journals covering wider interests which include reports on research in the manpower management area

14.3.2 Responsibility for Research

Research is not the sole responsibility of anyone particular group or department in an organisation the initial responsibility is that of the personnel department which however, should be assisted by line supervisors and executives at all levels of management. The assistance that can be rendered by trade unions and other organisations, for example educational institutions, provide research groups. Psychologists, sociologists, economists, mathematicians and specialists in business administration, political science and other areas should also be laid under contributions in so far as research is concerned.

Labour research in India is conducted by Ministry of Labour Government of India and two organisations the labour Bureau, Shimla and the VV Giri National Labour Institute setup by it.

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The Ministry of Labour and Planning Commission also sponsors Labour Research Universities various other autonomous educational and research institutions and interest groups/organisations at local regional/sectoral, national and international levels also carry out research sponsored or otherwise to address both the macro and micro levels of relevance and significance within the enterprises and trade unions, research is undertaken from time to time based on the perceived utility, significance and availability of resources. The Indian Council of Social Sciences and the Ministry of labour have from time to time published surveys of researches in the field of personnel management/human resources industrial relations, organisational behaviour and social and labour issues.

Labour research should be carried out by multidisciplinary research teams labour research may be carried out under the joint supervision of a team of members comprising of representatives from the various interest groups in India. Some of the apex research institutions such as the VV Giri.

National Labour Institute, have board members from tripartite constituents even the Research Foundation set by the Employers Federation of India the Social and Labour Research (SOLAR) Foundation has representatives from trade unions. All major trade union centres and some industry federations have one or more research centres.

Check Your Progress

3. What is the essential feature of historical studies?
4. Mention any three methods of personnel research.

14.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. According to Jucious, 'Personnel research is the task of searching for and analysing facts to the end that personnel problems may be solved or principles and laws governing their solution derived.'
2. Exploratory research is conducted when there are few or no earlier studies to which references can be made for information. The aim is to look for patterns, ideas or hypotheses rather than testing or confirming a hypothesis.
3. The essential feature of historical studies is its systematic investigation utilising an extended time span or longitudinal dimension.
4. Three methods of personnel research are as follows:
   - Historical studies
   - Case studies
   - Survey research

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14.5 SUMMARY

- According to Jucious, 'Personnel research is the task of searching for and analysing facts to the end that personnel problems may be solved or principles and laws governing their solution derived.'
- Research is purposive and it seeks to answer specific questions and is not merely on accumulation of unstructured observations.
- Personnel research may be defined as a systematic enquiry into any aspect of the brood question of how to make more effective an organisations recruitment, section and development programmes and how it may fully utilise human resources.
- Analytical research aims to understand phenomena by discovering and measuring causal relations among them.
- Predictive research provides how, why, and where answers to current events as well as to similar events in the future. It is also helpful in situations where what if questions are being asked.
- Research is a multipurpose tool which is used to help solve a variety of organisational problems.
- The concept of research can be applied to all organisational studies, be they large or small descriptive or analytical major or minor, human or nonhuman, brood or narrow in perspective dimension and scope.
- Research in manpower and human resources covers all those specific areas which are the subject matter of personnel administration.
- In a survey research, attentions is concentrated on the collection of original data by administering a questionnaire or conducting a structured interview certain research hypotheses are established and survey questions one designed to collect data the correlation among observed phenomena possible causes and related efforts is then computed and conclusions are drawn.
- A research project is planned search for information. Time taken or spent in project planning should not only reduce the time needed to conduct the project but also ultimately result in securing more reliable and meaningful information.
- Research is not the sole responsibility of anyone particular group or department in an organisation the initial responsibility is that of the personnel department which however, should be assisted by line supervisors and executives at all levels of management.

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14.6 KEY WORDS

- **Analytical research:** Analytical research aims to understand phenomena by discovering and measuring causal relations among them.
- **Predictive research:** Predictive research aims to generalise from the analysis by predicting certain phenomena on the basis of hypothesised, general relationships.
- **Applied research:** Applied research is problem asserted as the research is carried out to solve a specific problem that requires a decision. For example, the improvement of safety in the workplace or market research.
- **Basic research:** Basic research is also called fundamental or pure research and is conducted primarily to improve our understanding of general issues, without any emphasis on its immediate application.

14.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What are the characteristics of research?
2. Identify the various types of research.
3. What are the major topics covered in personnel research?
4. What are the sources of personnel research information?

Long-Answer Questions

1. Discuss the objectives of personnel research.
2. Explain the various methods of personnel research.
3. Describe the tools of personnel research.
4. Explain the procedure of research.

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