



**ALAGAPPA UNIVERSITY**

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

**KARAIKUDI – 630 003**

**DIRECTORATE OF DISTANCE EDUCATION**



# Master of Business Administration

## 317 25



**HUMAN RESOURCE MANAGEMENT**

**II - Semester**



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

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# HUMAN RESOURCE MANAGEMENT

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E-28, Sector-8, Noida - 201301 (UP)

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**Work Order No. AU/DDE/DE1-291/Preparation and Printing of Course Materials/2018 Dated 19.11.2018 Copies - 500**

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# SYLLABI-BOOK MAPPING TABLE

## Human Resource Management

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Syllabi	Mapping in Book
<b>BLOCK I: BASICS OF HUMAN RESOURCE MANAGEMENT</b>	
UNIT 1: Introduction to Human Resource Management: Concept, Definition, Objectives, Nature and Scope of HRM - Functions of HRM – Evolution of human resource management - Role and structure of Human Resource Function in organizations- Challenges in Human Resource Management.	<b>Unit 1:</b> Introduction to Human Resource Management <b>(Pages 1-24);</b>
UNIT 2: Human Resource Management Approaches: Phases of human resource Management- The importance of the human factor – Competitive challenges of HRM – HRM Models – Roles and responsibilities of HR department.	<b>Unit 2:</b> Human Resource Management Approaches <b>(Pages 25-38);</b>
UNIT 3: Human Resource Planning: Personnel Policy - Characteristics - Role of human resource manager – Human resource policies – Need, Scope and Process – Job analysis – Job description – Job specification- Succession Planning.	<b>Unit 3:</b> Human Resource Planning <b>(Pages 39-60);</b>
UNIT 4: Recruitment and Selection Process: Employment planning and forecasting Sources of recruitment- internal Vs. External; Domestic Vs. Global sources- Selection process Building employee commitment : Promotion from within - Sources, Developing and Using application forms – IT and recruiting on the internet.	<b>Unit 4:</b> Recruitment and Selection Process <b>(Pages 61-80)</b>
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UNIT 5: Employee Testing & selection : Selection process, basic testing concepts, types of test, work samples & simulation, selection techniques, interview, common interviewing mistakes, Designing & conducting the effective interview, small business applications, computer aided interview.	<b>Unit 5:</b> Employee Testing and Selection <b>(Pages 81-90);</b>
UNIT 6: Training and Development: Orientation & Training: Orienting the employees, the training process, need analysis, Training techniques, special purpose training, Training via the internet. - Need Assessment - Training methods for Operatives and Supervisors.	<b>Unit 6:</b> Training and Development <b>(Pages 91-107);</b>
UNIT 7: Executive Development: Need and Programs - Computer applications in human resource management – Human resource accounting and audit. On-the - job and off-the-job Development techniques using HR to build a responsive organization.	<b>Unit 7:</b> Executive Development <b>(Pages 108-126);</b>
UNIT 8: Employee Compensation : Wages and Salary Administration – Bonus – Incentives – Fringe Benefits –Flexi systems - and Employee Benefits, Health and Social Security Measures.	<b>Unit 8:</b> Employee Compensation <b>(Pages 127-142)</b>
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UNIT 10: Appraising and Improving Performance: Performance Appraisal Programs, Processes and Methods, Job Evaluation, Managing Compensation, Incentives Performance appraisal: Methods - Problem and solutions - MBO approach - The appraisal interviews - Performance appraisal in practice.

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**Unit 10:** Appraising and Improving Performance  
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## INTRODUCTION

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### NOTES

Human resources management can be simply explained as a description of the processes involved in managing people in an organization.

Human resources management as a discipline of study evolved due to enlightened employers, trying hard over the years, to improve the lot of their workers. Human resources management emerged as a profession in the late 19th and 20th centuries. Several types of personnel specialists, in addition to the social welfare specialists, were particularly evident shortly after the 1960s. Some organizations established departments of labour welfare not only to respond to complaints from unions and employees but also to monitor working conditions and wage policies. Others employed wage clerks to set wage rates based on time and motion studies and analysis of job tasks. These specialized personnel activities were grouped into large departments. This is how the modern human resource management departments were born.

This book, *Human Resource Management* has been divided into fourteen units. The book 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, set of Self-Assessment Questions and Exercises and Further Readings is provided at the end of each Unit for effective recapitulation.

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## BLOCK - I

*Introduction to Human  
Resource Management*

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### BASICS OF HUMAN RESOURCE MANAGEMENT

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#### NOTES

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## UNIT 1 INTRODUCTION TO HUMAN RESOURCE MANAGEMENT

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- 1.1 Objectives
- 1.2 Concept and Definition
- 1.3 Objectives, Nature and Scope of HRM
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### 1.0 INTRODUCTION

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Human Resource Management (HRM) is concerned with the ‘people’ dimension in management. This term is increasingly used to refer to the philosophy, policies, procedures and practices relating to the management of people within organizations. Since every organization is made up of people, acquiring their services, developing their skills, motivating them to higher levels of performance, and ensuring that they continue to maintain their commitment to the organization are essential to achieving organizational objectives. Those organizations that are able to acquire, develop, stimulate and keep outstanding workers will be both effective and efficient. Those organizations that are ineffective or inefficient run the risk of stagnating or going out of business. Human resource thus, creates organizations and makes them survive and prosper. If human resources are neglected or mismanaged, the organization is unlikely to do well. This unit will discuss the basic concepts of human resource management.

## NOTES

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### 1.1 OBJECTIVES

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

- State the nature and scope of human resource management
- Discuss the functions of human resource management
- Describe the role and structure of human resource function in organizations
- Explain the challenges in human resource management

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### 1.2 CONCEPT AND DEFINITION

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HRM is about managing people and processes of the organization in such a way that the organization can achieve its plans and become successful. In HRM, the workforce is the most important factor of production. Therefore, how companies recruit, train, reward, motivate and discipline their employees is of crucial importance to their success.

There are three major principles to the approach of managing people, which are as follows:

- (i) People are the most important resources an organization has and managing them effectively is the best way to achieve success.
- (ii) Human resource policies should be made in such a way that employees can contribute towards the fulfilment of organizational plans.
- (iii) The culture of the organization should be such that all employees feel valued and work towards fulfilling organizational goals.

These days, one of the most important objectives of HRM is to develop a workforce that is very committed towards the organization and who are very good at learning new skills quickly and taking on new tasks.

Now let us look at definitions of HRM from some of the leading experts in the subject.

According to Ivancevich and Glueck, 'HRM is the function performed in organizations that facilitates the most effective use of people (employees) to achieve organizational and individual goals.'

Byars and Rue say that 'HRM encompasses those activities designed to provide for and coordinate the human resources of an organization.'

According to Dale Yoder, 'The management of human resources is viewed as a system in which participants seek to attain both individual and group goals.'

According to Flippo, HRM is ‘the planning, organizing, directing and controlling of the procurement, development, compensation, integration, maintenance and reproduction of human resources to the end that individual, organizational and societal objectives are accomplished’.

All these definitions suggest that HRM’s main task is to select the right employees and help in their growth, so that they will contribute towards the success of the organization.

## NOTES

### Check Your Progress

1. What is the most important factor of production in HRM?
2. How many principles are there to the approach of managing people?

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## 1.3 OBJECTIVES, NATURE AND SCOPE OF HRM

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Let us begin by discussing objectives of HRM.

### Objectives

Objectives are predetermined goals of an organization which employees have to try their best to achieve. Every organization has some objectives and every part of it should contribute directly or indirectly to the attainment of desired objectives. Objectives determine the character of an organization and serve as the basis for voluntary co-operation and co-ordination among employees. Objectives also provide benchmarks or standards of evaluating performance. The primary aim of HRM is the promotion of effectiveness of the employees with performance of their allotted duties by the substitution of co-operation in the common task in place of the suspicions and hostility which have so long been characteristic of relations between employees and employers. According to Indian Institute of Personnel Management, ‘Personnel management (Human Resource Management) aims to achieve both efficiency and justice, neither of which can be pursued successfully without the other. It seeks to bring together and develop an effective organization, enabling the men and women who make up an enterprise to make their own best contribution to its success both as an individual and as a member of a working group. It seeks to provide fair terms and conditions of employment and satisfying work for all those employed.’ Objectives also provide benchmarks to review the performance of the employees. The primary objective of HRM is to bring about effectiveness of employees at the workplace.

Let us now look at the main objectives of HRM:

- To improve the performance of the organization; this can be done by building better employee morale, which leads to more efficient individual and group performance

## NOTES

- To give everybody the belief that the organization is doing everything it can to give the best services possible
- To create and use an able and motivated workforce that can help to achieve organizational goals
- To spot and satisfy individual and group needs by providing good salaries, incentives, employee benefits, status, recognition, security, etc.
- To make best use of the skills and knowledge of employees
- To improve the workforce continuously by providing training and developmental programmes
- To maintain high employee morale and good relationships by improving the various conditions and facilities
- To improve job satisfaction by encouraging and helping every employee to realize his full potential
- To provide good facilities for work and create a good atmosphere so that employees want to work in the organization for a long time
- To find out and satisfy individual needs and group goals by offering suitable monetary and non-monetary incentives
- To develop and maintain a quality of work life (QWL) which keeps everybody in the organization happy

### 1.3.1 Nature and Scope

Human resource management embraces a very wide field of activities. The scope of HRM is so wide and varied that the HR department and the personnel executives typically perform a variety of roles in accordance with the needs of a situation. The HR manager plays multiple roles like that of a researcher, counsellor, bargainer, mediator, peacemaker, problem solver, etc. The functional areas of HRM as outlined by Northcott are as follows:

- Employment
- Selection and Training
- Employee Services
- Wages
- Industrial Relations
- Health and Safety
- Education

It has, therefore, been rightly observed by Peter Drucker that 'Management is a multipurpose organ, which has three jobs, two of which are directly related to personnel: managing a business; managing managers; and

managing workers and the work'. The personnel executives play an important role in a business organization. They not only help in determining the rules of the organization, but also play a powerful role in interpreting and applying the rules of the system itself. They are expected to enjoy the confidence of the management which is crucial to the efficient and effective operation of the business organization. The focus of human resource management is on people at work. It is indeed a wide area and covers a broad spectrum of activities. A manager, whether he is in charge of production or marketing function, deals with human beings and gets his job done through people.

In the recent past, increasing attention has been paid to the importance of HRM in determining a firm's competitive advantage. Randall Schuler has identified the factors that have caused businesses to focus increased attendance on HRM. These factors were as follows:

- Rapid change
- High levels of uncertainty about basic business conditions
- Raising costs
- Rapid technological changes
- Changing demographics
- More limited supplies of highly trained labour
- Rapidly changing government legislation and regulations
- Increased globalization of industries

These changes in business environment present a number of competitive challenges that are quite different from those faced by firms in earlier times. There exists a substantial and growing body of research evidence showing a strong connection between how firms manage their people and the economic results they achieve. The adaptation of high-performance work practice can have an economically significant effect on a firm. High-performance work practices provide a number of important sources of enhanced organizational performance. People work harder because of the increased involvement and commitment that comes from having more control in their work. They work smarter because they are encouraged to build skills and competence. HR systems have important, practical impacts on the survival and financial performance of the firms and on the productivity and quality of work life of the people in them.

### **Check Your Progress**

3. What are objectives?
4. What are the multiple roles played by the HR manager?

## **NOTES**

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## 1.4 FUNCTIONS OF HRM

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### NOTES

HRM involves two categories of functions: (i) operative functions and (ii) managerial functions.

### 1. Operative functions

The operative functions essentially belong to activities the concerned with procuring, developing compensating, utilizing and maintaining an efficient workforce.

- (i) **Procurement:** Procuring means recruiting the required number of employees with due qualifications and experience keeping in view the importance of achieving the objectives set before the organization. It is mainly concerned with hiring the right people, in the right place, at the right time. It includes activities like manpower planning, selection and placement.
- (ii) **Development:** Development means the activities meant to increase the efficiency and skills of the workers through training and education. It includes activities like training, seminars, group discussions, education, etc.
- (iii) **Compensating:** It includes the activities which deal with the method and standard of remuneration and terms of employment.
- (iv) **Utilizing:** Utilizing means using the services of the employees to the best possible extent. It includes incentive schemes and the schemes for sharing the profits from higher productivity.
- (v) **Maintaining:** It aims at maintaining good working conditions for the employees. It includes preparation and implementation of health schemes, safety systems, etc.

### 2. Managerial functions

The managerial functions include planning, organizing, coordinating, directing, motivating and controlling. These functions are common to all managers and therefore known as managerial functions. In other words, they are performed by all types of managers including personnel managers.

Let us briefly discuss these six functions:

- (i) **Planning:** When management is reviewed as a process, planning is the first function performed by a manager. The work of a personnel manager begins with developing a personnel programme. This is done through planning. A plan is a predetermined course of action to accomplish the set objectives. It specifies what and how operative personnel functions are to be performed.

- (ii) **Organizing:** While planning decides what management wants to do, organizing provides an effective machine for achieving the plans. Organizing calls for grouping of personnel activities and assigning different activities to different individuals.
- (iii) **Coordinating:** Coordination is concerned with harmonious and unified action directed towards a common objective. It ensures that all groups and persons work efficiently, economically and in harmony. The person-to-person communication is the most effective tool for coordination.
- (iv) **Directing:** Direction involves managing managers, managing workers and the work through the means of motivation, proper leadership, effective communication as well as coordination. A personnel manager must develop the ability to command and direct others.
- (v) **Motivating:** Motivation is a managerial function to inspire and encourage people to take required action. Motivation involves guiding and supervising the personnel. It is the key to successful management of any enterprise. Motivation can set into motion a person to carry out certain activity. A personnel manager must inculcate in the workers a keen appreciation for the organization's policies. He must guide employees towards improved performance and motivate them to work with zeal and confidence.
- (vi) **Controlling:** Control is the process of measuring actual results with some standard of performance, finding the reason for deviations of actual results from desired results and taking corrective action when necessary. Thus, controlling enables the realization of plans.

The significance of these two varieties of functions is that one function cannot work without the other. The personnel manager has to blend the two to the desirable extent.

#### Check Your Progress

- 5. What are the two categories of functions that are involved in HRM?
- 6. What does procuring denote?

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## 1.5 EVOLUTION OF HUMAN RESOURCE MANAGEMENT

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The development and evolution of the practice and science of HRM has been made through eleven stages beginning prior to the Industrial Revolution in UK and continuing up to the present.

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### Stage I: Pre-industrial Era

The first stage is the pre-industrial era, beginning around 1400 A.D. and continuing until the late 1700s. While pre-industrial period is characterized by an absence of any formal HRM function within organizations, several dramatic changes occurred during this first stage that represent seeds from which modern HRM later grew.

- First, there was a cessation of feudalism, release of labour from land and the beginning of the free employment relationship on which modern labour markets are based.
- Second, there was a shift from subsistence agriculture to a commercial mixed economy, the rise of urban economy, a diffusion of economic control and the distribution of wealth and income.
- Third, there was a spectacular growth of towns and villages along with a middle class that included skilled craftsmen and merchants who were the forerunners of factory owners.
- Fourthly, domestic or putting out system was developed as a result of which craftsmen increasingly came under the service of merchants who served as middlemen.

### Stage II: Industrial Revolution and the Factory System

The Industrial Revolution began in UK in the late 18th century, in USA in the 19th century and in India in the second half of the 20th century. Industrialization completely changed the way people earned their living. It was made possible by the replacement of human effort and skill by the work of machines.

One of the contributions of the Industrial Revolution was the development of the 'factory' system. The factory was central to the process in 19th century industrialization and to the development of the practice of HRM. Factories were places of production based on wage labour and fixed capital. Factories greatly expanded production and created a new class of workers and managers.

The factory system brought about many changes in the organization of industry. It displaced the self-employment household and handicraft. The factory brought together many workers who no longer could own the tools of production and had no other way to earn a livelihood. The factory system gave birth to a rationalization of work and a division of work. Another change brought about by the factory system was the necessity of supervising large number of workers.

With the advent of the factory system personnel practices became autocratic, based upon a commodity concept of labour. Labour was purchased at terms designed to maximize the employer's profits. Consequently, there

was a total neglect of the human factor — the focus was upon materials, markets and production.

The factory owner delegated management responsibility to the foreman or first-line supervisor. The foreman was responsible for successfully running the entire factory. The control of workers by the foreman usually took the form of the drive system of management that was characterized by the use of force and fear.

### **Stage III: Emergence of the Modern Corporation and Managerial Capitalism**

From 1860 to the turn of the century there was a period of dramatic industrial growth and organizational restructuring in UK that set the stage for the emergence of the modern HRM practice. This period witnessed a fundamental transformation of employment from being primarily agricultural to industrial, from small scale employing craftsmen to large scale, employing semi-skilled operators. During this time, the modern business enterprise along with managerial capitalism emerged. The period witnessed a growth in the corporate form of organization, the separation of the operation from the ownership of firms and the employment of salaried managers.

In spite of organizational growth and technological changes during the second half of the 19th century, there was no commensurate improvement in human resources management. The focus of attention in the factory was mainly given to improvement in technology of production and not to the improvement of human methods of work. Labour continued to be viewed as a commodity. The traditional factory management practices continued which was responsible for low productivity and wages, extremely high rates of turnover and an increase in the labour and management conflict. The development of HRM during the 20th century included a primary industrial relations component which management would use to operate in the collective bargaining framework.

### **Stage IV: Scientific Management, Welfare Work and Industrial Psychology**

Scientific Management (SM) and welfare work represent two separate and concurrent movements that began in the 19th century and along with contributions from industrial psychology, merged around the time of World War I to form the field of HRM. Scientific Management and welfare work were both responses by management to worker-related problems in the factory. SM represented an effort to deal with labour and management inefficiencies through reorganization of production methods and rationalization of work. Welfare work represented efforts to deal with labour problems by improving worker conditions. Industrial psychology represented the application of

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psychological principles towards increasing the efficiency of industrial workers.

During the last quarter of the 19th century, professional mechanical engineers emerged as important providers of technical assistance for machine production. Out of their ranks came a number of engineers who introduced dramatic changes that rationalized factory production and industrial management systems. These engineers looked the traditional factory system with autocratic management and unsystematized methods of work as outdated, inefficient and incompatible with more modern plants. Along with rationalizing production processes, they introduced various personnel practices to rationalize employment procedures.

### **F.W. Taylor's scientific Management**

F.W. Taylor is considered as the father of scientific management. Taylor was concerned with worker inefficiency and the need for managers to gain the co-operative effort of the employees. He studied the elements of jobs, eliminating unnecessary motions and timing the tasks, in an effort to discover the 'one best way' and the fastest time a worker could perform a particular task. Time and motion study became the heart of SM and represented a way of accurately determining the amount of work a man could do.

Taylor declared that SM constituted a complete change in the mental attitude of workers and managers and he sums up SM as

- (i) Science, not the rule of thumb
- (ii) Harmony not discord
- (iii) Co-operation not individualism
- (iv) Maximum output, in place of restricted output

Taylor stated what the workmen want from their employers is high wages and what employers want from their workmen is a low labour cost of manufacture. He pointed out workers and managers have similar interests and mutual benefits from increased production and argued that the application of SM represented a partial solution of the labour problem because it would increase production at lower cost to employers and would result in higher wages for the workers since each worker would be compensated according to their output.

### **Stage V: World War I and the Emergence of HRM as a Profession**

World War I provided conditions that resulted in the widespread recognition by business, of the need for HRM and the emergence of the field as a profession. The war brought attention to the need for 'scientific personnel administration' and centralizing, under a personnel director, activities promoting the welfare and efficiency of workers. At the close of the war, the personnel management

department had emerged as a primary function, taking its place alongside the financial, production and sales departments in man organizations.

Business responded to the labour shortage, turnover and labour relations problems by widely embracing PM practices. This was evident in that, a substantial number of industrial firms in UK and USA established personnel departments between 1915 and 1920. Firms adopted functional management which removed the hiring and firing functions from the foreman and placed them in the hands of employment or personnel departments. In addition to centralizing hiring, there was an integration of former unsystematized HRM activities such as, welfare work, job standardization and time study under the supervision of one executive who came to be known as the personnel Manager. The year 1918 recorded the birth of a new profession — personnel Management.

Following World War I and continuing up until the last decade, personnel management or personnel administration were used as the labels for the practice of HRM. The recent widespread adoption of the term ‘Human Resources Management’ by both academics and business organizations in place of personnel management, reflects an increased realization of the importance of the human element in organizations.

### **Stage VI: The Human Relations Movement**

The early focus of the HRM profession was ‘human relations’. The human relations movement was associated with the name of Elton Mayo and Fritz Roethlisberger. Human relations incorporated the human factor into SM. This human relations effort reflected the symbiotic combination of SM, welfare work and elements of industrial psychology in the personnel profession. The emphasis was on increasing productivity through discovering the needs of workers, the proper way of managing people and increasing productivity.

Personnel managers in general, believed that conflict was not inherent in labour relations, but was an indication of poor management and could be corrected by proper worker management techniques.

As a result of the Hawthorne experiments, the human relations movement began around 1945 and continued until the early 1960s when it was absorbed into the new discipline of organizational behaviour. Under human relations the manager became responsible for integrating employees into the work situation in a way that would motivate them to work together co-operatively and productively and for assisting employees to experience economic, psychological and social satisfaction.

### **Stage VII: The Golden Age of Industrial Relations and the Personnel Management Maintenance Function, 1935–1970**

While the formal HRM function had been established during and after World War I, there was a temporary setback during the Great Depression. Following

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the depression there was an increased need for the practice of HRM as a result of a growth in unions and collective bargaining. Although prior to the depression the primary attention of HRM was directed towards Pm activities, at this time there was a shift in emphasis towards the IR function of HRM.

The IR side of HRM experienced its golden age between 1948 and 1958. The general focus of HRM was on Ir because the primary need of many organizations was to operate in the collective bargaining framework of labour relations.

While many firms had deprecated the personnel department during the depression because of economic necessity, government involvement in the economy during the war created a need for a personnel department in all companies. The question was no longer whether to have a personnel department but how to operate that department. Therefore, while personnel departments existed, the PM side of HRM during the post-war period up until the 1970s generally operated as a low-profile administrative and maintenance function.

### **Stage VIII: Quality of Work life Era**

Beginning around the mid-1960s and continuing up through the decade of the 1970s, there was a rise in the view of the importance of human resources as assets, not liabilities. This period of time—referred to as the quality of work life era—represented a series of efforts directed at satisfying the interests of both employees and organizations through the formulation and implementation of policies and practices which maximized organization performance and at the same time, employee well-being.

### **Practices and Programmes Implemented**

What this meant for the HRM function was the development of programmes in such areas as job design and enrichment which, along with career planning and development, were intended to improve the psychological quality of work life for employees and make them more committed to the organization. Other efforts designed to improve the quality of work life were various forms of employee participation.

The efforts of this era were driven not only by a realization that investments in human resources were sound and should show a considerable return but also by the changing nature of the workforce. As the workforce is becoming more educated, their attitudes, beliefs and values about the role of work and organizations were changing. Part of these changing attitudes was reflected in increased interest in being more involved in workplace practices.

### **Stage IX: The Emergence of Contemporary HRM Function**

Since the 1970s, the PM side of the HRM function has experienced an evolution from being a maintenance function, secondary to the IR

function, to representing one of critical importance to the effectiveness of the organization. A number of environmental factors have resulted in this dramatic shift. Therefore, in spite of the prominence of the IR side of HRM during the initial decades of the post-war period, changes began to occur that eventually resulted in a decline in the IR function and in the emergence and transformation of the PM function.

### **Changes in HRM Policies**

First, there has been a trend by management to make strategic choices that have represented aggressive union-avoidance policies and have resulted in a decrease in union representation of their workers.

Secondly, much more reliance has been placed on the employer–employee relations and dealing with employees directly as individuals rather than on management–union relations and dealing with employees indirectly and collectively.

Third, the HRM function has been called upon to foster a sense of mutuality and trust in the relations between managers and workers, to develop employees as assets with the view of increasing competitiveness and to assist the organization’s compliance with government regulations.

Fourth, the successful application of Total Quality Management (TQM) principles by Japanese companies contributed to the recognition that employees represent a vital organizational resource and if managed properly they can be a primary competitive advantage.

These changes have resulted in the transformation of the HRM function and have caused the displacement of the industrial relations system that appeared to function so well from 1935 to 1970. These changes created organizational needs that required the HRM personnel function to emerge from being a low-profile and reactive maintenance activity to being a primary and strategic partner in organizations. The HRM transformation that has taken place is such that the HRM function is viewed as being essential for survival in today’s competitive environment.

### **Changes in HRM Functions**

The recent nature of the HRM function is conveyed by the widespread use of the term HRM in place of PM. The connotation of the term HRM is distinct from PM in many ways.

First, whereas PM implies human resources as expenses, HRM indicates an emphasis on human resources as organizational assets. HRM throws a focus not only on people as human resources but also as resources to be managed. This is indicative of the recognition that, today; an organization’s competitive advantage is increasingly dependent on its human rather than capital resources.

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Secondly, PM signifies a group of human resources administrative sub-functions and maintenance activities that are reactive, passive and secondary to other significant business functions. On the other hand, HRM indicates a proactive approach, an integration of human resource sub-functions and enhancement and expansion of the function, position and strategic importance of HRM within the organization.

### **Stage X: Strategic Focus Era**

In the late 1970s there was a considerable change in image, status and importance of the HR function in organizations. Meyer referred to HR directors as the new corporate heroes and there are examples of corporate chief executive officers who had risen to the top ranks through the HR function. This sudden discovery of HRM as a critical function to organizational effectiveness, might appear surprising, but is quite plausible when we examine other changes going on in the environments of the organization.

The Strategic Focus era was initiated in the late 1970s when business strategy was included in the MBA syllabus. It suggested integrating business strategy with other areas. One of the areas that was seen as critical to merge with business strategy was Human Resources Management which helped the emergence of a new era—the Strategic Human Resources Management.

Strategic HRM has referred to a long-term view of HR policy and a simultaneous integration horizontally among the various HR functions and a vertical integration with corporate strategic planning. Thus this integration has brought the HR function into closer contact with the top executives of the firm and has helped to graft a role for HRM as a strategic business partner.

### **Stage XI: The HRM Functions Today**

The practice of HRM has both similarities and dissimilarities with that of the past. Similarities include the continued focus of HRM on the entire employment relationship. HRM practice today differs from that of the past in many ways.

- First, HRM is characterized by the emphasis on the integration of the traditional PM Activities as well as HRM's involvement in overall organizational planning and change.
- Second, HRM today is characterized as a partner in organizational change, creator of organizational culture and facilitator of organizational commitment.
- Third, HRM is characterized by the decentralization of many of the traditional HRM activities—from personnel specialists to senior line management.
- Fourth, current HRM is characterized by a focus on individual employees rather than on collective management—trade union relations.

In general, today's HRM function has been described as broad and strategic, involving all managerial personnel, regarding employees as the single most important organizational asset, being proactive in its responsibilities and having the objective of enhancing organizational performance and meeting employee's needs.

Furthermore, HRM has become a partner with other management functions and has become increasingly responsible to cultivate the requisite culture that is conducive of required behaviours. Hr professionals are no longer the simple technicians proficient in the IR and PM functions of the past. Rather, they should be the architects and leaders in the development of competitive organizational social systems.

The HRM function today is not only more integrated but is holistic as well. HR practitioners of today are not narrowly specialist in his personnel area. Instead, he must be able to build effective HRM systems in which activities such as, recruitment, selection, training and development, performance evaluation and compensation work together synergistically with a strategic focus.

#### Check Your Progress

7. What is the first stage in the development and evolution of the practice and science of HRM?
8. Who is considered as the father of scientific management?

## 1.6 ROLE AND STRUCTURE OF HUMAN RESOURCE FUNCTION IN ORGANIZATION

### Role and Structure of HRM

The internal organization of the HR department varies widely depending upon the nature and size of the enterprise, its management philosophy and its external environment. In a small firm, there may be an HR section within the office. In a medium-sized firm the HRM department may consist of HR manager, personnel officers and personnel assistants or clerks. However in a large organization, the HRM department may consist of several functionaries and below every officer there will be clerical staff.

Two issues become relevant in a discussion on organization of an HR department. They are (i) place of the HR department in overall set-up and (ii) composition of the HR department itself.

In this set-up, a low-placed employee may be entrusted with the task of attending to HR functions. However, a large HR department, is headed by general manager under whom personnel manager, administration manager, manager industrial relations work.

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### Staff Role of HR Department

It is said that HRM is a line manager's responsibility but a staff function. Since management is getting things done through and with people, responsibility of managing people rests with line managers. The HR department provides specialized advice, assistance and information to line executives so that they may concentrate on their respective functions. The staff role of the HR department in relation to other departments may be analysed as follows:

#### *(a) Policy formulation*

The HR department assists and counsels other departments in policy formulation. It prepares programmes concerning recruitment, selection, training, appraisal, and so on, of employees in consultation with other departments.

#### *(b) Advising*

The HR department advises all other departments in areas relating to the management of human resources, industrial relations, and so on. The department acts in an advisory capacity offering suggestions.

#### *(c) Assistance and service*

The HR department provides secretarial and executive support services like securing and scrutinizing applications, conducting tests and interviews, arranging orientation and training. It helps in developing collaboration between management and trade unions.

#### *(d) Monitoring and control*

The HR department evaluates actual performance in the light of established personnel policies and procedures and suggests appropriate corrective actions whenever necessary. The department conducts personnel audit and helps other departments in proper implementation of personnel policies and programmes.

#### Check Your Progress

9. What are the issues that are relevant in a discussion on organization of an HR department?
10. What is the primary role of the HR department?

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## 1.7 CHALLENGES IN HUMAN RESOURCE MANAGEMENT

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Bhatia classifies challenges in HRM under three categories:

- Challenges at organizational level,

- Challenges at workplace level, and
- Challenges at HRM department level.

### At the Organizational Level

The organizational level challenges include: (a) integration of human resource plans with corporate plans, (b) task of motivating executives in view of reduced promotional opportunities, (c) wage settlement and executive salaries, (d) integration of change techniques, (e) task of keeping the organization young and productive, (f) task of keeping industrial relations movement from conflict to cooperation, and (g) development of an organization's culture.

**(a) Integration of HR Planning with Corporate Plans.** There is a challenge relating to integration of human resource planning with the strategic plans of the organization. Here, efforts may be made to forecast the human resources required to implement the plans of the entire organization for meeting varied requirements including expansion, diversification or reduction in operations. The process of integration is likely to positively reinforce the human resource objective of the enterprise and effectuate human resource planning. The integration of training and development objectives and strategies with the corporate plans represents a major challenge to improve organizational performance.

**(b) Motivating Executives.** The second challenge involves the task of motivating executives in an increasingly stringent environment in view of declining promotional opportunities. There is a trend towards executive salary compression in organizational settings as a result of levelling pressures. Although efforts by labour unions have helped improve condition of wages at the worker level, the salaries of managerial personnel remain nearly the same. Moreover, technological changes have caused reduction in hierarchical levels, further reducing the promotional opportunities.

These developments pose a great challenge to human resource managers forcing them to evolve measures for motivating the executives in a stagnant environment. To overcome the frustration arising from blocked upward mobility among executives, efforts may be made to redesign the job as a motivational measure by providing alternate job experience or lateral movement. Other motivational measures include indirect compensation or benefits, recognition of the workers' personal worth and treatment in a dignified way.

**(c) Wage Settlements and Executive Salaries.** The third challenge involves wage settlements and emerging trends in the dynamics of relationship with respect to executives. There are varied challenges in the domain of wage and salary administration, especially in public sector enterprises in India. The Bureau of Public Enterprises (BPE) issues guidelines to regulate negotiations in public enterprises which does not remain unknown to even trade unions.

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For example, if the BPE allows 10 per cent raise, the trade unions seek to coax further increase from the management. Moreover, the negotiations on wages in the joint committee of each public enterprise assume a national character. For example, in 1983, it was the steel industry which gave the lead in finalizing the agreement, and soon other industries followed. Thus, a very hard core bargaining on wage settlement is obtained mostly at one industry or enterprise level, while others simply adopt the same with or without minor improvements. This practice nullifies the benefits of industry-based bargaining and an organization's capacity to pay for its productivity level. Again, a flat increase in wages for all categories of workers arrived at during the negotiation dilutes the wage differentials, causing grievances among executives. Likewise, the increasing differences in the DA rates for public sector executives and central government officers causes dissatisfaction among the former.

**(d) Integration of Change Techniques.** There is a challenge relating to the integration of various change techniques in HRM. An effort may be made to focus on strategies to improve organizational effectiveness through improved labour-management relations, increased productivity and product quality, improved stability of workforce and enhanced readiness of the company to deal with change. The application of innovative change techniques has become imperative in view of the declining productivity growth and the economic competition. While introducing change, the companies use varied amount of participation and adhere to a process-oriented approach. The typical change techniques relate to organizational development, job redesign, problem-solving groups, i.e., 'quality circles,' autonomous work teams, business teams (for product development), greenfield plants (establishment of a new work culture from the very outset using self-managed teams), productivity sharing plans, joint participation, management development and supportive practices. These techniques are used in combination rather than in isolation and their effective implementation depends upon varied factors including the top management support, the willingness of the middle management and a sense of security among rank and file workers.

**(e) Maintaining a Young and Productive Organization.** There is a challenging task of maintaining a young and productive organization. Here, efforts may be made to take into account the emerging dimension related to the imbalanced age structure of the human resources in the future. This necessitates adherence to a designed strategy for renewal of manpower in a phased manner. The future age distribution of workforce can be assessed using a "manpower renewal forecast model". Based on this diagnosis of potential manpower problems, young blood may be inducted into the workforce where imbalanced age composition is likely to occur.

**(f) Keeping IR from Conflict to Cooperation.** There is a baffling challenge relating to the movement of industrial relations from conflict to cooperation.

The present industrial relations situation in India is marked by multiplicity of unions giving rise to insurmountable barriers in the process of bipartism and collective bargaining. It has become very difficult for the management to ascertain the 'right' representative among their employees. The unions tend to make irrational and false promises and adopt erratic and violent measures to compete with their rivals. Indeed, inter-union rivalry stemming from political groupism has caused violent clashes designed by outside leaders. This problem can be resolved by evolving a system of recognition of trade unions. It may be pointed out that all major public sector undertakings have devised a system of bipartite committee which, after the finalization of wage settlements, tends to deal with varied problems, such as production target, productivity, quality, safety, quality of work life and unhealthy restrictive practices. In conjunction with the above measures, an attempt may be made to accomplish industrial harmony through workers' participation which has vast potential for the integration of workers with the organization. However, the practice of this concept must start from the top and percolate downwards to supervisors. The secret to harmonious industrial relations rests with the improved interpersonal interaction based on trust and confidence between workers and the management.

**(g) Developing Organizational Culture.** There remains to be accomplished a challenging task of developing an organizational culture where members have values conducive to organizational growth, innovation and effectiveness. There has been a continuous debate over the virtues and difficulties of the changing corporate culture. HR managers here play a major role in evolving a new organizational culture conducive to excellence and helping people to adapt it.

### **At the Workplace Level**

Bhatia further identifies five challenges at workplace level for human resource managers. These include: (a) task of adapting the workplace to rapid technological changes, (b) problem of nonperformers and managerial competence development, (c) problem of grievance management, (d) emergence of socio-psychological needs, and (e) HRM as a growing concern for all managers.

**(a) Adaptation of Technological Changes.** There is a challenging task of adapting workplace to rapid technological changes which influence the nature of work and generate obsolescence. Accordingly, the human resource managers will be required to perform the following tasks:

(i) Maintain human resource competence through training and development programmes, (ii) ensure a fit between technology and people for its optimal utilization through job design, (iii) arrange alternative careers through training of employees displaced by technology, (iv) update the new entrants to the workforce with the technology used at the job through a closer

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relationship between business and educational institutions, and (v) increase the productivity of non-manufacturing jobs.

**(b) Problem of Non-performers and Managerial Competence Development.**

There is a problem of ineffective manpower and competence development of executives to utilize it. Efforts may be made to develop concern for tackling ineffective manpower and adapt a constructive approach to it. The measures to tackle it include: (i) identification of problematic employees, (ii) analysis of factors responsible for their ineffectiveness, and (iii) use of constructive approach to rehabilitate them. The task of utilizing the non-performers necessitates development of competence among executives to assist the unutilized workforce by understanding its strengths and weaknesses, providing feedback on its performance and using counselling to revitalize it.

**(c) Management of Grievances.** Management of grievances represents a baffling challenge. Frequently, representatives of workers in the shop council or in the plant level joint council tend to voice workers' grievances which remain unresolved. Indeed, redressal of grievances as soon as they arise is essential for handling industrial complaints as well as preventing varied human relations problems, namely, low morale, employee unrest, indiscipline, apathy, lack of commitment, alienations and allied restraining behavioural manifestations.

**(d) Emergence of Socio-Psychological Needs.** There is a challenge relating to the shift from 'economic man' concept of human being to a 'dynamic, self-activating concept'. This necessitates emphasis on the overall quality of work life and fulfilment of socio-psychological needs of people. Specifically, the following areas will be the focus of attention of HR managers: (i) creation of a congenial human relations climate conducive to improved communication with employees, (ii) optimal utilization of a majority of average workers through their training and participation in management problems and processes rather than excellent ones, (iii) utilization of the large reserve of energy available with the younger executives for constructive purposes, (iv) harnessing employee creativity, (v) establishment of a Reacting Participative Base (RPB) to supplement the formal joint bodies set up by the organization (the RPB involves a small group of workers from a specific work area which tends to solve particular problems related to them), and (vi) prevention of a demoralising effect on newcomers by assigning them responsible work.

**(e) HRM as a Growing Concern for Managers.** There is a challenge relating to improving the effectiveness of managers in the process of HRM. All executives have to develop concern for different personnel and industrial relations functions such as appraisals, rewards, punishments, promotions, selections, training and development, discipline, and dealing with unions.

## At HRM Department Level

As Bhatia observes, there are five challenges at the human resource management department level: (a) process-orientation, (b) a concern with strategy and proactive approach, (c) research-orientation (d) developing HR policies, and (e) strengthening a matrix personnel department organization.

- (a) *Process-Orientation*. There must be a focus on process-orientation involving development of less formal processes which the line executives can use in managing people effectively.
- (b) *Concern with Strategy and Proactive Approach*. There must be a concern to develop human resource strategies in line with organizational goals. The development of these strategies must be based on environmental scanning embracing emerging political issues, socio-cultural changes, economic factors, advancing technology and international events influencing domestic labour relations. Thus, anticipation of problem areas by environmental diagnosis is a very crucial strategy.
- (c) *Research-Orientation*. The challenge relating to research-orientation involves audit of current practices and manpower utilization, experimentation of innovative ideas, evaluation of personnel programmes and computerisation of manpower information system for enhancing quality and efficiency.
- (d) *Developing HR Policies*. The challenge for developing personnel policies may involve improvement of human resource systems to fulfil growth and development needs of people, formulation of policies to meet the organization's internal requirements, and long-term perspective and maintenance of consistency and firmness in implementation and interpretation of these policies.
- (e) *A Matrix Organization*. There is a challenge relating to reinforcement of a matrix organization of personnel department at plant level. This challenge can be met by: (i) working closely with the line executives, (ii) seeking to hand over the personnel function to the line executives through persuasion and education and adopt a consultative role, (iii) evolving a participative approach in developing personnel policies, and (iv) maintaining a high level of reputation of integrity and ability.

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### Check Your Progress

11. Mention any two organizational level challenges that are faced by the HR department.
12. How many challenges are there at the human resource management department level according to Bhatia?

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## 1.8 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

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### NOTES

1. In HRM, the workforce is the most important factor of production.
2. There are three major principles to the approach of managing people.
3. Objectives are predetermined goals of an organization which employees have to try their best to achieve.
4. The HR manager plays multiple roles like that of a researcher, counsellor, bargainer, mediator, peacemaker, problem solver, etc.
5. HRM involves two categories of functions: (i) operative functions and (ii) managerial functions.
6. Procuring denotes recruiting the required number of employees with due qualifications and experience keeping in view the importance of achieving the objectives set before the organization.
7. The first stage in the development and evolution of the practice and science of HRM is the pre-industrial era, beginning around 1400 A.D. and continuing until the late 1700s.
8. F.W. Taylor is considered as the father of scientific management.
9. Two issues which are relevant in a discussion on organization of an HR department are (i) place of the HR department in overall set-up and (ii) composition of the HR department itself.
10. The HR department assists and counsels other departments in policy formulation.
11. Two organizational level challenges that are faced by the HR department are: (a) integration of human resource plans with corporate plans, (b) task of motivating executives in view of reduced promotional opportunities.
12. According to Bhatia, there are five challenges at the human resource management department level.

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## 1.9 SUMMARY

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- HRM is about managing people and processes of the organization in such a way that the organization can achieve its plans and become successful. In HRM, the workforce is the most important factor of production.
- Objectives are predetermined goals of an organization which employees have to try their best to achieve. Every organization has some objectives and every part of it should contribute directly or indirectly to the attainment of desired objectives.

- Human resource management embraces a very wide field of activities. The scope of HRM is so wide and varied that the HR department and the personnel executives typically perform a variety of roles in accordance with the needs of a situation.
- These changes in business environment present a number of competitive challenges that are quite different from those faced by firms in earlier times.
- HRM involves two categories of functions: (i) operative functions and (ii) managerial functions.
- The development and evolution of the practice and science of HRM has been made through eleven stages beginning prior to the Industrial Revolution in UK and continuing up to the present.
- The internal organization of the HR department varies widely depending upon the nature and size of the enterprise, its management philosophy and its external environment. In a small firm, there may be an HR section within the office.
- Two issues become relevant in a discussion on organization of an HR department. They are (i) place of the HR department in overall set-up and (ii) composition of the HR department itself.

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### 1.10 KEY WORDS

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- **Management:** It includes the activities of setting the strategy of an organization and coordinating the efforts of its employees (or of volunteers) to accomplish its objectives through the application of available resources, such as financial, natural, technological, and human resources.
- **Globalization:** It is the process of interaction and integration among people, companies, and governments worldwide.
- **Profession:** It is an occupation founded upon specialized educational training, the purpose of which is to supply disinterested objective counsel and service to others, for a direct and definite compensation, wholly apart from expectation of other business gain.

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### 1.11 SELF ASSESSMENT QUESTIONS AND EXERCISES

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#### Short-Answer Questions

1. What are the three major principles to the approach of managing people?
2. Write a short note on the nature and scope of HRM.

3. What are the main objectives of HRM?
4. What are the functional areas of HRM?

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### Long-Answer Questions

1. What are the operative and managerial functions of HRM? Discuss.
2. Discuss the stages that are involved in the evolution of HRM.
3. Explain the structure of HRM.
4. What are the major challenges in human resource management? Discuss.

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### 1.12 FURTHER READINGS

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# **UNIT 2 HUMAN RESOURCE MANAGEMENT APPROACHES**

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## **NOTES**

### **Structure**

- 2.0 Introduction
- 2.1 Objectives
- 2.2 Phases of Human Resource Management
- 2.3 The Importance of the Human Factor
  - 2.3.1 Competitive Challenges of HRM
- 2.4 HRM Models
- 2.5 Roles and Responsibilities of HR Department
- 2.6 Answers to Check Your Progress Questions
- 2.7 Summary
- 2.8 Key Words
- 2.9 Self Assessment Questions and Exercises
- 2.10 Further Readings

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## **2.0 INTRODUCTION**

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In this unit, we will discuss approaches to human resource management. HRM was an unwanted and uninvited guest in the corporate environment till recently, being more of a statutory requirement than a business necessity. HRM had its roots in welfare and personnel administration without much focus on business objectives and strategic goals. C.K. Prahalad once noted that the problem of HRM was not only with HR professionals but also with HRM as a management discipline because it had no solid theoretical foundation. This unit discuss the phases and models of HRM. It will also discuss the roles and responsibilities of the HR department.

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## **2.1 OBJECTIVES**

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

- Discuss the phases of human resource management
- Analyse the importance of the human factor
- Explain the competitive challenges of HRM
- Describe the roles and responsibilities of the HR department

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## 2.2 PHASES OF HUMAN RESOURCE MANAGEMENT

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In the United States, four stages or phases marked the development of HRM: file maintenance, government accountability, organizational accountability, and strategic partnership. This development took place over the course of the twentieth century. These growth stages are outlined below.

**Stage 1—File Maintenance.** This stage characterised HRM activities up through the mid-1960s and laid focus on employee concerns. A specialized department existed with ‘personnel’ as its responsibilities. It performed activities such as screening applicants, conducting orientation for new entrants, collecting and maintaining personnel records, (i.e., date of birth, education, etc.) planning company picnic programmes and circulating memos.

**Stage 2—Government Accountability.** This stage began with the passing of the Civil Rights Act in 1964. It was followed by several laws (including pension laws, health and safety laws, etc.), federal regulatory agencies and their interpretative guidelines and court rulings. These developments increased the importance of HRM functions. The employers preferred to stay out of court because of heavy costs involved in the large financial settlements for the lost suits. This necessitated competence in various HRM areas. There emerged a trend to focus on specialities in compensation and benefits, labour relations, training and development and other HR functions. Non-productive activities such as filing returns of number of minorities and non-minorities recruited, selected and promoted in the organization, were the other areas which were focussed.

**Stage 3—Organizational Accountability.** This stage appeared in the late 1970s. The focus shifted on accountability in monetary terms in all the functional areas of business due to economic and political factors. HRM also became accountable for its role in meeting accelerated demands for improved quality of work life, managing cultural and ethnical diversity and continuous training and development.

**Stage 4—Strategic Partnership.** This stage emerged in the 1990s when the focus shifted on improving competitive advantage of firms in the global marketplace. The top management looked to the HR department in the same way as it did to the line department. HR managers were asked to control costs and improve competitiveness of the enterprise. They were also asked to add value to the enterprise in everything they did.

This strategic partnership between senior line and HR managers prevails even today. There has emerged a strategic HRM. It involves a comprehensive agenda for HR executives: taking HR as an integral partner in formulating the global strategy; developing competencies of HR personnel in order to be

a contributing partner; assisting top managers in developing global strategy by formulating processes and concepts (i.e., information scanning, learning process, etc.); providing a framework for top management to understand organizational structure and human implications for globalization; identifying key skills, assessing current competencies and developing strategies to locate outside talents for implementing global strategy.

## NOTES

### UK

Berridge classified development of HRM in UK in six stages:

1. Welfare Stage (1915 to 1920s)
2. Personnel Administration Stage (1930s)
3. The Developing Stage (1940s and 1950s) of Personnel Management
4. The Mature Stage (1960s and 1970s) of Personnel Management
5. HRM—Phase I (1980s)
6. HRM—Phase II (1990 onwards)

The first four stages can be summarised as follows:

The Welfare Stage involved provision of facilities such as canteens and efforts to look after employees' interests. During World War I, welfare officers were appointed in ammunition factories. Personnel Administration Stage saw the appearance of recruitment, basic training and record keeping activities in work situations. In the third, Developing Stage of Personnel Management, a whole range of personnel activities emerged. The welfare officers became staff or labour managers. They were subsequently involved in industrial relations. During Mature Stage of Personnel Management, organization and management development, and manpower planning were embodied in the domain of personnel. There was sophistication of selection, training, salary administration, performance appraisal and 'management by objectives' (MBO). There was also immense focus on legislation. Productivity bargaining appeared and disappeared. Personnel management became increasingly professionalized.

**The Last Two Stages:** Berridge summarises the last two stages as follows:

The concept of HRM emerged from the writings of American academics associated with Human Resource Management School. They visualized HRM as a strategic and coherent management-oriented approach to managing people and accomplishing their commitment to promote the interests of the organization. The HRM—Phase I stage appeared when personnel specialists attempted to cope with the enterprise culture and market economy. HR and business strategies were integrated to evolve strategic HRM approaches. Performance-related incentives emerged as a motivational device.

Personnel managers became more business and management-oriented. The power of trade unions declined, lessening focus on Industrial Relations

## NOTES

(IR). Personnel director became a ‘business partner’. He was represented on corporate board. Finally, in the current stage, there is focus on teamwork, employment and learning organizations. The role of HR in total quality has become imperative. There is an increasing stress on processes like culture management. There is also a trend towards leaner, more flexible and delayed organizations. Personnel directors are engaged in efforts such as down-sizing and management of aftermath of a business process re-engineering study. Their approach is strategic and aimed at evolving and formulating cohesive personnel policies. The personnel specialists are now concerned with ‘benchmarking’ to identify and emulate best practices.

### Check Your Progress

1. What were the four stages or phases that marked the development of HRM in United States?
2. In how many stages did Berridge classify development of HRM in UK?

## 2.3 THE IMPORTANCE OF THE HUMAN FACTOR

The human factor in business is the collective impact that employees have on near-term and long-term organizational success. Organizations must recognize the human factor in responding to public pressure to build sustainable organizations. While much emphasis is placed on customer care and environmental responsibilities, employees are an equally important company stakeholder, especially for small organizations.

### 2.3.1 Competitive Challenges of HRM

Change has become ephemeral everywhere – be it economy, politics, and business, and so on. These changes require HRM to play an ever more crucial role in organizations.

#### The Changing Environment

- (a) **Work Force Diversity:** The Indian work force is characterized by diversity such as more women entering the work force, minority-group members, older workers, etc. The increasing number of women in the work force has necessitated the implementation of more flexible work scheduling, child-care facilities, maternity leave and transfer to location of husband’s place of posting.

The diverse work force has become a challenge for the HR manager. Diversity is marked by two fundamental and inconsistent realities operating within it. One is that organizations claim they seek to

maximize diversity in the workplace. The second is that the traditional human resource system will not allow diversity, only similarity. Experts in the field emphasize that employers traditionally hire, appraise and promote people who fit a particular employer's image of what employees should believe in and do.

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- (b) **Economic and technological change:** Technology has become the hallmark of modern organizations. The explosive growth of information technology linked to the internet has ushered in many changes throughout the organization. One of the major changes is the 'fall of hierarchy'. This fall of hierarchy is because earlier, if one wanted information one had to stick to the chain of command. Now, that has changed; one has to just tap in. That is why hierarchy has broken down. Now, employees do not need to be present at a definite place of work. Instead, they can work from their own places through the Net. This has given birth to the 'virtual organization'. These economic and technological changes have created an altogether different environment for HRM.
- (c) **Globalization:** New Economic Policy, 1991, has globalized the Indian economy. Firms that formerly competed only with local firms now have to compete with foreign firms/ competitors. Globalization has given rise to MNCs. The MNCs are characterized by their cultural diversity, intensified competition, variations in business practices, etc. Given these conditions—from tapping the global labour force to formulating selection, training and compensation policies for expatriate employees, major challenges have arisen for HRM.
- (d) **Organizational Restructuring:** Organizational restructuring is used to make the organization competitive. As a part of organizational changes, many organizations have 'right sized' themselves in various ways such as eliminating layers of managers, closing facilities, merging with other organizations, or out placing workers. Whatever the form of restructuring, jobs are being redesigned and people are affected. One of the challenges that HRM faces with organizational restructuring is dealing with the human consequences of change. As such, HRM needs to focus on the changed scenario, uniquely resulting in HR activities becoming crucial for HR managers.
- (e) **Changing nature of work:** With change in technology, the nature of jobs and work has also changed. One of the most significant changes in the nature of work is from manual to knowledge work. As such, the HR environment has changed. The challenge posed by the changed environment is fostering HRM practices to respond to the need and requirement of knowledge workers. Every organization depends increasingly on knowledge – patents, processes, management skills, technologies and

intellectual capital. As a result of these changes, organizations are giving and will continue to give growing emphasis to their human capital, i.e., knowledge, education, training skills and expertise of their employees.

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### Changing Role of the HR Manager

The HR environment is changing and so is the role of the HR manager. The HR manager today has to adapt to suit the changed environment. Some of the important HR practices are explained below:

1. **Flatter Organizations:** The pyramidal organization structure is getting converted into flat organization. The reducing levels of hierarchy mean that more people report to one manager. Therefore, employees will have to work on their own will with less interference from the manager.
2. **Employee Empowerment:** Gone are the days when managers exercised formal power over employees to get work done. Under the changed conditions, employees have now become 'knowledge workers'. Knowledge workers need to be provided with greater autonomy through information sharing and provision of control over factors that affect performance. Granting sanction to the employers to make decisions in their work matters is called 'employee empowerment'.
3. **Team work:** Modern organizations rely more on multi-function of workers so that workers do not remain confined to a single function but can do more than one function. Employees contribute to organization more as members of the team. The managerial implications are that these workers should be managed as a team and not as an individual in isolation. Therefore, managers need to follow a holistic approach of management.
4. **Ethical Management:** Ethical issues pose fundamental questions about fairness, justice, truthfulness and social responsibility. Ethics therefore means what 'ought' to be done. For the HR manager, there are ethical ways in which the manager ought to act relative to a given human resource issue. Research conducted by Robert D Gate-wood and Archie B Carnell provides some guidelines that can help the HR manager:
  - Does the behaviour or result achieve comply with all applicable laws, regulations and government codes?
  - Does the behaviour or result achieved comply with all organizational standards of ethical behaviour?
  - Does the behaviour or result achieved comply with professional standards of ethical behaviour?

The points mentioned above pertain only to complying with laws and regulations. Organizational members need to go beyond laws and regulations. They need to be guided by values and codes of behaviour. Here it becomes the responsibility of the HR manager to conduct training programmes to induce ethical behaviour in organizations.

## NOTES

### Check Your Progress

3. What is the human factor in business?
4. What is the use of organizational restructuring?

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## 2.4 HRM MODELS

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In recent years, there has been relative agreement among HRM specialists as to what constitutes the field of HRM. The model developed by the American Society for Training and Development (ASTD) identifies nine human resource areas:

### 1. Training and Development

Organizations and individuals should develop and progress simultaneously for their survival and attainment of mutual goals. Employee training is a specialized function and is one of the fundamental operative functions of human resource management. Training improves, changes, and moulds the employee's knowledge, skill, behaviour, aptitude and attitude towards the requirements of the job and the organization. Training bridges the difference between job requirements and employee's present specifications.

Management development is a systematic process of growth and development by which managers develop their abilities to manage. It is a planned effort to improve current or future managerial performance.

### 2. Organization Development

Management can effectively meet challenges of change through a systematic and planned effort. Organization development is the modern approach to management of change and human resource development. According to Dale S. Beach, organization development is 'a complex educational strategy designed to increase organizational effectiveness and wealth through planned intervention by a consultant using theory and techniques of applied behavioural science'. Organization Development (OD) concentrates on those dimensions that are about people like norms, values, attitudes, relationships, organizational climate etc. OD efforts broadly aim at improving the organizational effectiveness and job satisfaction of the employees. Humanizing the organizations and encouraging the personal growth of individual employees can attain these aims.

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### 3. Organization/Job Design

Organization design deals with structural aspects of organizations. It aims at analysing roles and relationships so that collective effort can be explicitly organized to achieve specific ends. The design process leads to development of an organization structure consisting of units and positions. There are relationships involving exercise of authority and exchange of information between these units and positions.

Michael Armstrong has defined job design as — ‘the process of deciding on the content of a job in terms of its duties and responsibilities; on the methods to be used in carrying out the job, in terms of techniques, systems and procedures and on the relationships that should exist between the job holder and his superiors, subordinates and colleagues’. Thus, job design is the process of determining the specific tasks and responsibilities to be carried out by each member of the organization. It has many implications for human resources management. Both the content and one’s job and the ability to influence content and level of performance affect a person’s motivation and job satisfaction.

### 4. Human Resource Planning

Human resource planning may be defined as the process of assessing the organization’s human resource needs in light of organizational goals and making plans to ensure that a competent, stable work force is employed.

The efficient utilization of organizational resources — human, capital and technological — just does not happen without the continual estimation of future requirements and the development of systematic strategies designed towards goal accomplishment. Organizational goals have meaning only when people with the appropriate talent, skill and desire are available to execute the tasks needed to realize goals.

### 5. Selection and Staffing

After identifying the sources of human resources, searching for prospective employees and stimulating them to apply for jobs in the organization, the management has to perform the function of selecting the right employees at the right time. The selection process involves judging candidates on a variety of dimensions, ranging from the concrete and measurable like years of experience to the abstract and personal like leadership potential. To do this, organizations rely on one or more of a number of selection devices, including application forms, initial interviews, reference checks, tests, physical examinations and interviews. All selection activities, from the initial screening interview to the physical examination if required, exist for the purpose of making effective selection decisions. Each activity is a step in the process that forms a predictive exercise—managerial decision makers seeking to predict which job applicant will be successful if hired. ‘Successful’

in this case means performing well on the criteria the organization uses to evaluate personnel.

It is important to have a good organization structure, but it is even more important to fill the jobs with the right people. Staffing includes several sub-functions:

- (a) Recruitment or getting applications for the jobs as they open up
- (b) Selection of the best qualified from those who seek the jobs
- (c) Transfers and promotions
- (d) Training those who need further instruction to perform their work effectively or to qualify for promotions

**Importance and Need for Proper Staffing:** There are a number of advantages of proper and efficient staffing. These are as under:

- (a) It helps in discovering talented and competent workers and developing them to move up the corporate ladder.
- (b) It ensures greater production by putting the right man in the right job.
- (c) It helps to avoid a sudden disruption of an enterprises' production run by indicating shortages of personnel, if any, in advance.
- (d) It helps to prevent under-utilization of personnel because of over-manning and the resultant high labour cost and low profit margins.
- (e) It provides information to management for the internal succession of managerial personnel in the event of an unanticipated occurrence.

## 6. Personnel Research and Information Systems

The term 'research' means a systematic and goal oriented investigation of facts that seeks to establish a relationship between two or more phenomena. Research can lead to an increased understanding of and improvement in HRM practices. Managers make decisions and solve problems. To make decisions about personnel and to solve human resource problems, managers gather data and draw conclusions from these data. Research can lead to an increased understanding of and improvement in HRM practices. In fact, engaging in some type of research into what is happening in the HRM discipline can be viewed as necessary for one's survival as a manager over the long term. Research can additionally help managers answer questions about the success of programmes such as those for training and development — for which they may bear responsibility.

## 7. Compensation/Benefits

Wages and salaries, the payment received for performing work, is a major component of the compensation and reward process which is aimed at reimbursing employees for their work and motivating them to perform to the best of their abilities. In addition to pay, most employees receive benefits

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such as ESI, leave travel concession, and they receive non-financial rewards such as security, recognition and privileges. Although individual employees vary in the extent to which they value pay in relation to other work rewards, for most people the pay received for work is a necessity.

Determining wage and salary payments is one of the most critical aspects of human resource management because:

- (a) The organization's reward system has a profound effect on the recruitment, satisfaction and motivation of employees and
- (b) Wage and salaries represent a considerable cost to the employer.

A carefully designed wage and salary programme that is administered according to sound policies and consistently applied rules is essential if human resources are to be used effectively to achieve organizational objectives.

### 8. Employee Assistance

Employee assistance focuses on providing mechanism for personal problem solving and counselling individual employees.

### 9. Union/Labour Relations

Unions frequently develop because employees are frustrated in achieving important goals on an individual basis and unionizing is the only countervailing technique available to achieve these goals. The establishment of good labour relations depends on constructive attitude on the part of both management and the union. The constructive attitude in its turn depends on all the basic policies and procedures laid down in any organization for the promotion of healthy industrial relations.

#### Check Your Progress

- 5. How many human resource areas are identified by the model developed by the American Society for Training and Development (ASTD)?
- 6. Define management development?

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## 2.5 ROLES AND RESPONSIBILITIES OF HR DEPARTMENT

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In a small organization, the proprietor performs all the functions. But as the organization grows, delegation of duties is essential. He employs other people and delegates some of his duties and responsibilities to them. In this way he creates another level in his organization. With the further growth of an organization, there is a need for greater specialization of functions. To a

small businessman, salary structure of his employees requires no specialized knowledge but a big company employing several thousand employees needs the assistance of a specialist to manage wage and salary administration. In this way managerial assistance of a specialized nature is required. This is the origin of ‘staff’ function separated from the ‘line function.’

The term line is used to indicate the line of authority as with different ranks in the armed forces where the line of authority is clear. In organization theory, the word ‘line’ usually refers to those functions which have direct responsibility for accomplishing the major objectives of the enterprise and the word ‘staff’ to these functions that help the line in accomplishing those objectives and are only indirectly related to the major objectives. In a manufacturing firm production, purchase and sales are line-functions and personnel, finance, accounting and research are staff functions. The distinction between line and staff is a means of determining who makes decisions directly related to the attainment of end results and who provides advice and service in making those decisions. It is the function of the staff executives to serve the line executives.

All managers are in a sense human resources managers, since they all get involved in recruiting, interviewing, selecting, training, etc. Yet most firms also have a Personnel or Human Resources Department with its HRD managers. How are the duties of this manager related to the Personnel Management duties of other line managers in the firm?

Line managers are authorized to direct the work of subordinates—they are always someone’s boss. In addition, line managers are in charge of accomplishing the basic goals in the organization. On the other hand, staff managers are authorized to assist and advise line managers in accomplishing these basic goals in the organization.

The direct handling of people is an integral part of every line manager’s responsibility. As already said, line managers may carry out all the personnel management duties unassisted. But as the firm grows, they need the assistance of a specialized personnel or HRD staff. The HRD Department provides this specialized assistance. In doing so, the HRD Manager carries out three major functions as follows:

- (i) **A line function:** The HRD personnel performs a ‘line’ function by directing the activities of the people in his own department and in service areas. He exerts line authority within his own HRD department.
- (ii) **A coordinative function:** HRD executives also function as co-ordinators of the personnel activities, a duty usually referred to as ‘functional control’. The HRD manager and his department act as the right arm of the top executive to assure him that personnel objectives, policies and procedures which have been adopted by the line organization are being consistently carried out by line managers.

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- (iii) **Staff (Service) function:** Service to line management is the ‘bread and butter’ of the HRD manager’s job. HRD manager assists in hiring, firing, rewarding and evaluating employees at all levels and administers various welfare programmes.

### Check Your Progress

7. Why is the term ‘line’ used?
8. What are the main functions of the HRD manager?

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## 2.6 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

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1. In the United States, four stages or phases marked the development of HRM: file maintenance, government accountability, organizational accountability and strategic partnership.
2. Berridge classified development of HRM in UK in six stages.
3. The human factor in business is the collective impact that employees have on near-term and long-term organizational success.
4. Organizational restructuring is used to make the organization competitive.
5. The model developed by the American Society for Training and Development (ASTD) identifies nine human resource areas.
6. Management development is a systematic process of growth and development by which managers develop their abilities to manage.
7. The term ‘line’ is used to indicate the line of authority as with different ranks in the armed forces where the line of authority is clear.
8. The three functions of the HRD manager are the following: (i) A line function (ii) A coordinative function (iii) Staff (service) function.

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## 2.7 SUMMARY

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- In the United States, four stages or phases marked the development of HRM: file maintenance, government accountability, organizational accountability, and strategic partnership. This development took place over the course of the twentieth century.
- The human factor in business is the collective impact that employees have on near-term and long-term organizational success.

- Change has become ephemeral everywhere – be it economy, politics, and business, and so on. These changes require HRM to play an ever more crucial role in organizations.
- The pyramidal organization structure is getting converted into flat organization. The reducing levels of hierarchy mean that more people report to one manager.
- In recent years, there has been relative agreement among HRM specialists as to what constitutes the field of HRM.
- Organizations and individuals should develop and progress simultaneously for their survival and attainment of mutual goals.
- Management can effectively meet challenges of change through a systematic and planned effort. Organization development is the modern approach to management of change and human resource development.
- Human resource planning may be defined as the process of assessing the organization's human resource needs in light of organizational goals and making plans to ensure that a competent, stable work force is employed.
- In a small organization, the proprietor performs all the functions. But as the organization grows, delegation of duties is essential.

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## 2.8 KEY WORDS

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- **Recruitment:** It is the process of finding and hiring the best-qualified candidate (from within or outside of an organization) for a job opening, in a timely and cost effective manner is called recruitment.
- **Training:** It is a highly useful tool that can bring an employee into a position where they can do their job correctly, effectively, and conscientiously.
- **Employment:** It is a relationship between two parties, usually based on a contract where work is paid for, where one party, which may be a corporation, for profit, not-for-profit organization, co-operative or other entity is the employer and the other is the employee.

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## 2.9 SELF ASSESSMENT QUESTIONS AND EXERCISES

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### Short-Answer Questions

1. What are the growth stages of human resource management?
2. Name the six stages of the development of HRM.

3. What are the competitive challenges of HRM? Discuss.
4. Why is proper staffing important?

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### Long-Answer Questions

1. Mention some of the important HR practices.
2. Discuss the nine human resource areas as identified by the American Society for Training and Development.
3. Analyse the changing role of the HR Manager in the present scenario.

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## 2.10 FURTHER READINGS

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## UNIT 3 HUMAN RESOURCE PLANNING

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### NOTES

#### Structure

- 3.0 Introduction
- 3.1 Objectives
- 3.2 Personnel Policy: Characteristics
  - 3.2.1 Human Resource Policies: Need and Scope
  - 3.2.2 Factors Influencing HR policy
  - 3.2.3 Essential Characteristics of a Sound HR Policy
  - 3.2.4 Advantages of HR Policies
  - 3.2.5 Principles of HR Policies
- 3.3 Process of HR Policy
- 3.4 Role of Human Resource Manager
- 3.5 Job Analysis
  - 3.5.1 Purpose and Uses of Job Analysis
  - 3.5.2 Contents of Job Analysis
  - 3.5.3 Methods of Collecting Job Analysis Data
- 3.6 Job Description
  - 3.6.1 Uses of Job Description
  - 3.6.2 Components or Contents of Job Description
  - 3.6.3 Writing a Job Description
  - 3.6.4 Limitations of Job Description
- 3.7 Job Specification
- 3.8 Succession Planning
  - 3.8.1 Objectives of Succession Planning
- 3.9 Answers to Check Your Progress Questions
- 3.10 Summary
- 3.11 Key Words
- 3.12 Self Assessment Questions and Exercises
- 3.13 Further Readings

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### 3.0 INTRODUCTION

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This unit will discuss human resource planning. Human resource planning is the predetermination of the future course of action chosen from a number of alternative courses of action for procuring, developing, managing, motivating, compensating, career planning, succession planning and separating the human element of enterprise. The starting point of effective human resource planning is the organisation's overall purpose or mission. The unit will also discuss job analysis, job description and job specification. We will also discuss some aspects of human resource planning in the next unit.

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### 3.1 OBJECTIVES

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

- State the characteristics and role of human resource manager
- Discuss the human resource policies
- Describe the need, scope and process of job analysis
- Explain the importance of succession planning
- Define the terms 'job specification' and 'job description'

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### 3.2 PERSONNEL POLICY: CHARACTERISTICS

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The dictionary meaning of 'policy' is a 'plan of action'. Policy is a predetermined and accepted course of thoughts and actions established as a guide towards accepted goals and objectives. Policies are generally framed by the board of directors or the higher management. Various authorities on the subject have defined the term 'policy'. A few definitions are reproduced here:

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

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

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

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

From the above definitions, we can say that policies are the statements of the organization's overall purpose and its objectives in the various areas with which its operations are concerned.

#### 3.2.1 Human Resource Policies: Need and Scope

A policy is a predetermined course of action established to guide the performance of work towards accepted objectives. It is a type of a standing plan that serves to guide subordinates in the execution of their tasks. HR

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

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

HR policies:

- (i) Provide determined course of rules or actions
- (ii) Provide a positive declaration and a command to an organization
- (iii) Suggest the values and viewpoints, which dominate the organization's actions
- (iv) Provide the standard or ground for the decision
- (v) Guide the performance of objectives

### **Need and Scope for HR Policy**

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

1. The management is required to examine its basic convictions as well as give full consideration to practices in other organizations.
2. Established policies ensure consistent treatment of all personnel throughout an organization. Favouritism and discrimination are thereby minimised.

## **NOTES**

## NOTES

3. The tenure of any manager is finite and limited but the organization continues and along with it continues the policy; and this continuity of policy promotes stability in an organization.
4. Policies serve as standards or measuring yards for evaluating performance. The actual results can be compared with the policies to determine how well the members of an organization have lived up to their professed intentions.
5. Policies are control guides for delegated decision-making. They seek to ensure consistency and uniformity in decisions on problems that occur frequently.

### 3.2.2 Factors Influencing HR policy

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

1. **Laws of the Country:** The various laws and legislations pertaining to labour have to be taken into consideration. Policies should be in conformity with the laws of the country otherwise they are bound to cause problems for the organization.
2. **Social Values and Customs:** Social values and customs have to be respected otherwise the employees may be offended. Thus, the values and customs of all communities should be taken into account while framing policies.
3. **Management Philosophy and Values:** Management philosophy and values influence its action on matters concerning the employees. Therefore, without a clear broad philosophy and set values, it would be difficult for the employees to understand management.
4. **Financial Impact:** HR policies cost money, which will reflect in the price of the product. Thus, the prices set the absolute limit to organization's HR policies.

### 3.2.3 Essential Characteristics of a Sound HR Policy

HR policies should possess the following characteristics:

1. The HR policy should present the principle that will guide the organization's actions and reflect a faith in the ethical values of employees. As Peter Drucker has observed, 'The policies of an enterprise have to be balanced with the kind of reputation an enterprise wants to build up with special reference to the social and human needs, objectives and values'. It should be consistent with the overall philosophy and objectives of the organization, as well as with labour laws and public policy.
2. The HR policy should be formulated after considering the long range plans and needs of the organization. The policy should be definite, positive, clear and easily understood by everyone in the organization so

that what it proposes to achieve in the long term is evident. Only a clear policy statement can serve as a guide to thinking and decision-making.

3. The HR policy must be reasonably stable but not rigid. It should be flexible to cover a normal range of activities. Change in a policy should be made only when it is essential and at fairly long intervals.
4. The HR policy should be formulated with due regard for the interests of all the concerned parties – the employers, the employees and the public community. It should be stated in the broadest possible terms so as to serve as a guide in practice now and in the future.
5. The HR policy must be developed with the active participation and support of the management and the co-operation of employees at the shop floor level and in the office. It should be formulated with active participation of the trade unions as well.
6. The HR policy should be definite so that it is easy to understand. It should be stated in clear, definite and easily understood terms so that what it proposes to achieve is evident.
7. The HR policy must provide a two-way communication system between the management and the employees. It should be communicated in writing so as to remove any confusion. This is necessary to prevent misunderstanding and to ensure uniformity of application.
8. The HR policy should be consistent with public policy.
9. A good HR policy should recognise individual differences and respect human dignity. It should be based on consistency in treatment to all employees without any favouritism or discrimination.

## NOTES

### 3.2.4 Advantages of HR Policies

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

1. It helps managers at various levels of decision making to take decisions without consulting their superiors. Subordinates are more willing to accept responsibility because policies indicate what is expected of them. They can quote a written policy to justify their action.
2. It ensures long-term welfare of employees and makes for good employee relationship as favouritism and discrimination are reduced. Well-established policies ensure uniform and consistent treatment of all employees throughout the organization.
3. It lays down the guidelines pursued in the organization and thereby minimises the personal bias of managers.
4. It ensures prompt action for taking decisions because the policies serve as standards to be followed. They prevent the wastage of time and energy involved in repeated analyses for solving problems of a similar nature.

## NOTES

5. It establishes consistency in the application of the policies over a period of time so that each one in the organization gets a fair and just treatment. Employees know what action to expect in circumstances covered by the policies. Policies set patterns of behaviour and permit employees to work more confidently. Arbitrary actions are minimised.

### 3.2.5 Principles of HR Policies

HR policies are based on the following principles:

1. **Principle of Common Interest:** The management as well as workers should think that their interests are not separate and that they can be achieved only through common effort. Personnel policies must be based on the principle of common interest.
2. **Principle of Participation:** Workers should be allowed to participate not only in the formulation of policies but also in their implementation. Problems can be minimised with the co-operation of workers.
3. **Principle of Security:** Policies set patterns of behaviour and permit employees to work more confidentially. Arbitrary actions are minimised. As a result employees feel a sense of security.
4. **Principle of Work and Accomplishment:** Workers not only want security but they also desire good pay, satisfaction and appraisal of their work. The policy should fulfil the above cited aspirations of the workers.
5. **Principle of Development:** Workers should be given proper occasions for development so that their social and economic status is increased. The worker should feel responsibility towards himself and towards the organization.
6. **Principle of Recognition:** A well-prepared set of personnel policies enables workers to see the overall picture and how their actions relate to the organization's goals. Participation of employees in policy formulation promotes mutual understanding throughout the organization.

#### Check Your Progress

1. Define a policy.
2. List two characteristics of a sound HR policy.

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## 3.3 PROCESS OF HR POLICY

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The development of HR policies depends upon the day-to-day problems arising in an organization and their solutions. The main purpose of formulating

the HR policy is to assist the top executives in reaching the decision in a given situation. The process of policy formulation involves the following steps:

### **1. Identifying the Need**

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

### **2. Gathering Information**

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

Facts may be gathered from any of the following sources:

- (i) Past practice in the organization.
- (ii) Prevailing practice among the companies in the community and throughout the nation in the same industry.
- (iii) The attitudes and philosophy of the top management.
- (iv) The attitudes and philosophy of middle and lower management.
- (v) The knowledge and experience gained from handling countless problems on a day-to-day basis.

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

### **3. Examining Policy Alternatives**

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

### **4. Putting the Policy in Writing**

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

## **NOTES**

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**5. Getting Approval**

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

**6. Communicating the Policy**

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

**7. Evaluating the Policy**

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

**Check Your Progress**

3. What are the sources which provide the necessary facts for the process of HR policy?
4. What is the main purpose of formulating the HR policy?

**3.4 ROLE OF HUMAN RESOURCE MANAGER**

HR managers perform varied roles to accomplish outstanding results. As identified by Armstrong, these include: (a) the reactive/proactive roles, (b) the business partner role, (c) the strategist role, (d) the interventionist role, (e) the innovative role, (f) the internal consultancy role, and (g) the monitoring role.

Based on his analysis, these roles are briefly examined here.

- (a) Reactive / Proactive Roles.** Largely, HR managers play a reactive role. They tend to do what they are asked to do. Thus, they may comply with requests for services or advice. Of course, at a strategic level, they tend to play a proactive role. Accordingly, they may act as internal consultants and provide guidance on issues relating to upholding core values.
- (b) Business Partner Role.** As a business partner, they may integrate their activities with top management and identify business opportunities. They may facilitate attainment of the firm's business objectives. They

may make proposal for innovations that have value addition. Thus, they may share responsibility with line managers for the success of the company.

- (c) **Strategist's Role.** In this context, they may deal with basic long-term issues relating to the development of people and the employment relationship. They may ensure that top managers lay stress on the HR implications of their plans. They may convince the top management that people are a strategic resource for the competitive advantage of the company. They may also strive to accomplish strategic integration and fit.
- (d) **Interventionist's Role.** In this role, the HR managers are expected to observe and analyze the happenings in their organizations. Thus, they may intervene with proposal on job design, taking into account people for the introduction of new technology. They may also intervene when they think that prevailing people management processes should be changed for improved performance.
- (e) **Innovation Role.** Attempt may be made to introduce innovative processes and procedures which can enhance organizational performance. However, the need for innovation must be determined through careful analysis. The appropriateness of such innovation must be demonstrated by HR managers.
- (f) **Internal Consultancy Role.** In this role, the HR managers work as external management consultants to analyze problems, diagnose issues and suggest solutions. Thus, they may develop HR processes or systems (i.e., new pay structures, etc.) for their organizations.
- (g) **Monitoring Role.** In this context, they are required to ensure that the procedures and policies are implemented consistently. Thus, HR managers work as regulators. For example, they may insist on following the standard disciplinary procedure as their organizations. This role is particularly pronounced in the context of labour legislation.

## NOTES

### Check Your Progress

5. Mention any two roles that HR managers perform to accomplish outstanding results.
6. What are the HR managers expected to do in the interventionist's role?

## 3.5 JOB ANALYSIS

The growth and development of an organization structure results in jobs that have to be staffed. 'Work' is an organization's primary function. The 'basic work activities' may relate to three categories—data, people and things.

## NOTES

Data includes synthesizing, coordinating, analysing, compiling, computing, copying and comparing activities. People relate to monitoring, negotiating, instructing, supervising, diverting, persuading, speaking, signalling, serving and taking instructions. Things are concerned with setting up, precision working, operating-controlling, driving-operating, manipulating, feeding-off bearing and handling.

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

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

### 3.5.1 Purpose and Uses of Job Analysis

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

- (i) **Organization and Manpower Planning:** It is helpful in organizational planning, for it defines labour needs in concrete terms and coordinates the activities of the workforce, and clearly divides duties and responsibilities.
- (ii) **Recruitment, Selection:** By indicating the specific requirements of each job (i.e., the skills and knowledge), it provides a realistic basis for the hiring, training, placement, transfer and promotion of personnel. 'Basically, the goal is to match the job requirements with a worker's aptitude, abilities and interests. It also helps in charting the channels of promotion and in showing lateral lines of transfer.'
- (iii) **Wage and Salary Administration:** By indicating the qualifications required for doing a specified job and the risks and hazards involved in its performance, it helps in salary and wage administration. Job analysis is used as a foundation for job evaluation.
- (iv) **Job Re-engineering:** Job analysis provides information which enables us to change jobs in order to permit their being manned by personnel with specific characteristics and qualifications. This takes two forms, which are as follows:
  - (a) *Industrial engineering activity*, which is concerned with operational analysis, motion study, work simplification methods and improvements in the place of work and its measurement, and aims at improving efficiency, reducing unit labour costs and establishing the production standard which the employee is expected to meet.
  - (b) *Human engineering activity*, which takes into consideration human capabilities, both physical and psychological, and prepares the ground for complex operations of industrial administration, increased efficiency and better productivity.
- (v) **Employee Training and Management Development:** Job analysis provides the necessary information to the management of training and development programmes. It helps it to determine the content and subject matter of in-training courses. It also helps in checking application information, interviewing, weighing test results and checking references.
- (vi) **Performance Appraisal:** It helps in establishing clear-cut standards which may be compared with the actual contribution of each individual.
- (vii) **Health and Safety:** It provides an opportunity for identifying hazardous conditions and unhealthy environmental factors so that corrective measures may be taken to minimize and avoid the possibility of accidents.

## NOTES

### 3.5.2 Contents of Job Analysis

A job analysis provides the following information:

- (i) *Job identification*: Its title, including its code number.
- (ii) *Significant characteristics of a job*: Its location, physical setting, supervision, union jurisdiction, hazards and discomforts.
- (iii) *What the typical worker does*: Specific operation and tasks that make up an assignment, their relative timing and importance, their simplicity, routine or complexity, the responsibility or safety of others for property, funds, confidence and trust.
- (iv) *Which materials, and equipment a worker uses*: Metals, plastics, grains, yarns, milling machines, punch presses and micrometers.
- (v) *How a job is performed*: Nature of operation, e.g., lifting, handling, cleaning, washing, feeding, removing, drilling, driving, setting up and many others.
- (vi) *Required personnel attributes*: Experience, training, apprenticeship, physical strength, coordination or dexterity, physical demands, mental capabilities, aptitudes, social skills.
- (vii) *Job relationship*: Experience required, opportunities for advancement, patterns of promotions, essential cooperation, direction or leadership from and for a job.

## NOTES

### The Steps in Job Analysis

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

- Step 1: Collection of Background Information
- Step 2: Selection of Representative Position to be Analysed
- Step 3: Collection of Job Analysis Data
- Step 4: Developing a Job Description
- Step 5: Developing Job Specification

### 3.5.3 Methods of Collecting Job Analysis Data

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

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

- (ii) *Sending out questionnaires*: This method is usually employed by engineering consultants. Properly drafted questionnaires are sent out to job-holders for completion and are returned to supervisors. However, the information received is often unorganized and incoherent. The idea in issuing questionnaires is to elicit the necessary information from job-holders so that any error may first be discussed with the employee and, after due corrections, may be submitted to the job analyst.
- (iii) *Maintenance of log records*: The employee maintains a daily diary record of duties he performs, marking the time at which each task is started and finished. But this system is incomplete, for it does not give us any desirable data on supervisor relationship, the equipment used and working conditions. Moreover, it is time-consuming.
- (iv) *Personal interviews*: Interviews may be held by the analyst with the employees and answers to relevant questions may be recorded. But the method is time-consuming and costly.

## NOTES

### Job Design

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

### The Two Approaches to Job Design

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

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

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

### Check Your Progress

7. What are the three categories related to basic work activities?
8. Define a job.

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## 3.6 JOB DESCRIPTION

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### NOTES

Job description is an important document, which is basically descriptive in nature and contains a statement of job analysis. It provides both organizational information (location in structure, authority, etc) and functional information (what the work is). It defines the scope of job activities, major responsibilities and the positioning of the job in the organization. It provides the worker, analyst and supervisor with a clear idea of what the worker must do to meet the demands of the job.

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

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

### 3.6.1 Uses of Job Description

Job description has several uses, such as:

- (i) Preliminary drafts can be used as a basis for productive group discussion, particularly if the process starts at the executive level.
- (ii) It aids in the development of job specifications, which are useful in planning recruitment, in training and in hiring people with required skills.
- (iii) It can be used to orient new employees towards basic responsibilities and duties.
- (iv) It is a basic document used in developing performance standards.
- (v) It can be used for job evaluation, a wage and salary administration technique.

A job description enables the manager to frame suitable questions to be asked during an interview. It is particularly helpful when the application form is used as a tool for eliminating unfit personnel. According to *Zerga*, a job description helps in:

- (i) Job grading and classification
- (ii) Transfers and promotions
- (iii) Adjustments of grievances
- (iv) Defining and outlining promotional steps

- (v) Establishing a common understanding of a job between employers and employees
- (vi) Investigating accidents
- (vii) Indicating faulty work procedures or duplication of papers
- (viii) Maintaining, operating and adjusting machinery
- (ix) Time and motion studies
- (x) Defining the limits of authority
- (xi) Indicating case of personal merit
- (xii) Facilitating job placement
- (xiii) Studies of health and fatigue
- (xiv) Scientific guidance
- (xv) Determining jobs suitable for occupational therapy
- (xvi) Providing hiring specifications
- (xvii) Providing performance indicators

## NOTES

### 3.6.2 Components or Contents of Job Description

A job description contains the following data:

- (i) *Job identification or organizational position* which includes the job title, alternative title, department, division, plant and code number of the job. The job title identifies and designates the job properly. The department, division, etc., indicate the name of the department where it is situated - whether it is the maintenance department, mechanical shop, etc. The location gives the name of the place. This portion of job description gives answers to two important questions: to what higher level job is this job accountable; and who is supervised directly?
- (ii) *Job summary* serves two important purposes. First, it provides a short definition which is useful as an additional identification information when a job title is not adequate. Second, it serves as a summary to orient the reader towards an understanding of detailed information which follows. It gives the reader a 'quick capsule explanation' of the content of a job usually in one or two sentences.
- (iii) *Job duties and responsibilities* give a comprehensive listing of the duties together with some indication of the frequency of occurrence or percentage of time devoted to each major duty. It is regarded as the heart of a job. It tells us what needs to be done, how it should be done, and why it should be done. It also describes the responsibilities related to the custody of money, the supervision of workers and the training of subordinates.

## NOTES

- (iv) *Relation to other jobs*: This helps to locate the job in the organization by indicating the job immediately below or above it in the job hierarchy. It also gives an idea of the vertical relationships of work flow and procedures.
- (v) *Supervision*: Under it is given the number of persons to be supervised along with their job titles, and the extent of supervision involved — general, intermediate or close supervision.
- (vi) *Machine, tools and equipment* define each major type or trade name of the machines and tools and the raw materials used,
- (vii) *Working conditions* usually give information about the environment in which a job holder must work. These include cold, heat, dust, wetness, moisture, fumes, odour, oily conditions, etc. present inside the organization.
- (viii) *Hazards* give us the nature of risks to life and limb, their possibilities of occurrence, etc.

### 3.6.3 Writing a Job Description

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

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

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

- (i) A paragraph is allocated to each major task or responsibility.
- (ii) Paragraphs are numbered and arranged in a logical order, task sequence or importance.
- (iii) Sentences are begun with an active verb, e.g., ‘types letters’, ‘interviews the candidates’, ‘collects, sorts out, routes and distributes mail.’
- (iv) Accuracy and simplicity are emphasized rather than an elegant style.
- (v) Brevity is usually considered to be important but is largely conditioned by the type of job being analysed and the need for accuracy.
- (vi) Examples of work performed are often quoted and are useful in making the job description explicit.

- (vii) Job descriptions, particularly when they are used as bases for training, often incorporate details of the faults which may be encountered in operator tasks and safety check-points.
- (viii) Statements of opinion, such as ‘dangerous situations are encountered’, should be avoided.
- (ix) When job descriptions are written for supervisory jobs, the main factors (such as, manning, cost control, etc.) are identified and listed. Each factor is then broken down into a series of elements with a note on the supervisor’s responsibility.

The British Institute of Management publication adds four more guidelines:

- (i) Give a clear, concise and readily understandable picture of the whole job.
- (ii) Describe in sufficient detail each of the main duties and responsibilities.
- (iii) Indicate the extent of direction received and supervision given.
- (iv) Ensure that a new employee understands the job if he reads the job description.

#### 3.6.4 Limitations of Job Description

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

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

#### Check Your Progress

9. What is job description?
10. Who writes a job description?

### 3.7 JOB SPECIFICATION

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

## NOTES

## NOTES

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

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

These specifications relate to the following:

- (i) *Physical characteristics*, which include health, strength, endurance, age range, body size, height, weight, vision, voice, poise, eye, hand and foot coordination motor coordination, and colour discrimination.
- (ii) *Psychological characteristics* or special aptitude which includes such qualities as manual dexterity, mechanical, aptitude, ingenuity, judgment, resourcefulness, analytical ability, mental concentration and alertness.
- (iii) *Personal characteristics or traits of temperament*, such as personal appearance, good and pleasing manners, emotional stability, aggressiveness or submissiveness, extroversion or introversion, leadership, cooperativeness, initiative and drive, skill in dealing with others, and unusual sensory qualities of sight, smell, hearing, adaptability, conversational ability, etc.
- (iv) *Responsibilities*, which include supervision of others: responsibility for production, process and equipment; responsibility for the safety of others; responsibility for generating confidence and trust; and responsibility for preventing monetary loss.
- (v) *Other features of a demographic nature*, which are age, sex, education, experience and language ability.

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### 3.8 SUCCESSION PLANNING

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

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

### 3.8.1 Objectives of Succession Planning

There are two important objectives of succession planning:

- (a) Key to organization continuity - The organization continuity is done by-
  - (i) Identifying appropriate skills
  - (ii) Retaining knowledge
  - (iii) Integrated leadership development
- (b) Replacing retiring employees while evaluating organizational needs. The positions of those retiring are fulfilled by analyzing organizational needs and offering development programmes for leadership and training for employees. This also provides inputs for targeted recruiting.

## NOTES

### Check Your Progress

11. How is job specification developed?
12. Who introduced succession planning?

## 3.9 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Policy is a predetermined and accepted course of thoughts and actions established as a guide towards accepted goals and objectives.
2. Two characteristics of a sound HR policy are the following:
  - (i) The HR policy should be consistent with public policy.
  - (ii) The HR policy must be reasonably stable but not rigid. It should be flexible to cover a normal range of activities.
3. Sources which provide the necessary facts for the process of HR policy are the following:  
Facts may be gathered from any of the following sources:
  - (i) Past practice in the organization.
  - (ii) Prevailing practice among the companies in the community and throughout the nation in the same industry.
  - (iii) The attitudes and philosophy of the top management.
  - (iv) The attitudes and philosophy of middle and lower management.
  - (v) The knowledge and experience gained from handling countless problems on a day-to-day basis.
4. The main purpose of formulating the HR policy is to assist the top executives in reaching the decision in a given situation.

## NOTES

5. HR managers perform roles such as (a) the reactive/proactive roles and (b) the business partner role to accomplish outstanding results.
6. In the interventionist's role, the HR managers are expected to observe and analyze the happenings in their organizations.
7. The 'basic work activities' may relate to three categories—data, people and things.
8. A job may be defined as a 'collection or aggregation of tasks, duties and responsibilities which as a whole is regarded as a regular assignment to individual employees'.
9. Job description is an important document, which is basically descriptive in nature and contains a statement of job analysis.
10. A job description is written by the personnel department or its representatives.
11. Job specification is developed with the cooperation of the personnel department and various supervisors in the whole organization.
12. Succession planning was first introduced by Henri Fayol.

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### 3.10 SUMMARY

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- The dictionary meaning of 'policy' is a 'plan of action'. Policy is a predetermined and accepted course of thoughts and actions established as a guide towards accepted goals and objectives.
- According to Flippo, 'A policy is a man-made rule of pre-determined course of action that is established to guide the performance of work toward the organization objectives. It is a type of standing plan that serves to guide subordinates in the execution of their tasks'.
- A policy is a predetermined course of action established to guide the performance of work towards accepted objectives.
- A policy is a formal statement on corporate thinking, which serves as a guideline for action. It is meant to establish consistency in the application of the policies over a period of time so that each one in the organization gets a fair deal.
- The development of HR policies depends upon the day-to-day problems arising in an organization and their solutions. The main purpose of formulating the HR policy is to assist the top executives in reaching the decision in a given situation.
- HR managers perform varied roles to accomplish outstanding results. As identified by Armstrong, these include: (a) the reactive/proactive roles, (b) the business partner role, (c) the strategist role, (d) the

interventionist role, (e) the innovative role, (f) the internal consultancy role, and (g) the monitoring role.

- The growth and development of an organization structure results in jobs that have to be staffed. ‘Work’ is an organization’s primary function.
- Job description is an important document, which is basically descriptive in nature and contains a statement of job analysis.
- The job specification takes the job description and answers the question ‘What human traits and experience are needed to do the job well?’ It specifies what kind of person to recruit and for what qualities that person should be tested.
- Succession planning was first introduced by Henri Fayol, who believed if succession planning needs were ignored, organizations would not be prepared to make necessary transactions.

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### 3.11 KEY WORDS

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- **Policy:** It is a set of ideas or plans that is used as a basis for making decisions, especially in politics, economics, or business.
- **Personnel:** It is the department in a large company or organization that deals with employees, keeps their records, and helps with any problems they might have.
- **HR:** It is the department within a business that is responsible for all things worker-related.

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### 3.12 SELF ASSESSMENT QUESTIONS AND EXERCISES

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#### Short-Answer Questions

1. Write a short note on human resource policies.
2. What is the need for formulating HR policies?
3. What are the factors influencing HR policy?
4. Mention the uses of job description.
5. What are the objectives of succession planning?

#### Long-Answer Questions

1. What are the essential features of a sound HR policy? Mention the advantages of a good HR policy.
2. Discuss the process of formulating HR policy.

3. What is the role of a HR manager? Discuss.
4. What are the uses of job analysis? Explain.

## NOTES

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### 3.13 FURTHER READINGS

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## UNIT 4 RECRUITMENT AND SELECTION PROCESS

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### NOTES

#### Structure

- 4.0 Introduction
- 4.1 Objectives
- 4.2 Employment Planning and Forecasting
  - 4.2.1 Recruitment and Selection
  - 4.2.2 Forecasting
- 4.3 Sources of Recruitment: Internal Vs External, Domestic Vs Global Sources
- 4.4 IT and Recruiting on the Internet
- 4.5 Selection Process
- 4.6 Building Employee Commitment
- 4.7 Developing and Using Application Forms
- 4.8 Answers to Check Your Progress Questions
- 4.9 Summary
- 4.10 Key Words
- 4.11 Self Assessment Questions and Exercises
- 4.12 Further Readings

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### 4.0 INTRODUCTION

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Recruitment plays a vital role in the planning function of the human resource of any organization and their capability to compete. There are two sources of recruitment; internal sources and external sources. Human resources of high proficiency are positioned at appropriate levels within an organization. The recruitment process is aimed at achieving a specific number and quality of workforce. This workforce is capable of supporting the organization for achieving its goals and objectives. As an extension of the same goal, recruitment helps in the creation of a team of prospective candidates for the company. From this group, the management can make a selection of a suitable employee for the appropriate vacancy. Selection, either internal or external, is a deliberate effort of organizations to select a fixed number of personnel from a large number of applicants. The primary aim of employee selection is to choose those persons who are most likely to perform their jobs with maximum effectiveness and to remain with the company for a long time. Thus, an attempt is made to find a suitable candidate for the job. In doing so, naturally, many applicants are rejected. This makes selection a negative function.

In this unit, you will also learn about the scientific methods of recruiting employees. Applying scientific principles to the recruitment and selection processes has many benefits. One beneficial result of a scientific employee selection process is the time saving it generates for human resources

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professionals. Standardized tests remove the need for human resource staff to prepare specific questionnaires to determine qualifications. Likewise, standard interview formats expedite the process and give new human resource staff a predetermined formula for conducting interviews and compiling information about each candidate. This allows workers who deal in recruitment and selection to contact more candidates and spend more time on other tasks along with the employee selection process.

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### 4.1 OBJECTIVES

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

- Explain the recruitment and selection process
- Describe employment planning and forecasting
- Discuss the various sources of recruitment
- State the selection process
- Examine the building of employee commitment
- Explain the development and usage of application forms

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### 4.2 EMPLOYMENT PLANNING AND FORECASTING

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Employee (workforce) planning helps companies to recruit and develop right number of employees that have right competencies to right jobs at right time. The process determines whether an organization employs right workforce that is able to reach corporate high-level goals and objectives through performing low-level tasks and activities. Here we will discuss the objectives and importance of HR planning.

According to Geisler ‘HR planning is the process (including forecasting, developing and controlling) by which a firm ensures that it has the right number of people and the right kind of people at the right places at the right time doing work for which they are economically most useful.’

According to Wendell French, human resource planning may be defined ‘as the process of assessing the organization’s human resources needs in the light of organizational goals and making plans to ensure that a competent, stable workforce is employed.’

From the above definitions, we can get some general characteristics of human resource planning. They are as follows:

- (i) Human resource plan must incorporate the human resource needs in the light of organizational goals.
- (ii) It must be directed towards well-defined objectives.

- (iii) It must ensure that it has the right number of people and the right kind of people at the right time doing work for which they are economically most useful.
- (iv) It should pave the way for an effective motivational process.
- (v) It should take into account the principle of periodical reconsideration of new developments and extending the plan to cover the changes during the given long period.
- (vi) Adequate flexibility must be maintained in human resource planning to suit the changing needs of the organization.

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### Objectives of HR Planning

From the above, it is clear that the failure in HR planning will be a limiting factor in achieving the objectives of the organization. If the number of persons in an organization is less than the number of persons required, then, there will be disruptions in the work—production will be hampered, the pace of production will be slow and the employees burdened with more work. If on the other hand, there is surplus manpower in the organization, there will be unnecessary financial burden on the organization in the form of a large pay bill if employees are retained in the organization, or if they are terminated the compensation will have to be paid to the retrenched employees. Therefore, it is necessary to have only the adequate number of persons to attain the objectives of the organization.

In order to achieve the objectives of the organization, the HR planner should mind the timing and scheduling of the HR planning. Furthermore, the management has to be persuaded to use the results of manpower planning studies.

Manpower planning can also be used as an important aid in framing the training and development programmes for the employees, because it takes into account the anticipated changes in the HR requirements of the organizations.

### Importance of HR Planning

HR planning is a highly important and useful activity. Without clear-cut planning, an estimation of the organization's human resource needs is reduced to mere guesswork. If used properly, it offers a number of benefits. These are as follows:

- (i) Planning defines future manpower needs, and this becomes the basis of recruiting and developing personnel.
- (ii) Employees can be trained, motivated and developed in advance, and this helps in meeting future needs for high-quality employees.
- (iii) Change in technology has attached more importance to knowledge and skill resulting in surplus manpower in some areas and shortage in other areas. HR planning helps in creating a balance in such a situation.

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- (iv) Jobs are becoming more and more knowledge-oriented. This has resulted in a changed profile of HR. Due to increased emphasis on knowledge, recruitment costs have also increased. To avoid the high cost of recruitment, proper HR planning is necessary.
- (v) An organization can have a reservoir of talent at any point. People with requisite skills are readily available to carry out the assigned tasks.
- (vi) Planning facilitates the preparation of an appropriate manpower budget for each department. This in turn, helps in controlling manpower costs by avoiding shortages/excesses in manpower supply.
- (vii) Systematic HR planning forces the top management of an organization to participate actively in total HR management functions. When there is active involvement of the top management, they will appreciate the real value of human resources in achieving organizational effectiveness.
- (viii) Systematic HRP forces the top management of an organization to participate actively in total HRM functions. When there is active involvement of the top management, they will appreciate the real value of human resources in achieving organizational effectiveness.

### 4.2.1 Recruitment and Selection

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

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

1. **Reorganize the work:** jobs may be rearranged so that the total amount of work in a section is done by the remaining employees without recruitment.
2. **Use of overtime:** extra output can be achieved by using overtime. Few HRD managers like the extensive use of overtime and it lacks logic at a time of high unemployment but it may be the best way of dealing with a short-term problem, i.e., during sickness or maternity leave of an employee.
3. **Mechanize the work:** there are ways in which the work of a departing employee can be mechanized, though it is seldom feasible to mechanize a single vacancy.

4. **Make the job part-time:** replacing full-time jobs with part-time jobs has become a widespread practice. It also provides flexibility by turning one full-time job into two part-time posts.
5. **Sub-contract the work:** This means, the employer avoids ongoing costs and obligations of employing people by transferring those obligations to another employer. It is easy to do this, when the work can be easily moved elsewhere, such as computer programming.
6. **Use an agency:** another strategy is to use an agency to provide temporary personnel, who is not a permanent liability to the company.

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

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

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

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

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

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

### **Recruitment and Selection**

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

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

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

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

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

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

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

### 4.2.2 Forecasting

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

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

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

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

#### Check Your Progress

1. Define HR planning.
2. Name the techniques used by recruiters for forecasting.

### 4.3 SOURCES OF RECRUITMENT: INTERNAL VS EXTERNAL, DOMESTIC VS GLOBAL SOURCES

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

#### Internal Sources

It is better to look for the candidate first within the company by examining the list of personnel for jobs being considered. Sometimes suitable candidates

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

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

- (a) It builds up morale.
- (b) It encourages efficient people who have ambition.
- (c) It is less costly than outside recruitment.
- (d) It improves the probability of a good selection, since information on the individual's performance is readily available.

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

### External Sources

Some of the external sources of recruitment are:

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

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

**Advertisement:** Advertisement in newspapers is the most widely used method for attracting qualified and experienced personnel. The higher the position in the organization, the more widely dispersed the advertisement is likely to be. When qualified and experienced persons are not available through other sources, advertising in newspapers and professional and technical journals is resorted to. Whereas all types of advertisements can be made in newspapers, only particular types of posts should be advertised in the professional and technical journals. For example, only accounting jobs should be advertised in the journal of Chartered Accountants. In preparing an advertisement, great care has to be taken to ensure that only qualified people will think of

applying. If the advertisement is clear and to the point, candidates can assess their abilities and suitability for the post and only those who possess the requisite qualifications will apply. Important newspapers like the Statesman, The Hindu, the Times of India publish classified advertisements and certain days of the week are fixed for recruitment advertising.

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

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

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

**Educational institutes:** Educational institutions are an important source of recruitment. For technical, managerial and professional jobs, specialized institutes like the IITs and IIMs and university departments are used. The specialized institutes have a placement officer who normally provides help in attracting employers and arranging for campus interviews. College recruitment which is one of the important sources of recruitment in the USA is completely neglected in India. This may be due to excess of supply over demand for college graduates.

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

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representative of the organization. Generally, services of such consultants are utilized for filling specialized and managerial vacancies.

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

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

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

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

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

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

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

- (i) In competing businesses
- (ii) In the membership lists of professional bodies, newspapers
- (iii) Through confidential headhunting network

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

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

Headhunting has its disadvantages.

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

### **Promotion from Within: Sources**

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

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

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

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Job posting can reduce turnover by sending the message to the employees that they do not have to go elsewhere in order to find opportunities for advancement and development. Posting jobs create an open recruitment process which helps to provide equal opportunities for advancement of all employees. But job posting, though with definite advantages, is not fool proof. If decisions are already made when posting appears, the system loses credibility. At Citigroup, internal job advertisement policy is diligently practiced for all job openings. Internal staff is encouraged to apply for positions across the franchise locally and globally.

**Talent Inventories:** HR department has the data of all the employees. Some organizations identify high potential employees to create talent pools and replacement charts for succession planning, while other organizations have devised a systematic method of keeping track of talent at all levels and all functions. The employer monitors the internal talent and facilitates the process of matching internal applicants to suitable positions. They ensure that all the suitable employees for various positions are considered.

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

### Domestic Vs Global Sources

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

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

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

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

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### Internal and External Labour Markets

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

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

#### Check Your Progress

3. What are the two main sources of recruitment from which employees may be recruited?
4. State two disadvantages of headhunting.

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## 4.4 IT AND RECRUITING ON THE INTERNET

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In accordance with the research by the Society for Human Resource Management, the Internet is used by 96 per cent of all job seekers. This

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

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

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

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

**Independent contractors:** Independent contracting is an alternative method of recruitment. Firms may prefer hiring of independent contractors for specific jobs that are located within or outside its premises. The system of

independent contracting is beneficial for the organization as well as for the worker. In this case, the worker is different from an employee, since it is more economic for the company with full or part-time employees, in terms of social security schemes such as provident fund, insurance, gratuity, etc. In addition, this is also a good way to keep ideal workers in association with the firm. If an individual is allowed the freedom to work from home, as per his convenience of time, it is beneficial to both, the firm and the individual.

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### 4.5 SELECTION PROCESS

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

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

#### Essential Elements of Selection Procedure

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

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

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

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

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

- (i) Someone should have the authority to hire. This authority comes from the employment requisition, as developed by an analysis of the workload and workforce.
- (ii) There must be some standard of personnel with which a prospective employee may be compared, i.e., there should be available, beforehand,

## NOTES

a comprehensive job description and job specification as developed by a job analysis.

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

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### 4.6 BUILDING EMPLOYEE COMMITMENT

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Some of the measures to build high employee morale in an organization include the following:

- **Unity of interests:** Integration of worker's goals with organization's objectives will create employee's confidence and build up high morale.
- **Leadership confidence:** Managers who are sincere, sympathetic and democratic in their attitude towards employees can easily establish confidence in their leadership.
- **Sound wage structure:** Complete wage plan incorporates guaranteed base wage incentive for productivity and other fringe benefits.
- **Favourable work environment:** Good working conditions create job satisfaction. A satisfied labour force is an invaluable asset of an enterprise.
- **Higher-order need satisfaction:** Workers should be given ample opportunities to satisfy their social and egoistic needs.
- **Other measures:** Employee counselling, good promotion policy, grievance redressal procedure, proper selection techniques, induction training, collective bargaining are some of the other measures to enhance employee morale.

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### 4.7 DEVELOPING AND USING APPLICATION FORMS

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The primary aim of employee selection is to choose those persons who are most likely to perform their jobs with maximum effectiveness and to remain with the company. The application blank or application form and employment interview are the two most widely used selection methods and they are often used in combination to supplement each other. Let us discuss the application form here.

The application form provides the following information:

- (i) Identifying information such as name, address, telephone number
- (ii) Personal information such as marital status, age, dependents, place of birth

- (iii) Physical characteristics, such as, height, weight, health, defects, identifying marks
- (iv) Family background
- (v) Education, academic, technical and professional
- (vi) Experience
- (vii) References
- (viii) Miscellaneous comments including hobbies, financial status, membership of professional bodies
- (ix) Reasons for seeking job in the organization

Some are of the opinion that application forms should be used to secure quantitative information whereas interviews should be used to gather qualitative information. But actually it is difficult to draw a clear line of demarcation between qualitative and quantitative information. A more practical approach is to gather as much factual information as possible on the application blank and then follow up in the interview with detailed questions on them.

## NOTES

### Check Your Progress

- 5. Define selection.
- 6. What is the primary aim of employee selection?
- 7. What are the two most widely used selection methods?

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## 4.8 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

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- 1. HR planning is the process (including forecasting, developing and controlling) by which a firm ensures that it has the right number of people and the right kind of people at the right places at the right time doing work for which they are economically most useful.
- 2. The two techniques used by recruiters for forecasting are the following:  
(i) Trend analysis (ii) Ratio analysis
- 3. There are two main sources of recruitment from which employees may be recruited: (1) Internal sources, i.e., recruitment from within the organization and (2) External sources, i.e., recruitment from outside the organization.
- 4. Headhunting has its disadvantages.
  - 1. Headhunting is highly disruptive to successful business, which stands to lose expensively trained senior managers

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2. A headhunted individual might subsequently be enticed by other headhunters to leave his new firm after a short period. To avoid this, some companies attach golden handcuffs to senior management position i.e., they pay large cash bonuses which are only available to executives who stay with the firm for a certain number of years.
3. An unsuitable candidate might bribe the headhunter to recommend him for the vacant job.
5. Selection, either internal or external, is a deliberate effort of organizations to select a fixed number of personnel from a large number of applicants.
6. The primary aim of employee selection is to choose those persons who are most likely to perform their jobs with maximum effectiveness and to remain with the company.
7. The application blank or application form and employment interview are the two most widely used selection methods and they are often used in combination to supplement each other.

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## 4.9 SUMMARY

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- According to Geisler ‘HR planning is the process (including forecasting, developing and controlling) by which a firm ensures that it has the right number of people and the right kind of people at the right places at the right time doing work for which they are economically most useful.’
- HR planning is a highly important and useful activity. Without clear-cut planning, an estimation of the organization’s human resource needs is reduced to mere guesswork. If used properly, it offers a number of benefits.
- There are two denominators to the recruitment process. One is that in all cases recruitment involves locating and attracting adequate human resources to fill existing vacancies. The other is that recruitment is an absolutely critical management activity.
- Technically speaking, recruitment and selection are not synonymous. Recruitment means announcing job opportunities to the public in such a way that a good number of suitable people will apply for them.
- Recruiters commonly make use of two tools to ascertain their staffing needs, taking account of the sales projections and historical sales to personnel relationships. These are the ratio analysis and trend analysis methods.

- Job opening for employees within the organization stimulates the possibility of transfer or promotion, increases the general level of morale, and provides more information about the candidate through analyzing his performance in the organization.
- In accordance with the research by the Society for Human Resource Management, the Internet is used by 96 per cent of all job seekers. This makes it the most commonly used mode of searching.
- Selection, either internal or external, is a deliberate effort of organizations to select a fixed number of personnel from a large number of applicants.
- The primary aim of employee selection is to choose those persons who are most likely to perform their jobs with maximum effectiveness and to remain with the company.

## NOTES

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### 4.10 KEY WORDS

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- **Promotion:** It refers to the entire set of activities, which communicate the product, brand or service to the user. The idea is to make people aware, attract and induce to buy the product, in preference over others.
- **Selection:** It is the process of choosing the most suitable candidate for the vacant position in the organization.
- **Forecasting:** It is the process of making predictions of the future based on past and present data and most commonly by analysis of trends.

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### 4.11 SELF ASSESSMENT QUESTIONS AND EXERCISES

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#### Short-Answer Questions

1. What are the general characteristics of human resource planning?
2. Why is HR planning important?
3. What is the difference between recruitment and selection?
4. What information does the application form provide?

#### Long-Answer Questions

1. What are the major sources of recruitment? Discuss.
2. What are the essential elements of selection procedure?
3. Discuss the measures to build high employee morale in an organization.
4. What is the procedure of recruiting on the Internet?

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## 4.12 FURTHER READINGS

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### NOTES

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## BLOCK - II

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### RECRUITMENT & SELECTION

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#### NOTES

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## UNIT 5 EMPLOYEE TESTING AND SELECTION

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### Structure

- 5.0 Introduction
- 5.1 Objectives
- 5.2 Selection Process: An Overview
  - 5.2.1 Selection Techniques
  - 5.2.2 Basic Testing Concepts and Types
  - 5.2.3 Work Samples and Simulation
- 5.3 Interview: An overview
  - 5.3.1 Common Interviewing Mistakes
  - 5.3.2 Designing and Conducting the Effective Interview
  - 5.3.3 Computer-Aided Interview
  - 5.3.4 Small Business Applications
- 5.4 Answers to Check Your Progress Questions
- 5.5 Summary
- 5.6 Key Words
- 5.7 Self Assessment Questions and Exercises
- 5.8 Further Readings

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### 5.0 INTRODUCTION

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In the previous unit, we discussed recruitment and selection of employees in an organization. In this unit, the discussion on the selection procedures will continue. It will discuss the various techniques of selection, with a special focus on job interviews. A job interview is basically a formal meeting in which an applicant is asked questions to determine their suitability for a particular job. The unit will discuss the procedure for job interviews, the common mistakes committed during interviews, as well as how to design and conduct effective interviews.

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### 5.1 OBJECTIVES

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

- Learn the process of employee testing and selection
- Recognize common interviewing mistakes
- Discuss the method of designing and conducting the effective interview
- Explain small business applications and computer aided interview

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## 5.2 SELECTION PROCESS: AN OVERVIEW

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In terms of the process of selection, the step following recruitment is initial screening. The selection process following the initial screening is more rigorous. Orientation may take up several hours or several weeks. Placement occurs after orientation; placement is the assignment of individuals to jobs.

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

### 5.2.1 Selection Techniques

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

### 5.2.2 Basic Testing Concepts and Types

Tests are used in organizations for several purposes including selection and placement of employees, their transfer and promotion, determining training needs, evaluation of training programmes and counselling. Among these purposes, such psychological testing is primarily used for selection and placement. The testing programme is effective if the number of applicants for a job is high. Systematic use of tests help in rejecting applicants. Thus, the testing programme is highly useful when there is considerable unemployment and abundance of applicants. However, it does not mean that it is not useful when the number of applicants is less. In such a situation, it is useful for placement purposes to enable the manpower manager to place the individual in a job for which he is most suitable.

As Tiffin and McCormick point out, it should be recognised that psychological tests are not infallible, and that sometimes they reveal results which are not a true indication of the potential job success of the candidate. The effectiveness of any method depends upon the degree of improvement and not perfection. Suppose, without the use of testing programme, the

turnover rate is 30 per cent and with the use of testing programme it comes down to 25 per cent. Here, the testing programme is considered as successful although it has not eliminated the turnover.

### Types of Tests

Psychological tests can be classified under several types. There may be group or individual tests, instrumental or paper and pencil tests, aptitude or achievement tests, personality and interest tests, and power or speed tests. Group tests can be administered to any number of candidates simultaneously depending upon physical infrastructure, while individual tests can be given to one applicant at a time, usually involving utmost attention of the tester. The examples of group tests are Purdue Vocational Achievement Tests, Adaptability Test, Wonderlic Personnel Test, etc. while among individual tests, Purdue Pegboard Tests of Manual Dexterity can be cited. The instrumental tests make use of tools and are usually individual in character. The paper and pencil tests are usually group tests involving written responses.

Aptitude tests assess an individual's potentiality to learn about a job through adequate training. These tests are effective for freshers. Achievement tests indicate how effectively an individual can perform a job and what he knows about it. These tests are useful if the candidates have prior experiences of similar jobs. It may be noted that there are certain tests which when used in a particular way are classified as achievement tests and when used in other ways, can be designated as aptitude tests. Thus, the basic classification criterion should be the purpose and not the content. Personality and interest tests indicate personal traits conducive to the job performance. These tests are akin to aptitude tests. A power test refers to a test where the ability of the candidate to complete the test items is more crucial than his speed, while speed test refers to a test where each item can be completed by most candidates, but in which speed is crucial.

#### 5.2.3 Work Samples and Simulation

The job or work sample tests involve utilization of equipments which are used on the job. An example of job sample test is a miniature punch press used effectively for selecting individuals in jobs such as packaging, inspecting and several types of machine operation. On the other hand, job simulation tests are employment tests that ask candidates to perform tasks that they would perform on the job. Applicants complete tasks that are similar to tasks they would complete when actually working in the position on a day to day basis.

#### Check Your Progress

1. What are the seven steps involved in the selection process?
2. Why are tests used in an organization?

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## 5.3 INTERVIEW: AN OVERVIEW

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The interview proves to be almost a universal selection tool. Dealing with people has always been an art and not a science. Successful interviewing is an art rather than a science as it involves dealing with people; yet there are certain characteristics that are common to all satisfactory interviews. Once applications have been received they have to be scrutinized to decide which candidates will be interviewed. This process demands careful attention because when a large number of people have applied for a job, there is always the possibility of excluding better candidates than those who manage to secure an interview.

The interview is a face-to-face, oral, observational and personal appraisal method of evaluating the applicant. It can also be described as a conversation with a purpose and is used almost universally in the staffing process. There are three purposes that may be served:

- (i) Giving information that will help the applicant make up his mind about the company or the selling aspects
- (ii) Obtaining relevant information from the candidate
- (iii) Making the candidate feel that he has been fairly treated

In this country, obtaining information has been the primary objective of interview rather than giving information.

The interview makes three unique contributions to the selection process. First, it is the only way to see an applicant in action — how he looks, his manner, his bearing. Second, it is the only way to witness how he interacts and how he responds— his way of thinking, the effect of his personality on others. Third, it is perhaps the best way to get at the ‘will do’ features of a performance— motivation, initiative, stability, perseverance, work habits and judgments. The so-called ‘can do’ aspect can be examined by application, test and reference checks. Under the ‘can do’ factors the following elements are included—appearance, manners, availability, education as required by the job, intelligence, ability to solve problems, relevant experience, knowledge, physical conditions and health.

Under the ‘will do’ factors are included the following character traits— stability, industry, perseverance, willingness to work, loyalty and leadership.

Interviews are carried out in many ways— by the department head, by a personnel officer along with the line executive, by the interview-board consisting of senior executives or by a committee as in the case of public services.

Interviews in which just a few questions, mostly unrelated to the job, are asked, and the candidates unceremoniously dismissed, naturally create

the impression that the interview is only a formality and that the decision in selection depends on factors other than the candidate's merit or performance. Not only are qualified candidates disappointed but they rightly take away a bad impression about the agency as such.

**Rules of interviewing:** The techniques of good interviewing must be based upon sound rules. We shall consider the question by examining the following aspects of interviewing— (1) purpose, (2) types, (3) technical factors and (4) rules.

Interviewing has been the most universally used tool in selection. Usually the interview is done in conjunction with the application blank. More recently the physical examination, psychological tests and the diagnostic interview rating chart have been added to the interview as a means of determining the fitness of an applicant for a given position. It should be noted that these are merely aids to the interview and do not supplant the interview.

Although widely used as a selection technique, interviewing is one of the least reliable techniques. A study of interviews with Canadian army recruits showed that interviews developed stereotypes of good candidates, showed early bias, used favourable tones with a good candidate and unfavourable tones with one likely to be rejected, and were influenced more by unfavourable information than favourable.

Staff selection involves three steps:

1. Assessment of job requirements
2. Assessment of applicant's qualifications
3. Evaluation of whether or not the qualifications match the job requirements

Job analysis indicates the specific duties to be performed by the worker and the circumstances under which these duties are to be performed. The second and third steps involve the method of selection which includes a process of interviewing the applicant.

The main purpose of the selection interview is to determine the applicant's suitability for a job. The interviewer by means of talk and observation attempts to learn the applicant's mental, physical, emotional and social qualities — potential or developed. His primary objective is to select the candidate who will best advance his business objectives. The applicant generally hopes for more than a job — he wants a good job with fair prospects for advancement. So the employer has to keep this in mind and in the interview he should serve the purpose of the applicant. He must give information that will help the candidate to decide whether or not to accept the post if it is offered to him. Thus the selection process is a rejection process by the prospective employee as well as the employer. It is always wise for an applicant to reject an offer that would result in an unsatisfactory situation

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in the long run even though there may be short-term advantages. Thus in the selection process the interview should serve the purposes of both the employer and the prospective employee.

Turning to induction or planned introduction, the interview is a desirable way to give the prospective employee information about the organization's philosophy, policies and procedures.

The interview is a very useful tool in training. The interviewer seeks to transmit 'know-how' and 'know-why' by means of talk and demonstration. Moreover, it can serve to develop loyalty towards the management. The 'stress-type' interview is a good illustration of a training tool. Under this procedure the candidate is exposed to various types of difficulties, obstacles and inconveniences. He is then evaluated on how well he has handled the situation.

The main qualification of a good interviewer is his ability to establish an empathy with a candidate. He should possess ability, intelligence, experience, a balanced emotional life and awareness of his own biases and prejudices. It is his job to establish rapport — a relationship of mutual confidence and free expression. Halo effect is sometimes closely connected with the interview and is very dangerous. It is the tendency to judge the total worth of a person on the basis of one or two specific characteristics. Sometimes the interviewer is satisfied with one or two questions and gets the impression that the candidate is good in all respects.

### **5.3.1 Common Interviewing Mistakes**

Interviewing is a conversation with a purpose and conversation involves the use of words. Words convey one's thoughts, ideas and feelings to another person. Words have sounds—phonetics — as well as meanings — semantics. The interviewer should not take it for granted that his words will convey the same idea to another person. There may be a semantic barrier. The interviewer should learn to avoid words which are likely to create antagonism and fail to establish rapport with the candidate. He should learn to select words which are likely to convey his thoughts favourably. Proper selection of words will establish rapport between interviewer and interviewee and serve to minimize undesirable reactions. Words should be avoided whose meanings are not clear to the candidate. If any word is not clear to the candidate, the interviewer should use a different word. The interviewer must not forget that the purpose of interview is to obtain or give information and not to test the candidate's knowledge of vocabulary.

The interviewer must use his sense to his advantage. Observational skills can be improved by practice. The interviewer should also take note of the behavioural pattern of the interviewee. He should particularly observe the mannerisms, personal habits or any abnormalities of the interviewee.

### **5.3.2 Designing and Conducting the Effective Interview**

The interviewer should follow certain rules during the interview. These rules have been evolved largely through trial and error. Adherence to these rules does not provide an unfailing high road to successful interview but serves to increase the degree of its effectiveness.

1. The first step in an interview is to establish a friendly and cordial relationship with the interviewee. The interviewer achieves this condition by being pleasant in his greeting and by displaying active interest in the interviewee. The interview should not be hurried. No matter how busy the interviewer is, he must give the impression that there is sufficient time for an unhurried discussion. There can be no hard and fast rules regarding the length of time of an interview. It depends upon a number of factors such as the type of job, the method used and the candidate. The interview should be closed when the necessary information has been given and secured. The interviewer must not end the interview abruptly but close it tactfully so that the candidate feels satisfied that a patient hearing has been given to him.
2. The candidate called for interview should not be made to wait, or made to feel that he is a beggar who can afford to wait for an indefinite time. Moreover, this indifferent attitude towards job-seekers creates a bad impression on him and, even if appointed, he feels that the company is not interested in him. The interviewer should not forget that the first impression that a candidate gains of a company is very important.
3. One basic rule for good interviewing is to respect the interest and individuality of the candidate. Unless the interviewer shows a sympathetic attitude to the candidate's point of view and desires, it is difficult to develop an atmosphere of friendliness and confidence which is so essential to giving or getting information. The interviewer must not display an attitude of superiority as the interview is a conversation between equals.
4. Another basic rule of good interviewing is that the interviewer should do the minimum amount of talking himself and allow and encourage the candidate to talk freely and copiously. To provide ample opportunity for expression, sufficient time should be given.
5. One principle of good interviewing is to make the candidate feel at ease. The best way for the interviewer to put the applicant at ease is to be at ease himself. The candidate will be made to feel free if he is to start with a subject that is of interest to him even if it is irrelevant to the main purpose of interview. Unless the candidate is put at ease and an atmosphere of friendliness is created, it is difficult to have a proper assessment of the candidate's capabilities.

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6. The interviewer must remain detached and must not obtrude his own thoughts and feelings into the mind of the candidate. He should keep his own views and opinions to himself. The interviewer should not express opinions about episodes in the candidate's career. He should not offer uncalled-for advice.
7. Hiring interview must be held in private. The interviewer's note regarding the assessment of the candidate should not be written in his presence but after he has left the room and there is no possibility of his seeing it.
8. The interviewer must appear interested throughout and not seem to be following an irksome routine. When the interviewee answers questions, the interviewer should not only listen but also be attentive and express interest. The interviewer should not interrupt as this will reduce co-operation.

### 5.3.3 Computer-Aided Interview

In computer aided interview, the job interviewee uses a computer to answer the questions. Such a method is preferred over a telephonic interview when the questionnaire is long and complex. This type of interview is classified as a personal interviewing technique because an interviewer is usually present to serve as a host and to guide the respondent. In this technique, the interviewee sits at a computer terminal and answers a questionnaire using the keyboard or mouse. Help screens and courtesies are provided to him or her. In addition, colourful screens and on and off-screen stimuli is employed to add to the interviewee's interest and involvement in the task.

### 5.3.4 Small Business Applications

Application forms for jobs in small businesses is similar to ones in large organizations. Basically, a small business job application form allows people to apply for a job within small businesses. The form gathers information about the candidate, such as their name and work experience. A good employment application form may even help job seekers self-determine whether they're qualified to work at a specific small business or not.

#### Check Your Progress

3. What is an interview?
4. What does job analysis indicate?

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## 5.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

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1. The selection process involves seven steps as follows: (i) preliminary screening of applicants, (ii) review of application blank, (iii) checking references, (iv) physical examination, (v) psychological testing, (vi) employment interview, and (vii) evaluation of the programme.
2. Tests are used in organizations for several purposes including selection and placement of employees, their transfer and promotion, determining training needs, evaluation of training programmes and counselling.
3. The interview is a face-to-face, oral, observational and personal appraisal method of evaluating the applicant.
4. Job analysis indicates the specific duties to be performed by the worker and the circumstances under which these duties are to be performed.

## NOTES

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## 5.5 SUMMARY

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- In terms of the process of selection, the step following recruitment is initial screening. The selection process following the initial screening is more rigorous. Orientation may take up several hours or several weeks.
- Although an effective recruitment programme can provide numerous job applications, there still remains a crucial problem of selection of the most suitable HR with a view to placing them in vacant positions in the enterprise.
- Although selection procedures vary from one organization to another, in terms of size, industry, location, and scalar levels of jobs being filled, the selection process depends upon effective job analysis and recruitment.
- Tests are used in organizations for several purposes including selection and placement of employees, their transfer and promotion, determining training needs, evaluation of training programmes and counselling.
- Psychological tests can be classified under several types. There may be group or individual tests, instrumental or paper and pencil tests, aptitude or achievement tests, personality and interest tests, and power or speed tests.
- The interview proves to be almost a universal selection tool. Dealing with people has always been an art and not a science.

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## 5.6 KEY WORDS

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- **Employee:** It refers to a person employed for wages or salary, especially at non-executive level is called an employee.

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- **Interview:** It is a formal meeting at which someone is asked questions in order to find out if they are suitable for a job or a course of study.
- **Test:** It is a procedure intended to establish the quality, performance, or reliability of something, especially before it is taken into widespread use is called a test.

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### 5.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

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#### Short-Answer Questions

1. What are the basic testing concepts?
2. What are the different types of tests?
3. What are the three purposes that the interviews serve?
4. What are the three steps involved in staff selection?

#### Long-Answer Questions

1. Discuss the rules of interviewing.
2. Mention some of the most common interviewing mistakes.
3. How to design and conduct an effective interview? Explain.

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### 5.8 FURTHER READINGS

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# UNIT 6 TRAINING AND DEVELOPMENT

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## NOTES

### Structure

- 6.0 Introduction
- 6.1 Objectives
- 6.2 Orientation and Training: Orienting the Employees
  - 6.2.1 Need for Orientation
  - 6.2.2 Objectives of Orientation
  - 6.2.3 Procedure for Orientation
- 6.3 Training Process
  - 6.3.1 Need Analysis
  - 6.3.2 Training Techniques
  - 6.3.3 Special Purpose Training
  - 6.3.4 Need Assessment
- 6.4 Training methods for Operatives and Supervisors
- 6.5 Answers to Check Your Progress Questions
- 6.6 Summary
- 6.7 Key Words
- 6.8 Self Assessment Questions and Exercises
- 6.9 Further Readings

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## 6.0 INTRODUCTION

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

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

organization. For an employee/worker, training implies not only acquiring knowledge, but also adding to his already existing skill sets.

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### 6.1 OBJECTIVES

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

- Explain the process of training and development
- Discuss various types of training techniques
- Examine the process of training via the Internet
- Describe training methods for operatives and supervisors

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### 6.2 ORIENTATION AND TRAINING: ORIENTING THE EMPLOYEES

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

#### 6.2.1 Need for Orientation

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

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

#### 6.2.2 Objectives of Orientation

The following are the chief objectives of the orientation process:

- To avoid the insecure feeling of a newcomer who joins an organization
- To develop a strong feeling about the workplace and work environment
- To develop defensive behaviour

- To develop courage
- To develop self-confidence
- To minimize the reality shock

The induction expected by the newcomer may include the following:

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

### 6.2.3 Procedure for Orientation

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

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

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

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

## NOTES

**NOTES**

**Check Your Progress**

1. What is orientation?
2. Mention the purpose of a formal orientation.

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**6.3 TRAINING PROCESS**

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

**6.3.1 Need Analysis**

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

- (i) To increase productivity by performance.
- (ii) To improve quality by developing a good relationship between employer and employee.
- (iii) To help a company fulfil its future personnel needs.
- (iv) To improve the organizational climate.
- (v) To improve health and safety.
- (vi) To prevent obsolescence.
- (vii) For personal growth

The need for training arises from more than one reason:

- (i) An increased use of technology in production.
- (ii) Labour turnover arising from normal separations due to death or physical incapacity for accidents, disease, superannuation, voluntary retirement, promotion within the organization and change of occupation or job.
- (iii) Need for additional hands to cope with an increased production of goods and services.

- (iv) Employment of inexperienced, new or *badli* labour requires detailed instruction for an effective performance of a job.
- (v) Old employees need training to enable them to keep abreast of the changing methods, techniques and use of sophisticated tools and equipment.
- (vi) Need for enabling employees to do the work in a more effective way, to reduce learning time, reduce supervision time, reduce waste and spoilage of raw material and produce quality goods and develop their potential.
- (vii) Need for reducing grievances and minimizing accident rates.
- (viii) Need for maintaining the validity of an organization as a whole and raising the morale of its employees.

## NOTES

### 6.3.2 Training Techniques

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

The methods of training are as follows:

- On-the-job-training (OJT)
- Job instruction training (JIT)
- Vestibule training
- Training by experienced workmen
- Classroom or off-the-job-training, like
  - o lecture
  - o conferences
  - o group discussion
  - o case studies
  - o role playing
  - o programme instruction
  - o T-group training

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

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

- Coaching
- Under study
- Job rotation

- Internship
- Apprenticeship

## NOTES

### Merits of On-the-Job-Training

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

### Demerits of On-the-Job-Training

- Instruction is often highly disorganized.

## II. Job Instruction Training (JIT)

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

The job instruction training process is in four steps:

- (i) The preparation of the trainee for instruction. This includes putting him at ease, emphasizing the importance of the task and giving a general description of job duties and responsibilities.
- (ii) Presentation of the instructions, giving essential information in a clear manner. This includes positioning the trainee at the work site, telling and showing him each step of the job, stressing why and how each step is carried out as it is shown.
- (iii) Having the trainee try out the job to show that he has understood the instructions. If there are any errors they are corrected.
- (iv) Encouraging the question and allowing the trainee to work along. The trainer follows up regularly.

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

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

### **III. Vestibule Training (or Training-Centre Training)**

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

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

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

#### **Merits of the Vestibule Training**

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

#### **Demerits of the Vestibule Training**

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

### **IV. Classroom or Off-the-Job Methods**

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

## **NOTES**

## NOTES

These methods consist of the following:

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

### 6.3.3 Special Purpose Training

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

### 6.3.4 Need Assessment

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

#### Reasons for Conducting Training Needs Assessment

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

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

for poor performance. It can pinpoint exactly where the problem lies in the organizational set up.

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

## NOTES

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### 6.4 TRAINING METHODS FOR OPERATIVES AND SUPERVISORS

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

#### **Lecture method**

The lecture is the most formal of training methods and in training terms it means a verbal presentation given before the trainees for instruction and it may be accompanied by visual aids like flipcharts or projections. A lecture requires the audience to sit still and listen and the only interaction between the trainer and trainee is limited to question and answer, usually at the end of the lecture. It is a one way presentation of training message by the trainer. Lecture is a formal presentation of information in a clear logical sequence, which is interspersed with illustrations and examples. Blanchard and Thacker give a list of essential components of a lecture which is as follows:

1. **Orientation:** Giving introductory information with regard to the direction and the content of the presentation.
2. **Enthusiasm:** Elaborating the importance of training content to generate enthusiasm among the audience.

## NOTES

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

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

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

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

knowledge very thorough, as the trainees have an opportunity to discuss and clarify their doubts.

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

## NOTES

### **Demonstration method**

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

- Showing how the equipment works or procedure functions.
- Presenting visually how the procedures are linked.
- Simplifying the procedures by recreating them in front of the trainees.
- Revealing the cause and effects. For instance, unsafe handling of equipment and its consequences.
- Explaining how the product functions. For instance, demonstration of how washing machines work.
- Explaining the problems associated with product functioning.

## NOTES

- Encouraging trainees to perform the procedure.
- Displaying the efficiency of the product or procedure.
- Display product capabilities. For instance, new software is always demonstrated to show its capabilities.
- Enabling the trainee to ‘watch and learn.’

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

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

For a demonstration to be effective in achieving learning objectives it has to provide for enough practice time to the trainees and it has to have a very constructive trainer feedback. When it comes to the learning process, attention span is important concern with using demonstrations because lengthy demonstrations can be tedious. Hence, it is advisable to keep demonstrations short and relevant. With regard to retention, demonstration encourages observation on part of the trainees because the trainees are expected to practice the procedure or task after the demonstration is over.

And as the trainees practice the same procedure over and over, the whole work procedure gets codified in the memory for further recall without any memory lapses.

### **Case Study method**

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

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

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

### **Role play**

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

## **NOTES**

## NOTES

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

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

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

### Simulation

Simulation represents replication of environment, processes and situations that occur in a work situation/environment. The aim of this method is to

provide the trainee with the ‘feel’ of the work place situation in a controlled setting. This method is best suited for imparting skills. For instance, pilots hone their flying skills on flight simulators. Similarly Maruti Udyog has developed simulators to teach driving skills. Simulation believes that the best way to learn is by ‘actually working on the equipment or machine.’ For effective simulator training, it is important not only to physically replicate the equipment, but also to create the same operational environment including the psychological pressures. Major call centre companies train their employees by simulating the actual work environment. All the trainees get a work cubicle exactly like the one at the work station, along with all the relevant materials including a data base having the clients’ name and other details. One of the reasons for the companies replicating the exact work station environment is to make the trainee feel familiar with the work environment as this makes the transition from the training room to the job cubicle easy. The success of this method lies in the exact replication of the work environment. However, replicating the work environment is an expensive affair. Hence not all companies use this method of training.

## NOTES

### Check Your Progress

3. What is special purpose training?
4. What does lecture mean in training terms?

## 6.5 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Orientation or induction is a technique by which a new employee is rehabilitated into the changed surroundings and introduced to the practices, policies and purpose of the organization.
2. A formal orientation tries to bridge the information gap of the new employee.
3. The training provided to an employee of an organization for any special purpose is known as special purpose training.
4. The lecture is the most formal of training methods and in training terms it means a verbal presentation given before the trainees for instruction and it may be accompanied by visual aids like flipcharts or projections.

## 6.6 SUMMARY

- Orientation or induction is a technique by which a new employee is rehabilitated into the changed surroundings and introduced to the practices, policies and purpose of the organization.

## NOTES

- A formal orientation tries to bridge the information gap of the new employee.
- In an organization, orientation is required for overcoming employee anxiety, reality shocks and for accommodating employees.
- Any organization has an obligation to make the integration of the individual into the organization as smooth and anxiety free as possible.
- There is no model induction procedure but each industry develops its own procedures as per its needs.
- To improve the effectiveness of every organization they need to have well-trained and experienced people to perform the activities that have to be done.
- The forms and types of employee training methods are interrelated. It is difficult, if not impossible to say which of the methods or combination of methods is more useful than the other.
- The training provided to an employee of an organization for any special purpose is known as special purpose training.
- The lecture is the most formal of training methods and in training terms it means a verbal presentation given before the trainees for instruction and it may be accompanied by visual aids like flipcharts or projections.

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### 6.7 KEY WORDS

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- **Orientation:** The action of orienting someone or something relative to the points of a compass or other specified positions is called orientation.
- **Unionism:** The policies and practices of trade unions, particularly those concerned with protecting and furthering the rights of workers is called unionism.
- **Resource:** A stock or supply of money, materials, staff, and other assets that can be drawn on by a person or organization in order to function effectively is called resource.

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### 6.8 SELF ASSESSMENT QUESTIONS AND EXERCISES

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#### Short-Answer Questions

1. Why is orientation required?
2. What are the objectives of orientation?

3. Why is there a need for training of employees?
4. What are the essential components of a lecture?

### Long-Answer Questions

1. Discuss the procedure of orientation.
2. What are some of the major training techniques? Explain.
3. What are the reasons for training needs assessment?
4. What are the three types of demonstration used in training? Discuss.

### NOTES

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## 6.9 FURTHER READINGS

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## UNIT 7 EXECUTIVE DEVELOPMENT

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### NOTES

#### Structure

- 7.0 Introduction
- 7.1 Objectives
- 7.2 Executive Development: Need and Programs
- 7.3 Computer Applications in Human Resource Management
- 7.4 Human Resource Accounting And Audit
- 7.5 On-the-Job and Off-the-Job Development Techniques Using HR to Build a Responsive Organization
- 7.6 Answers to Check Your Progress Questions
- 7.7 Summary
- 7.8 Key Words
- 7.9 Self Assessment Questions and Exercises
- 7.10 Further Readings

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### 7.0 INTRODUCTION

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Executive or management development is an educational process which is fairly long term and utilizes a methodical and orderly procedure. This process assists the managerial staff to assimilate theoretical knowledge. The concept of development is related to this process. It has within its purview activities that not only improve the performance of a task, but also those, that bring about an all-round development of their personality and help develop their potential. As far as the organization is concerned, this tends to help a person attain promotion and get more responsibility.

For any organization to perpetuate itself through growth, there is a basic need for developing its manpower resources. It is one thing to possess knowledge but another to put it to effective use. It is essential to help develop skills and also update knowledge. Especially, in a rapidly changing society, employee training and development are not only activities that are desirable but also those that an organization must commit its resources to, if it is to maintain a viable and knowledgeable work force. In this unit, you will learn about the need for executive development, the computer applications in human resource management, the process of human resource accounting and audit and the different on-the-job and off-the-job development techniques which can be used by the HR for developing a responsive organization.

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## 7.1 OBJECTIVES

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

- Discuss the need and programs of executive development
- Understand the importance of computer applications in HRM
- Describe the significance of human resource accounting and audit
- State the development techniques used by HR to build a responsive organization

## NOTES

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## 7.2 EXECUTIVE DEVELOPMENT: NEED AND PROGRAMS

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

According to Harold Koontz and Cyril O'Donnell,

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

According to G.R. Terry,

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

Thus, executive or management development implies that there will be a change in the knowledge and behaviour of individuals undergoing a development programme. The individual will not only be able to perform his job better but also increase his potential for future assignments through

the acquisition, understanding and use of new knowledge, insights and skills. Self-development is an important concept in the whole programme of management development.

## NOTES

### **Nature of Executive Development**

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

### **Deferred application of human resources**

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

### **Preparing and helping managers in present and future jobs**

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

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

## **Management development as a business-led process**

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

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

### **Need and Importance of Executive Development**

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

- There is a shortage of trained managers. The organization has to develop the talented employees and maintain an inventory of executive skills to meet the future demands.
- The performance of a company depends upon the quality of its managers. Executive development, therefore, is of paramount importance to have effective and desired managerial talents to meet the organization's demand.

## **NOTES**

- Obsolescence of managerial skills is another factor which calls for continuous executive development. A manager must regularly update himself to successfully meet new challenges.

## NOTES

### Executive Development Programs

In this section, you will learn about types of EDPs.

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

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

#### 1. Job rotation

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

#### 2. The syndicate system

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

familiarize junior executives with them. Indeed, trainees hold membership in committees which discuss problems and draw tentative conclusions. Like other group methods, these systems improve the effectiveness of trainees as group members.

### **3. Conference**

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

### **4. Role-playing**

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

### **5. Sensitivity training**

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

### **6. Structured insight**

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

## **NOTES**

## NOTES

### 7. Case and in-basket methods

Case method is usually employed to enhance participation and interest among trainees. In-basket method, a variation of the case method, is used as a test as well as a training and development device. This method involves letters, notes, documents and reports purporting to provide on-the-job reality of the manager's in-basket. It purports to develop and measure decision-making ability of managers. At the very outset, attempts are made to provide the trainees with background information regarding a simulated enterprise and its products, organization and key personnel. Thereafter, the trainees are given an in-basket of assorted memoranda, requests and data relating to the company and requested to make a sense out of this pile of paper and prepare notes. The trainees use the in-basket material, as they are likely to do in their own positions. Attempts are made to provide feedback so that they evaluate their results. Changes and interruptions are induced as strategic measures, and in follow-up group discussions, they can compare their results. Just like the case method, it provides realism, flexibility, involvement and built-in motivation. The in-basket method is likely to be effective in developing situational judgement, social sensitivity and willingness to take decisions and actions.

### 8. Business games

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

### 9. University courses

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

## 10. Non-group methods

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

- (i) **Counselling:** It helps the trainees to identify their weaknesses and involves measures to overcome them. It is related to periodic appraisals or ratings. Specifically, counselling purports to help the subordinates to perform a better job, provide a clear picture of how they are doing, build strong personal relationships, and eliminate, or at least minimize, anxiety. Such counselling is usually nondirective. Sometimes, attempts are made to develop managers through guided experience. Obviously, the guidance is based on counselling.
- (ii) **Understudies system:** In understudies system, the trainees work directly with individuals whom they are likely to replace. However, its disadvantage as a training method is because of the possibility of an imitation of weak as well as strong points of the seniors.
- (iii) **Special project arrangements:** These are likely to be highly effective training systems. In these systems, for example, a trainee may be requested to develop a particular process of paper-coating. Sometimes, a taskforce is built representing varied functions in the company. The special projects enable the trainees to achieve knowledge of the subjects assigned to them as well as learn to deal with others having varied viewpoints.

### Conclusion

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

#### Check Your Progress

1. Define management development.
2. What does the syndicate system involve?

## NOTES

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## 7.3 COMPUTER APPLICATIONS IN HUMAN RESOURCE MANAGEMENT

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### NOTES

Technology has developed in the last few decades on a massive scale. It has become permeated almost every business and has become an indispensable part of the operations of every kind. Human resources functions are of varied kinds including activities like performance appraisals, hiring, compensations, trainings, and administration. There are many advantages of computer applications in human resource management:

- It increases the accuracy of data
- It saves time
- It promotes better record-keeping
- It ensures the security of data
- It saves cost
- It ensures easy accessibility

Human Resource Management System is a type of computer application for automated processing of data which has been used in the recent times to reduce the manual workload. It includes under its ambit categories like:

- **Human resource planning:** The top management by having access to such information makes long-term and short-term decisions regarding the magnitude and nature of human resources needs in the organization. This helps in taking decisions related to career planning, transfer and promotions of human resources.
- **Work time:** Manual labour can be saved and accuracy increased through the computer applications in keeping a track record of work time of the human resources in different departments of the organization which further assists in calculating the compensation.
- **Compensation:** All the important details as to the wages, salary, other benefits, interests, investments and bonuses etc. can be easily managed through computer applications.
- **Employee self-service:** Through, human resource management systems, the employees themselves can access several information regarding their leaves, compensation, benefits, and much more.
- **Training/learning systems:** Computer-assisted instructions and Computer Based trainings can be done through such management systems. It can be modified as per the training needs. It can also be used to keep track of employee's performance as well as costs incurred on the company for conducting such trainings.

- **Recruitment:** A lot of time and money can be saved by keeping accurate information handy related to the skills, abilities, experience, competence, knowledge, educational qualifications and age of not only internal employees but also job applicants so that proper recruitment to the right jobs can be done smoothly.

Human Resource as a department works in tandem with all the internal and external departments and stakeholders of the organization. An information system assists in retrieving, updating, manipulating, compiling, storing and analysing the data related to the human resource working in the organization. It thereby contributes significantly to the decision-making process by being efficient and useful source of information.

### Check Your Progress

3. What is Human Resource Management System?
4. What is the benefit of an information system?

## 7.4 HUMAN RESOURCE ACCOUNTING AND AUDIT

HR records provide information regarding the utilisation of human resources in an objective way. However, in most cases, these are not sufficient. A critical evaluation of manpower programmes is required to identify the areas where improvements are needed to set things in order. Audit is an important aspect of managerial control. It involves examination and verification of accounts and records. Human resource audit implies a critical examination and evaluation of policies, programmes and procedures in the area of HR management. It is a periodic review to measure the effectiveness of HR management and also to determine further steps for a more effective use of human resources.

An audit is a review and verification of completed transactions to see whether they represent a true state of affairs of the business or not. Thus, an HR audit refers to:

- (i) the measurement of the effectiveness of the HR management's mission, objectives, strategies, policies, procedures, programmes and activities; and thereafter
- (ii) the determination of what should or should not be done in the future.

HR audit involves a formal, systematic and in-depth analysis, investigation and comparison. The primary aim of HR audit is to determine whether the personnel policies and practices are consistent with organizational objectives. It also determines how effectively the personnel policies and programmes have been implemented.

## NOTES

Human resource audit is well practiced in developed countries. In India, we do not have a full audit like financial audit of the Human Resource activities in an organization.

## NOTES

### Objectives of Human Resource Audit

According to Gray R.D, 'the primary purpose of personnel audit is to know how the various units are functioning and whether they have been able to meet the policies and guidelines which were agreed upon; and to assist the rest of the organization by identifying the gap between objectives and results. The end product of an evaluation should be to formulate plans for corrections or adjustments'.

The objectives of HR audit are:

1. To review the whole system of management programmes in which a management develops, allocates and supervises HR in an organization with a view to determine the effectiveness of these programmes. In other words, HR audit reviews the system of acquiring, developing, allocating and utilising human resources in the organization,
2. To evaluate the extent to which line managers have implemented the policies and programmes initiated by top management and the HR department,
3. To review the HR system in comparison with other organizations and modify them to meet the challenges of human resource management,
4. To locate the gaps, lapses, shortcomings in the implementation of the policies, procedures, practices, directives of the HR department and to know the areas where non implementation and/or wrong implementation has hindered the planned programmes and activities,
5. To evaluate the effectiveness of various HR policies and practices,
6. To evaluate the HR staff, and
7. To seek answers to such questions as 'what happened?' 'why it happened?' or 'why it did not happen?' while implementing policies, practices and directives in managing human resources.

### Need for HR Audit

Though there is no legal obligation to audit HR policies and practices, some of the modern organizations do pursue it for the following reasons:

1. To increase the size of the organization and personnel in several organizations,
2. To change the philosophy of management towards HR,
3. To increase the strength and influence of trade unions,

4. To change HR management philosophy and thereby personnel policies and practices throughout the world, and
5. To increase the dependence of the organization on the HR system and its effective functioning.

### **Significance of HR Audit**

Though there is no legal obligation to audit personnel policies and practices, informed employers voluntarily use it as a tool for evaluation and control of personnel function. Therefore, HR audit is used widely to check the organizational performance in the management of human resources. The significance of HR audit lies in the following:

1. The management now feels that employee participation in organizational activities is essential for the success of the organization.
2. It provides the required feedback.
3. Rising labour costs and increasing opportunities for competitive advantage in human resource management.
4. It can be used to avoid the intervention of Government to protect employee interests.

### **Benefits of HR Audit**

Keith Davis summarises the benefits of HR audit in the following ways:

- It identifies the contributions of the HR department.
- It improves the professional image of the HR department.
- It encourages greater responsibility and professionalism amongst members of the HR department.
- It classifies the HR department's duties and responsibilities.
- It stimulates uniformity of personnel policies and practices.
- It identifies critical personnel problems.
- It ensures timely compliance with legal requirements.
- It reduces human resource costs.

### **Scope of HR Audit**

The HR audit has a very wide scope. It assumes that the management of human resources involves much more than the practice of recruiting, hiring, retaining and firing employees. It examines the concept of 'people management' by supervisors at all levels. It covers areas like HR philosophy, policies, programmes, practices and personnel results. As per 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, or the channels through which they are administered'.

## **NOTES**

**NOTES**

The major areas of HR audit include the following:

1. Programming, forecasting and scheduling to meet organization and personnel needs
2. Areas of recruitment, selection, careers, promotions, training and development
3. Areas of leadership, welfare, grievances, performance appraisal, employee mobility, and industrial relations.

**Check Your Progress**

5. What do HR records provide?
6. Mention the primary purpose of personnel audit.

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**7.5 ON-THE-JOB AND OFF-THE-JOB DEVELOPMENT TECHNIQUES USING HR TO BUILD A RESPONSIVE ORGANIZATION**

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On-the-Job Training (OJT) is one of the oldest types of training methods. It refers to recruits learning at work under the supervision of a line manager or supervisor. According to P. Swamidass, 'OJT is the preferred method for training employees for new technology and increasing skills in the use of existing technology.' OJT is a useful method for training fresh recruits, newly promoted employees, for orienting transferred employees, and for skill enhancement. For training, OJT uses skilled workers who double up as trainers. OJT is considered to be informal and unstructured as most of the instruction is at the work site and OJT is characterized by the following points:

- (i) Unstructured instruction pattern
- (ii) Lack of specific training objective
- (iii) Lack of systematic learning contents
- (iv) Absence of formal trainers as training is given by skilled employees

Despite its unstructured and informal nature OJT has some advantages such as the following:

- (i) It can be adapted to suit the capabilities of the trainees.
- (ii) Since training is at job site, it can be immediately applicable.
- (iii) Companies save on trainer cost, training site cost, etc.
- (iv) Since trainees learn on actual job task, skill transferability becomes smooth.

The only issue with OJT is its unstructured nature which can contribute to ineffective employees. Hence for OJT to be effective, it has to be structured

and systematic. Structured OJTs are planned programmes which achieve learning through the following steps:

- (i) Trainee observes the skilled worker perform.
- (ii) Trainee is explained the procedure throughout the performance.
- (iii) Trainee practices under the supervision of trainer.
- (iv) Continuous feedback is provided by trainer.
- (v) By practising repeatedly, trainee learns the task.

OJT has numerous forms. Some of them are discussed in detail as follows:

- (i) **Apprenticeship:** According to R. W. Glover, 'Apprenticeship is a work study training method with both on-the-job and classroom training.' In India, the definition of apprentice is provided by the Apprentices Act, 1961. According to this Act, apprenticeship training means, 'a course of training in any industry or establishment undergone in pursuance of a contract of apprenticeship and under prescribed terms and conditions which may be different for different categories of apprentices.' In an apprentice programme, the duration of training is clearly specified, for instance, Indian Navy has an apprentice programme where the trainee spends four years learning the specific skill. Most apprenticeships are in skilled trade such as machinists, welders, electricians, and so on. Apprenticeship training does involve some amount of classroom instruction as well. According to A. H. Howard, OJT aspect of apprenticeship programme can be made effective by including modelling, practice, feedback and evaluation. Apprenticeship programmes are attractive to trainees because they are paid stipends during the apprenticeship and most apprenticeships result in full employment.
- (ii) **Coaching:** 'Coaching' as a term is closely associated with OJT. This implies that coaching was for middle and upper level employees, while OJT was for lower level workers. The term coaching refers to one-on-one instruction for improving knowledge and ability. Coaching is normally used to deal with problems associated with performance deficiency. Coaches can be outside specialists or experienced workers from within the organization. Outside specialists are used to deal with specific issues related to middle and upper management. According to Evered and Selman, the main difference between coaching and OJT is that in coaching the coach continues to guide the subordinate for some time even after the latter's performance levels have increased. Coaching by nature is more collaborative than other methods of OJT. Coaching as a training method is used where skill development is the learning objective.

## NOTES

## NOTES

**(iii) Mentoring:** This refers to the relationship that develops between a senior and junior employee. As a mentor, the senior guides the junior and explains him the nuances of organizational functioning. In fact, mentoring facilitates the junior's adjustment within the organizational set-up. Unlike coaching that focuses on the performance aspects which are more technical in nature, mentoring focuses on attitude development. Mentors advise their juniors on what to do, how to do it, how to manage organizational politics, etc.

**(iv) Job Instruction Technique (JIT):** The original job instruction technique was first used with World War <sup>TMTM</sup> production workers as a systematic method to train people as quickly as possible to meet the war demands. Components of the original World War <sup>TMTM</sup> JIT are still used. JIT consists of the following four steps:

- Step 1: Plan or preparation
- Step 2: Present
- Step 3: Trial
- Step 4: Follow-up

### Off the job

There are several management development strategies which offer off-the-job training to an employee. A few of these methods are as follows:

- Sensitivity Training
- Transactional Analysis
- Straight Lectures
- **Sensitivity Training:** Sensitivity training helps people understanding themselves and others in a reasonable manner by developing behavioural flexibility and social sensitivity. Behavioural flexibility enables an employee to behave in a suitable manner by developing a sense of understanding. Social sympathy, synonymous with empathy, is the ability of an employee to understand and sense the feelings of others and think from their point of view. Sensitivity training consists of the following three steps:
  - o Unfreezing old values
  - o Developing new values
  - o Refreezing new values
- **Transactional Analysis:** This method helps trainees by providing a realistic method for understanding other's behaviour. In a social interaction, one person provides motivation while the other gives a reaction to that motivation. The reaction of motivation between the two people is known as a transaction. Transaction analysis is done by

the ego states of an employee which is a system of feelings along with a related behavioural set. There are basically three ego stages:

- o Child
  - o Parent
  - o Adult
- **Straight Lectures:** This is one of the oldest training methods used to create an understanding for a topic or influencing attitudes and behaviour by lecture. Lecture can either be in a oral or a printed form and tells someone about something. Lectures help in increasing the knowledge of a person listening to it and giving them a theoretical aspect of the lecture's topic. The task of training is usually not complete without a lecture. A trainer or instructor begins their training session by informing the trainees of the goal, processes, aim, agenda or methods used in the training with the use of the lecture method. Straight lectures consist of lectures in the form of printed texts such as notes, books, etc. An effective lecture consists of the topic's introduction, lecture's purpose and preferences and priorities of the topic. There are some main features of the lecture method, as mentioned below:
    - o Can be reached large number of people at once
    - o Less effective because lectures require long periods of trainee inactivity
    - o Less expensive
    - o Inability to identify and correct misunderstandings
    - o Knowledge building exercise

#### **Check Your Progress**

7. What does On-the-Job Training (OJT) refer to?
8. What is the purpose of sensitivity training?

## **7.6 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS**

1. Management development is a programme of training and planned personal development to prepare and aid managers in their present and future jobs.
2. The syndicate system permits an analysis of a problem by a committee of trainees and involves presentation of reports for comments by other executives.

## **NOTES**

## NOTES

3. Human Resource Management System is a type of computer application for automated processing of data which has been used in the recent times to reduce the manual workload.
4. An information system assists in retrieving, updating, manipulating, compiling, storing and analysing the data related to the human resource working in the organization.
5. HR records provide information regarding the utilisation of human resources in an objective way.
6. The primary purpose of personnel audit is to know how the various units are functioning and whether they have been able to meet the policies and guidelines which were agreed upon.
7. On-the-Job Training (OJT) refers to recruits learning at work under the supervision of a line manager or supervisor.
8. Sensitivity training helps people in understanding themselves and others in a reasonable manner by developing behavioural flexibility and social sensitivity.

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## 7.7 SUMMARY

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- Executive or management development is a long-term educational process utilizing a systematic and organized procedure by which managerial personnel learn conceptual and theoretical knowledge. Development is a related process.
- Managers are largely made, not born. This is a significant statement in modern management literature and forms a basis for numerous management development programmes.
- The major problem is to make a special preparation for top management responsibilities involving deferred application of selected candidates.
- Armstrong defines management development as a business-led process. The business determines the kind of managers that are required to accomplish its strategic goals as well as the process or method to obtain and develop such managers.
- In this age of ‘professionalization of management’, the importance of executive development cannot be minimized.
- Trickett has discussed the most frequently used methods and techniques of management development. These methods include group discussions or conferences, lectures by company executives, films and slides, outside reading and private study, lectures by outside speakers, case studies, panels, forums, role-playing and workshop.

- Technology has developed in the last few decades on a massive scale. It has become permeated almost every business and has become an indispensable part of the operations of every kind.
- Human Resource as a department works in tandem with all the internal and external departments and stakeholders of the organization.
- HR records provide information regarding the utilisation of human resources in an objective way.
- On-the-job training (OJT) is one of the oldest types of training methods. It refers to recruits learning at work under the supervision of a line manager or supervisor.

## NOTES

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### 7.8 KEY WORDS

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- **Executive:** It refers to a person with senior managerial responsibility in a business.
- **Development:** It is the growth of something such as a business or an industry.
- **Accounting:** It is a systematic process of identifying, recording, measuring, classifying, verifying, summarizing, interpreting and communicating financial information.

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### 7.9 SELF ASSESSMENT QUESTIONS AND EXERCISES

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#### Short-Answer Questions

1. Write a short note on executive development.
2. What is the nature of executive development?
3. What are the advantages of using computer applications in human resource management?
4. What is the scope of HR audit?

#### Long-Answer Questions

1. What is the need and importance of executive development? Discuss.
2. Discuss the major techniques of executive development.
3. What does an HR audit refer to? Discuss in detail.
4. What are the different techniques employed to build a responsible organization?

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## 7.10 FURTHER READINGS

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### NOTES

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# UNIT 8 EMPLOYEE COMPENSATION

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**NOTES****Structure**

- 8.0 Introduction
- 8.1 Objectives
- 8.2 Wages and Salary Administration
  - 8.2.1 Nature and Purpose of Wage and Salary Administration
  - 8.2.2 Factors Influencing Wage and Salary Structure and Administration
  - 8.2.3 Principles of Wage and Salary Administration
  - 8.2.4 Incentives
  - 8.2.5 Bonus
- 8.3 Fringe Benefits, Flexi Systems and Employee Benefits
  - 8.3.1 Special Features of Fringe Benefits
  - 8.3.2 The Objectives of Fringe Benefits and Service Programmes
  - 8.3.3 Principles of Fringe Benefits
  - 8.3.4 Important Fringe Benefits
- 8.4 Health and Social Security Measures
- 8.5 Answers to Check Your Progress Questions
- 8.6 Summary
- 8.7 Key Words
- 8.8 Self Assessment Questions and Exercises
- 8.9 Further Readings

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## 8.0 INTRODUCTION

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Services rendered by individuals to organizations have to be equitably paid for. This compensation generally comprises cash payments, which include wages, bonus and shared profits. Good compensation plans have a salutary effect on the employees. They are happy in their work, cooperate with the management and, hence, deliver good results at the workplace. Although there can be both monetary and non-monetary forms of compensation, the monetary is the most basic element which attracts individuals to an organization and persuades them to remain there. Compensation paid to the labour for the service offered is called wages or salary. This unit will discuss different aspects of employee compensation in detail.

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## 8.1 OBJECTIVES

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

- Discuss employee compensation
- Learn about bonus, incentives and employee benefits
- Explain health and social security measures

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## 8.2 WAGES AND SALARY ADMINISTRATION

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### NOTES

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

### 8.2.1 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

- 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.

## NOTES

### 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

### 8.2.2 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

NOTES

- Trade union's bargaining power
- Job requirements
- Managerial attitudes
- Psychological and sociological factors

### 8.2.3 Principles of Wage and Salary Administration

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

- (i) There should be a definite plan to ensure that differences in pay for jobs are based upon variations in job requirements, such as skill, effort, responsibility of job or working conditions, and mental and physical requirements.
- (ii) The general level of wages and salaries should be reasonably in tune with that prevailing in the labour market. The labour market criterion is most commonly used.
- (iii) The plan should carefully distinguish between jobs and employees. A job carries a certain wage rate, and a person is assigned to fill it at that rate. Exceptions sometimes occur in very high-level jobs in which the job-holder may make the offer large or small, depending upon his ability and contributions.
- (iv) Equal pay for equal work, i.e., if two jobs have equal difficulty requirements, the pay should be the same, regardless of who fills them.
- (v) An equitable practice should be adopted for the recognition of individual differences in ability and contribution. For some units, this may take the form of rate ranges, with in-grade increases; in others, it may be a wage incentive plan; in still others, it may take the form of closely integrated sequences of job promotion.
- (vi) There should be a clearly established procedure for hearing and adjusting wage complaints. This may be integrated with the regular grievance procedure, if it exists.
- (vii) The employees and the trade union, if there is one, should be informed about the procedure used to establish wage rates. Every employee should be informed of his own position, and of the wage and salary structure. Secrecy in wage matters should not be used as a cover-up for haphazard and unreasonable wage programme.
- (viii) The wage should be sufficient to ensure for the worker and his family a reasonable standard of living. Workers should receive a guaranteed minimum wage to protect them against conditions beyond their control.
- (ix) The wage and salary structure should be flexible so that changing conditions can be easily met.

- (x) Prompt and correct payments of the dues of the employees must be ensured and arrears of payment should not accumulate.
- (xi) For revision of wages, a wage committee should always be preferred to the individual judgement, however unbiased, or a manager.
- (xii) The wage and salary payments must fulfil a wide variety of human needs, including the need for self-actualization. It has been recognized that 'money is the only form of incentive which is wholly negotiable, appealing to the widest possible range of seekers.... Monetary payments often act as motivators and satisfiers interdependently of other job factors.'

## NOTES

### 8.2.4 Incentives

The term 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 Nicker son*: '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.'

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

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

## Objectives of Wage Incentive Plans

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

### NOTES

- (i) To improve the profit of a firm through a reduction in the unit costs of labour and materials or both.
- (ii) To avoid or minimize additional capital investment for the expansion of production capacity.
- (iii) To increase a worker's earnings without dragging the firm in a higher wage rate structure regardless of productivity.
- (iv) To use wage incentives as a useful tool for securing a better utilization of manpower, better production scheduling and performance control, and a more effective personnel policy.

## Merits of Wage Incentive Plans

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

- (i) When well-designed and properly applied, payment by results may generally be relied upon to yield increased output, lower the cost of production and bring a higher income to the workers.
- (ii) A works study associated with payment by results is a direct stimulus to workers to improve the organization of work and to eliminate lost time and other waste.
- (iii) Labour and total costs per unit of output can be estimated more accurately in advance.
- (iv) Less direct supervision is needed to keep output up to a reasonable level.
- (v) The conflicting interests of employers and employees are unified. Increased efficiency and smooth working can therefore be promoted and sustained.

## Demerits of Wage Incentive Plans

- (i) Quality tends to deteriorate unless there is a stricter system of checking and inspection.
- (ii) Payment by results may lead to opposition or restriction on output when new machines and methods are proposed or introduced. This is because of the fear that the job may be restudied and earnings reduced.

- (iii) When paid by result, workers tend to regard their highest earnings as norms and, therefore, press for a considerable higher minimum wage.
- (iv) The amount and cost of clerical work increases.
- (v) There is a danger of disregarding safety regulations and thereby increasing the rate of accidents.
- (vi) Some workers tend to overwork and thus undermine their health.
- (vii) Jealousies may arise among workers because some are able to earn more than others or because fast workers are dissatisfied with the slower or older workers in the group.
- (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.

## NOTES

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.

### 8.2.5 Bonus

Bonuses are also paid 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:

**NOTES**

- (i) The amount paid is closely related to the level of individual performance.
- (ii) The amount paid after taxes represents a clearly noticeable rise above the base salary level.
- (iii) The amount paid is closely related to the level of company performance.
- (iv) The amount paid is tied into the base salary in such a way that the combined earnings are equitable both in relation to internal and external standards.
- (v) The amount paid is reduced drastically whenever an individual experiences a real and continuing decrease in performance effectiveness.
- (vi) The amount paid is based on an easily understandable system of allocation, and the individual is provided with complete information on the relationship between bonus and performance.

**Check Your Progress**

1. Mention the basic purpose of wage and salary administration.
2. What is a sound wage policy?

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### **8.3 FRINGE BENEFITS, FLEXI SYSTEMS AND EMPLOYEE BENEFITS**

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

Thus, one may define fringe benefit as 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.

## NOTES

### 8.3.1 Special Features of Fringe Benefits

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

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

## NOTES

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 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.

### 8.3.2 The Objectives of Fringe Benefits and Service Programmes

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

- To keep in line with the prevailing practices of offering benefits and services which are given by similar concerns
- To recruit and retain the best personnel
- To provide for the needs of employees and protect them against certain hazards of life, particularly those which an individual cannot himself provide for
- To increase and improve employee morale and create a helpful and positive attitude on the part of workers towards their employers
- To make the organization a dominant influence in the lives of its employees with a view to gaining their loyalty and cooperation, encouraging them to greater productive efforts

- To improve and furnish the organizational image in the eyes of the public with a view to improving its market position and bringing about product acceptance by it
- To recognize the official trade union's bargaining strength, for a strong trade union generally constrains an employer to adopt a sound benefits-and-services programme for his employees

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

### 8.3.3 Principles of Fringe Benefits

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

1. Benefits and services must be provided to the employees of a company to provide them better protection and encourage their wellbeing. 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.

## NOTES

6. The employees of a company should be well informed so that can make better utilization of fringe benefits.

### Types of Fringe Benefits

#### NOTES

Fringe benefits can of two types. One that can be measured in terms of money value and the other type of benefits are those that cannot be measured in terms of money value. Fringe benefits such as medical insurance and holiday pay that can be associated with money value are known as monetary benefits whereas benefits such as company newspaper and company service that cannot be associated with any money value are known as non-monetary benefits.

#### 8.3.4 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.

### Flexi Systems

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

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

### NOTES

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## 8.4 HEALTH AND SOCIAL SECURITY MEASURES

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The meaning of the term ‘social security’ varies from country to country. In socialist countries, the nation’s goal is complete protection of every citizen. In capitalist countries, a measure of protection is afforded to the 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, the following are the nine components of social security:

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

1. **Social assistance:** Under social assistance the state government finances the entire cost of the facilities and benefits provided. Here, benefits are paid after testing the financial position of the beneficiary.

**NOTES**

**2. 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, the 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**

Social security schemes in India have the following drawbacks:

- 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**

3. What are fringe benefits?
4. How many types of fringe benefits are there?

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**8.5 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS**

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1. The basic purpose of wage and salary administration is to establish and maintain an equitable wage and salary structure.
2. 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.
3. Fringe benefits are ‘Supplements to wages received by workers at a cost to employers.’
4. Fringe benefits can be of two types. First, that can be measured in terms of money value and second that cannot be measured in terms of money value.

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## 8.6 SUMMARY

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- The basic purpose of wage and salary administration is to establish and maintain an equitable wage and salary structure.
- The wage policies of different organizations vary somewhat. Marginal units pay the minimum necessary to attract the required number and kind of labour.
- The term 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.
- Bonuses are also paid 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.
- Different terms have been used for fringe benefits, such as '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'.
- 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.
- 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.
- The meaning of the term 'social security' varies from country to country. In socialist countries, the nation's goal is complete protection of every citizen. In capitalist countries, a measure of protection is afforded to the needy citizen in accordance with resources of the state.

## NOTES

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## 8.7 KEY WORDS

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- **Salary:** A fixed regular payment, typically paid on a monthly basis but often expressed as an annual sum, made by an employer to an employee, especially a professional or white-collar worker is called salary.
- **Incentive:** Inducement or supplemental reward that serves as a motivational device for a desired action or behaviour is called incentive.

- **Bonus:** A sum of money added to a person's wages as a reward for good performance is called bonus.

## NOTES

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### 8.8 SELF ASSESSMENT QUESTIONS AND EXERCISES

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#### Short-Answer Questions

1. What is the nature and purpose of salary administration?
2. Mention the activities of wage and salary administration.
3. Write a short note on incentives.
4. What are the special features of fringe benefits?

#### Long-Answer Questions

1. What are the factors influencing wage and salary structure in an organization?
2. Discuss the principles of wage and salary administration.
3. What are the objectives of wage incentive plans? Discuss the merits of wage incentives.
4. What is the status of social security in India?

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### 8.9 FURTHER READINGS

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## BLOCK - III

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### EMPLOYEES APPRAISALS

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#### NOTES

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## UNIT 9 EMPLOYEE RETENTION

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### Structure

- 9.0 Introduction
- 9.1 Objectives
- 9.2 Needs and Problems of Employees
  - 9.2.1 Various Retention Methods
  - 9.2.2 Methods and Importance of the Employee Retention Control Process
  - 9.2.3 Implication of Job Change
- 9.3 Employment Retention Strategies for Production and Services Industry
- 9.4 Answers to Check Your Progress Questions
- 9.5 Summary
- 9.6 Key Words
- 9.7 Self Assessment Questions and Exercises
- 9.8 Further Readings

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### 9.0 INTRODUCTION

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In the previous unit, you learnt about wage and salary administration. This unit discusses employee retention in detail. Employee retention is the organizational objective of keeping talented employees and reducing turnover by fostering a positive work atmosphere to promote engagement, showing appreciation to employees, and providing competitive pay and benefits and healthy work-life balance. Employers are particularly interested in retaining employees during periods of low unemployment and heightened competition for talent.

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### 9.1 OBJECTIVES

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

- Discuss the need and problems of employees
- State various retention methods
- Describe the implication of job change
- Analyse the employment retention strategies for production and services industry

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## 9.2 NEEDS AND PROBLEMS OF EMPLOYEES

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### NOTES

It is estimated that employees spent about 1/3rd of their life working. Obviously, spending such a huge amount of time at work causes stress in employees. However, employees stress is not the only type of problem that employees face. It is impossible to have a workplace where everyone's roles, expectations, and personalities work perfectly together, without conflict. As such, certain workplace issues may cause negative psychological symptoms.

Some of the common problems that employees face include the following:

- Interpersonal conflict
- Communication problems
- Gossip
- Bullying
- Harassment
- Discrimination
- Low motivation and job satisfaction
- Performance issues
- Poor job fit

### 9.2.1 Various Retention Methods

When a good performer or worker leaves, a company loses out a lot in terms of productivity, manpower and expenses. Think of all the effort that went into selecting, interviewing and appointing that worker; the time that went into training that worker; the effort that went into evaluating his performance and giving feedback. Everything is reduced to nought once that good worker leaves. This is where employee retention programmes play a role.

Employee retention programmes help employers hang on to their best performers, who are naturally valuable assets for the organization.

The place to begin is the culture of the organization. Of course, favourable HR policies, benefit plans, medical facilities, insurance, career development assistance, wellness programmes, onsite day care, etc., are the factors that people seeking jobs look out for. However, certain things that organizations should keep in mind are as follows:

1. **Workplace culture:** The employers should ensure that the employees end up loving their workplace so much that they look forward to coming to work every day. They should associate work with good experience. Policies that are not rigid and dress codes that are not stifling, for example, go a long way in making the workplace culture inviting.

2. **Involvement:** The employers should make the employees feel as if they belong. The employees should be given a chance to lend their opinions and suggestions in important issues and decisions.
3. **Orientation:** The new recruits should be given a memorable welcome and a carefully thought out orientation that would reflect the culture of the organization. The orientation should also get the new recruits excited and eager to begin work.
4. **Learning:** The organization should have a policy of helping employees who wish to study further or take classes. The employees should be made to feel that progress and willingness to learn are encouraged in the organization.
5. **Reward:** Good performers should be rewarded and appreciated for their performance. Such performance incentives could be given on a daily or weekly basis to bring about a healthy competitive spirit.
6. **Transparent performance and appraisal system:** Clarity in performance appraisal enhances retention.

## NOTES

### 9.2.2 Methods and Importance of the Employee Retention Control Process

A high rate of labour turnover is bad for both workers and the organization. Hence, efforts should be made to reduce it. Unfortunately, the majority of employers ignore the effects of labour turnover and prefer to play off one labourer against another with a view to obtaining cheap labour, many of them prefer a constant change of labour force if it gives them an opportunity to reduce their wage bill. They do not realise that new workers are less efficient than old workers. Hence efforts should be made to reduce the rate of turnover. The following actions may be taken to reduce labour turnover:

- Increase pay levels to meet competition.
- Introduce procedures for relating rewards to performance.
- Provide better career opportunities.
- Workers organizations should be encouraged to maintain contact with the workers and redress their grievances.
- Reorganize work and arrangement of offices or workshops to increase group cohesiveness.
- Improve working conditions, adopt an enlightened policy of management in respect of welfare, sickness insurance and pension which will contribute to make the labour force more stable.
- Improve recruitment and selection procedures to ensure that job requirements are specified accurately and the selected employees fit the specifications.

- Provide adequate training or adjustment periods when working conditions change.

### 9.2.3 Implication of Job Change

## NOTES

Job change means any type of change in existing job in the organization. Job change may be upward, downward or lateral by its nature. Upward job change is known as promotion, downward change is as demotion and lateral change is identified as transfer. Any type of job change results in a change in role and responsibilities for the employee, a change of classification and/or grade level, as well as a change in remuneration.

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## 9.3 EMPLOYMENT RETENTION STRATEGIES FOR PRODUCTION AND SERVICES INDUSTRY

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The sector of the economy that is involved in the production of a range of human activity, from handicraft to high tech, as well finished goods from raw materials on a large scale is the production industry. On the other hand, a business that does work for a customer, and occasionally provides goods, but is not involved in manufacturing is known as a service industry. Service and production industry resort to retention strategy to retain people in skills shortage areas. This strategy is based on an analysis of why people leave. Although exit interview may provide some information as to why people leave the company, this is quite inadequate. It has been noted that mostly people do not reveal the actual cause for leaving the company. In this context, attitudinal surveys may prove to be more useful than exit interviews. These surveys may reveal areas where lack of commitment and dissatisfaction prevail. These areas can be addressed by HR executives in the retention programme of the company. Armstrong identifies the following action measures (HR strategies) to be undertaken as a part of this programme:

- (a) As problems arise due to uncompetitive, inequitable or unfair pay systems, the following action measures may be undertaken:
- revision of pay levels based on market surveys
  - use of job evaluation to accomplish equitable grading decisions
  - ensure that people perceive a linkage between performance and reward
  - fair operation of performance-related pay systems based on periodic review
  - devising benefits in terms of individual needs and preferences
  - involving people in job evaluation and development of performance-related pay schemes.

- (b) As jobs themselves may be unrewarding and thus cause dissatisfaction, attempt may be made to redesign them for enhancing skill variety, task relevance, autonomy and feedback; care should also be taken to ensure that jobs provide opportunity for learning and growth.
- (c) It has been frequently noted that employees are democratized because of vagueness in their responsibilities as well as performance standards. They may also believe that their performance appraisal is not fair. In such situations, attempt may be made to:
- specify performance requirements precisely in terms of attainable goals
  - get people to accept the goals and agree with steps needed to achieve them
  - appreciate people for their good performance and provide relevant feedback for corrective action.
- (d) Managers must be trained in performance review techniques such as counselling and seeking feedback from people as to how performance management system affects them; it will improve employee attitude and motivation for effective performance.
- (e) As people are likely to resign their jobs if they are not adequately trained, attempt may be made to evolve learning and training systems to:
- provide adequate competence and confidence for accomplishing desired performance standards
  - improve present skills and competencies of people
  - assist people in developing new skills and competence so that they earn more under skill- and competence-based pay systems
  - help new employees accomplish basic skills and knowledge for a good start in their jobs.
- (f) Focus must be laid on career development by:
- providing wider experience to people
  - identifying the potential of people
  - using internal promotion system
  - evolving equitable promotion procedures
  - providing career counselling services.
- (g) Employee commitment can be improved by:
- indoctrinating the mission, values and strategies of the organization among people

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- using effective communication measures especially through briefing groups
  - seeking people's opinion about work and wages to improve work systems accordingly
  - introducing job and organizational changes after adequate consultation and discussion with concerned people.
- (h) As people are likely to feel unhappy and isolated if they are not members of a cohesive work-team or are poisoned by disruptive power politics, attempt may be made to:
- evolve effective teams
  - build teamwork by rewarding skills and working as good team players.
- (i) As dissatisfaction and conflict with managers and supervisors may arise from their poor leadership, attempt may be made to:
- develop leadership among managers and supervisors
  - impart skills in resolving conflict and managing grievances
  - evolve effective procedures for grievance management and disciplinary actions and train people in using them properly.
- (j) As poor selection and promotion decisions can result in fast turnover, attempt should be made to ensure their effectiveness by the HR.
- (k) It is frequently noted that several companies create unnecessary expectations about career development opportunities among people. These expectations may not match with reality. This may cause dissatisfaction among people and thus, rapid resignations. Accordingly, care should be taken not to oversell the company's career development policies.

### Check Your Progress

1. List the common problems faced by employees at the workplace.
2. What actions can be taken by organizations to reduce labour turnover?

## 9.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The common problems faced by employees at the workplace include the following:
  - Interpersonal conflict
  - Communication problem

- Gossip
  - Bullying
  - Harassment
  - Discrimination
  - Performance issues
2. The actions that can be taken by organizations to reduce labour turnover are the following:
- Increase pay levels to meet competition
  - Introduce procedures for relating rewards to performance
  - Provide better career opportunities

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### 9.5 SUMMARY

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- It is estimated that employees spent about 1/3rd of their life working. Obviously, spending such a huge amount of time at work causes stress in employees.
- When a good performer or worker leaves, a company loses out a lot in terms of productivity, manpower and expenses.
- Employee retention programmes help employers hang on to their best performers, who are naturally valuable assets for the organization.
- A high rate of labour turnover is bad for both workers and the organization. Hence, efforts should be made to reduce it.
- Job change means any type of change in existing job in the organization. Job change may be upward, downward or lateral by its nature.
- The sector of the economy that is involved in the production of a range of human activity, from handicraft to high tech, as well finished goods from raw materials on a large scale is the production industry.

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### 9.6 KEY WORDS

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- **Retention:** The retention of something is the keeping of it.
- **Harassment:** It refers to behaviour which is intended to trouble or annoy someone, for example repeated attacks on them or attempts to cause them problems.
- **Appraisal:** It is the act of examining someone or something in order to judge their qualities, success, or needs.

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## 9.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

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### NOTES

#### Short-Answer Questions

1. What are the implications of job change?
2. What are the employment retention strategies for production and service industry?

#### Long-Answer Questions

1. Discuss the various retention methods adopted by organizations.
2. Explain the importance of the employee retention control process.

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## 9.8 FURTHER READINGS

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# UNIT 10 APPRAISING AND IMPROVING PERFORMANCE

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## NOTES

### Structure

- 10.0 Introduction
- 10.1 Objectives
- 10.2 Performance Appraisal Programs
  - 10.2.1 Objectives of Performance Appraisal
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  - 10.2.3 Performance Appraisal in Practice
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- 10.5 The Appraisal Interview
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## 10.0 INTRODUCTION

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Performance appraisal refers to the process of assessing employee performance by way of comparing present performance with the already established standards. Organizations employ performance appraisal systems primarily for performance improvement of employees. Other reasons include establishing personal objectives for training programs, transmitting objective feedback for personal development, in wage and salary administration and so on. This unit discusses performance appraisals in detail.

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## 10.1 OBJECTIVES

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

- Discuss processes of performance appraisal programs
- Explain the performance appraisal methods & MBO approach

- Know about the appraisal interview
- Describe managing compensation, job evaluation, incentives methods

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### 10.2 PERFORMANCE APPRAISAL PROGRAMS

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According to Wendell French, performance appraisal is, ‘the formal, systematic assessment of how well employees are performing their jobs in relation to established standards, and the communication of that assessment to employees.’

According to Flippo, ‘Performance appraisal is the systematic, periodic and an impartial rating of an employee’s excellence in matters pertaining to his present job and his potential for a better job.’

According to Dale Yoder, ‘Performance appraisal includes all formal procedures used to evaluate personalities and contributions and potentials of group members in a working organization. It is a continuous process to secure information necessary for making correct and objective decisions on employees.’

According to C.D. Fisher, L.F. Schoenfeldt and J.B. Shaw, ‘Performance appraisal is the process by which an employee’s contribution to the organization during a specified period of time is assessed.’

From the above definitions, we can conclude that performance appraisal is method of evaluating the behaviour of employees in the work spot, normally including both the quantitative and qualitative aspects of job performance. It is a systematic and objective way of evaluating both work-related behaviour and potential of employees. It is a process that involves determining and communicating to an employee how he is performing the job and ideally establishing a plan of improvement. Performance appraisal emphasizes individual development. It is used for evaluating the performance of all the human resources working at all levels of organization and of all types. It evaluates the performance of technical, professional and managerial staff.

#### 10.2.1 Objectives of Performance Appraisal

Performance appraisal plans are designed to meet the needs of the organization and the individual. It is increasingly viewed as central to good human resource management. Performance appraisal could be taken either for evaluating the performance of employees or for developing them. The evaluative purpose has a historical dimension and is concerned primarily with looking back at how employees have performed over a given time period, compared with the required standards of performance. The developmental purpose is concerned with the identification of employee’s training and development needs.

Appraisal of employees’ serves several useful purposes. Some of these are as follows:

**(i) Feedback**

It serves as a feedback to the employee. It tells him what he can do to improve his present performance and go up the 'organizational ladder'. The appraisal thus facilitates self-development. It also makes the employee aware of his key performance areas.

**(ii) Compensation Decisions**

It provides inputs to the system of rewards. The approach to compensation is at the heart of the idea that raises should be given for merit rather than for seniority.

**(iii) Database**

It provides a valid database for personal decisions concerning placements, pay, promotion, transfer, and so on. Appraisal also makes the employee aware of his key performance areas. Permanent performance appraisal records of employees help management to do planning without relying upon personal knowledge of supervisors who may be shifted.

**(iv) Personal Development**

Performance appraisal can help reveal the causes of good and poor employee performance. Through discussions with individual employees, a line manager can find out why they perform as they do and what steps can be initiated to improve their performance.

**(v) Training and Development Programme**

By identifying the strengths and weaknesses of an employee, it serves as a guide for formulating a suitable training and development programme to improve his performance. It can also inform employees about their progress and tell them what skills they need to develop to become eligible for pay rises and/or promotions.

**(vi) Promotion Decisions**

It can serve as a useful basis for job change or promotion. By establishing whether the worker can contribute still more in a different or a higher job it helps in his suitable promotion and placement. If relevant work aspects are measured properly, it helps in minimizing feelings of frustration of those who are not promoted.

**(vii) Improves Supervision**

The existence of a regular appraisal system tends to make the supervisors more observant of their subordinates, because they know that they will be periodically expected to fill out rating forms and would be called upon to justify their estimates. This improves supervision.

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Performance appraisal helps to have comparative worth of employees. Appraising employee performance is, thus, useful for compensation, placement and training and development purposes. In the words of M.W. Cummings, ‘the overall objective of performance appraisal is to improve the efficiency of enterprise by attempting to mobilize the best possible efforts from individual employed in it. Such appraisals achieve four objectives including the salary reviews, the development and training of individuals, planning job rotation and assistance promotions.’ The information can also be used for grievance handling and keeping the record. It helps in improving the quality of supervision and better the employee–employer relationship.

### **10.2.2 Uses of Performance Appraisal**

Performance appraisal is a significant element of the information and control system in organization. Performance appraisal is used in order to:

- (i) Provide valuable information for personnel decisions such as pay increases, promotions, demotions, transfers and terminations. The information provided forms the basis for suitable personnel policies.
- (ii) Provide feedback about the level of achievement and behaviour of subordinates, rectifying performance deficiencies and to set new standards of work, if necessary. It also identifies individuals with high potential who can be groomed up for higher positions.
- (iii) Tell a subordinate how he is doing and suggest necessary changes in his knowledge, behaviour and attitudes. It thus provides information that helps to counsel the subordinate. It also serves to stimulate and guide employee’s development.
- (iv) Analyse training and development needs. These needs can be assessed because performance appraisal shows people who require further training how to remove their weaknesses. By identifying the weaknesses of an employee, it serves as a guide for formulating a suitable training and development programme to improve his performance in his present work.
- (v) Performance appraisal serves as means for evaluating the effectiveness of devices used for the selection and classification of employees. It, therefore, helps to judge the effectiveness of recruitment, selection, placement and orientation systems of the organization.
- (vi) It facilitates human resource planning and career planning, permanent performance appraisal records of employees help management to do human resource planning without relying upon personal knowledge of supervisors.
- (vii) Performance appraisal promotes a positive work environment, which contributes to productivity. When achievements are recognized and rewarded on the basis of objective performance measures, there

is improvement in the work environment. Performance appraisal, therefore, provide the rational foundation for incentives, bonus, etc. The estimates of the relative contributions of employees helps to determine the rewards and privileges rationally.

- (viii) The existence of a regular appraisal system tends to make the supervisors and executives more observant of their subordinates because, they know that they will be expected periodically to fill out rating forms and would be called upon to justify their estimates. This knowledge results in improved supervision.
- (ix) Performance appraisal records protect management from charges of favouritism and discrimination. Employee grievance can also be reduced as it helps to develop confidence among employees.

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### 10.2.3 Performance Appraisal in Practice

Organizations use performance appraisals for three purposes:

- (i) **Administrative:** It commonly serves as an administrative tool by providing employers with a rationale for making many personnel decisions, such as decisions relating to pay increases, promotions, demotions, terminations and transfers.
- (ii) **Employee Development:** It provides feedback on an employee's performance. Appraisal data can also be used for employee development purposes in helping to identify specific training needs of individuals.
- (iii) **Programme Assessment:** Programme assessment requires the collection and storage of performance appraisal data for a number of uses. The records can show how effective recruitment, selection and placement have been in supplying a qualified workforce.

It is generally accepted that performance appraisals serve one or more of the following purposes:

- a) To create and maintain a satisfactory level of performance;
- b) To meet an individual's development needs;
- c) To bring about better operational or business needs;
- d) To facilitate fair and equitable compensation based on performance;
- e) To help the superiors to have a proper understanding about their subordinates;
- f) To provide information useful for manpower planning by identifying employees with a potential for advancement; and
- g) To facilitate for testing and validating selection tests, interview techniques through comparing their scores with performance appraisal ranks.

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**10.2.4 Need of Performance Appraisal**

The need of performance appraisal is that it enables the management to make effective decisions. The need of an appraisal is concerned with:

- (i) Creating and maintaining a satisfactory level of performance of employees in their present job.
- (ii) Fixation of salary, allowances, incentives and benefits.
- (iii) Evaluating the effectiveness of training and development programmes.
- (iv) Assessing the strengths and weaknesses of human resource (HR).
- (v) Performance appraisal helps employees to improve by giving him feedback.

**10.2.5 Process of Performance Appraisal**

Performance appraisal is planned, developed and implemented through a series of steps. These steps are as follows.

**(i) Job Analysis, Job Description and Job Specification**

Performance appraisal is a process not to be undertaken in isolation of various human resources functions. It begins with job analysis, job description and job specification. These help in establishing the standard performance.

**(ii) Establishing Standards of Performance**

Appraisal systems require performance standards that serve as benchmarks against which performance is measured. The standards set for performance must be clearly defined and unambiguous. It should be attainable by every employee. To be useful, standards should relate to the desired result of each job. Performance standards must be clear to both the appraiser and the appraisee. The performance standards or goals must be developed with the help of the supervisors to ensure that all the relevant factors have been included. Where the output can be measured, the personal characteristics, which contribute to employee performance, must be determined.

Goals must be written down. They must be measurable within certain time and cost considerations.

**(iii) Communicating Performance Standards to Employees**

The performance standards specified in the second step above are to be communicated and explained to the employees (both appraiser and appraisee) so that they know what is expected of them. Feedback should also be given so that there is no confusion or misunderstanding. Through feedback the manager knows that the information has reached the employees. If Performance appraisal involves at least two parties; the appraiser who does the appraisal and the appraisee whose performance is being evaluated. necessary, the

standards may be revised or modified in the light of feedback obtained from the employees and evaluators. As pointed out by DeCenzo and Robbins, 'too many jobs have vague performance standards and the problem is compounded when these standards are set in isolation and do not involve the employee.'

#### **(iv) Measuring Actual Performance**

After the performance standards are set and accepted, the next step is to measure actual performance. This requires choosing the right technique of measurement, identifying the internal and external factors influencing performance and collecting information on the results achieved. It can be affected through personal observation, written and oral reports from supervisors. The performance of different employees should be so measured that it is comparable. Performance measures, to be helpful must be easy to use, be reliable and report on the critical behaviour that determine performance.

#### **Performance measures may be objective or subjective.**

(a) *Objective Performance Measures:* Objective performance measures are indications of job performance that can be verified by others and are usually quantitative. Objective criteria include the following:

- Quality of production
- Degree of training needed
- Accidents in a given period
- Absenteeism
- Length of service

(b) *Subjective Performance Measures:* Subjective performance measures are ratings that are based on the personal standards of opinions of those doing the evaluation and are not verifiable by others. Subjective criteria include:

- Ratings by supervisors
- Knowledge about overall goals
- Contribution to socio-cultural values of the environment

It should be noted here that objective criteria could be laid down while evaluating lower level jobs which are specific and defined clearly. This is not the case with middle level and higher-level positions that are complex and vague.

#### **(v) Comparing Actual Performance with Standards and Discuss the Appraisal with Employees.**

Actual performance is compared with the predetermined performance standards. The actual performance may be better than expected and sometimes it may go off track. Deviations if any from the set standards are noted. Along

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with the deviations, the reasons behind them are also analysed and discussed. Such discussions will enable an employee to know his weaknesses and strengths. The former are discussed so that the employee is motivated to improve his performance.

The assessment of another person's contribution and ability is not an easy task. It has serious emotional overtones as it affects the self-esteem of the appraisee. Any appraisal based on subjective criteria is likely to be questioned by the appraisee and leave him quite dejected and unhappy when the appraisal turns out to be negative.

### **(vii) Initiating Corrective Action, if any**

The last step in the process is to initiate corrective action essential to improve the performance of the employee. Corrective action is of two types:

- (a) The employee can be warned so that he himself can make necessary attempts to improve his performance. But this is not enough or proper.
- (b) Through mutual discussions with employees, the steps required to improve performance are identified and initiated. The reasons for low performance are identified and initiated. The reasons for low performance should be probed. The employee is taken into confidence and motivated for better performance. Training, coaching, counselling, and so on, are examples of corrective actions that help to improve performance.

### **Check Your Progress**

1. What is a performance appraisal?
2. What does performance appraisal include?

## **10.3 PERFORMANCE APPRAISAL METHODS AND MBO APPROACH**

A number of different performance appraisal methods or techniques are available for evaluating the performance of the employees. These methods try to explain how management can establish standards of performance and devise ways and means to measure and evaluate the performance. There is no fool proof method of evaluating the performance of employees. Every method suffers from certain drawbacks in spite of some merits. These methods can broadly be divided into traditional and modern methods.

### **I. Traditional Methods**

These methods are the old methods of performance appraisal based on personal qualities like knowledge, capacity, judgement, initiative, attitude,

loyalty, leadership, and so on. The following are the traditional methods of performance appraisal.

**(i) Unstructured Method of Appraisal**

Under this method, the appraiser has to describe his impressions about the employee under appraisal in an unstructured manner. This is a simple method of performance appraisal. The rater has to list his comments specifically on qualities, abilities, attitude, aptitude and other personal traits of the employees. This makes the method highly subjective in nature.

**(ii) Straight Ranking Method**

In this technique, the evaluator assigns relative ranks to all the employees in the same work unit doing the same job. Employees are ranked from the best to the poorest on the basis of overall performance. This method is also highly subjective and lacks fairness in assessing the real worth of an employee.

**(iii) Paired Comparison Method**

Ranking becomes more reliable and easier under the paired comparison method. This method is an attempt to improve upon the simple ranking method. Under this method employees of a group are compared with one another at one time. If there is a group of five employees A, B, C, D and E then A's performance is compared with that of B's and decision is taken as to whose performance is better. Similarly, A's performance is compared with C, D, and E and decisions regarding comparatively better performance are taken. Comparison is made on the basis of overall performance. The number of comparisons to be made can be decided on the basis of the following

formula  $\frac{N(N-1)}{2}$

where N is the number of persons to be compared.

The paired comparison method is more reliable but the method is not suitable when large number of employees is to be evaluated.

**(iv) Man-to-Man Comparison Method**

In man-to-man comparison method, the performance of an employee is evaluated by obtaining ratings about their performance from the evaluators. A team of evaluators is involved in giving ratings to the employee performance. Each member of the team gives the appropriate ratings, lowest, low, middle, high and highest performers to the employees. These ratings are then used to determine the appraisal procedure for a particular employee. The main benefit of this method is that the ratings are based on the real performance of the employees. However, the drawback of this technique is that the ratings given by each evaluator may not be consistent because each evaluator has

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his or her own scaling criteria making it difficult to evaluate an employee's performance correctly.

#### **(v) Grading Method**

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Under this technique of performance evaluation certain categories of worth are determined in advance and they are carefully defined. These selected and well-defined categories include

Grade 'A' for outstanding

Grade 'B' for very good

Grade 'C' for average

Grade 'D' for poor, etc.

These grades are based on certain selected features such as knowledge, judgement, analytical ability, leadership qualities, self-expression, and so on. The actual performance of employees is compared with the above grades and employees are allotted grades that speak for their performance.

#### **(vi) Graphic Rating Scale**

Perhaps, the most commonly used method of performance evaluation is the graphic rating scale. The evaluator is asked to rate employees on the basis of job related characteristics and knowledge of job. Evaluator is given printed forms. The performance is evaluated on the basis of these traits on a continuous scale. It is a standardized, quantitative method of performance appraisal. The scores are tabulated indicating the relative worth of each employee.

#### **(vii) Forced Choice Method**

This method was developed during World War II for evaluating the performance of American army personnel. The evaluators rate the performance as high, moderate or low and escape the important responsibility assigned to them. The primary purpose of the forced choice method is to correct the tendency of a rater to give consistently high or low ratings to all the employees. This method makes use of several sets of pair phrases, two of which may be positive and two negative and the rater is asked to indicate which of the four phrases is the most and least descriptive of a particular worker. Actually, the statement items are grounded in such a way that the rater cannot easily judge which statement applies to the most effective employee. The evaluator is forced to select from each group of statements (normally two). The statements may be the following:

(a) Good work organizer

(b) Shows patience with slow learners

- (c) Dishonest or disloyal
- (d) Careful and regular
- (e) Avoid work
- (f) Hard working
- (g) Cooperates with fellow workers
- (h) Does not take interest in work

From the above list of statements, favourable statements are marked plus and unfavourable statements are marked zero. Under this method subjectivity of evaluator is minimized.

### **(viii) Checklist**

A checklist represents, in its simplest form, a set of objectives or descriptive statements about the employee and his behaviour. The rater checks to indicate if the behaviour of an employee is positive or negative to each statement. The performance of an employee is rated on the basis of number of positive checks.

The objections to this method are as follows:

- (a) It is difficult to construct a good checklist.
- (b) A separate checklist is needed for each job because statements used in one checklist to evaluate one category of workers cannot be used in another checklist to evaluate other category of workers.

### **(ix) Weighted Checklist**

The checklist provides to the evaluator statements relating to work-related behaviour of the employees. Every statement is given equal importance. However, under weighted checklist the items having significant importance for organizational effectiveness are given weightage. Thus, in weighted checklist, weights are assigned to different statements to indicate their relative importance.

### **(x) Free Essay Method**

Under this method no quantitative approach is undertaken. It is open-ended appraisal of employees. The evaluator describes in his own words what he perceives about the employee's performance. While preparing the essay on the employee, the rater considers the following factors:

- (a) Job knowledge and potential of the employee.
- (b) The employee's undertaking of the company's programmes, policies, objectives, etc.
- (c) The employee's relations with co-workers and superiors.
- (d) The employee's general planning, organizing and controlling ability.
- (e) The attitudes and perceptions of the employee in general.

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The description is expected to be as factual and concrete as possible. An essay can provide a good deal of information about the employee especially if the evaluator is asked to give examples of each one of his judgements.

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### **(xi) Critical Incidents Method**

Under this method, the performance of the worker is rated on the basis of certain events that occur during the performance of the job (i.e., the evaluation is based on key incidents). These critical incidents or events represent the outstanding or poor behaviour of employees on the job. The rater maintains logs on each employee, whereby he periodically records critical incidents of workers behaviour. At the end of the rating period, these recorded critical incidents are used in the evaluation of the workers' performance. Critical incidents method helps to avoid vague impressions and general remarks as the rating is based on actual records of behaviour/performance. The feedback from actual events can be discussed with the employee to allow improvements. The rater can fully defend his ratings on the basis of his record.

### **(xii) Field Review Method**

In this method, a HR specialist interviews line supervisors to evaluate their respective subordinates. The interviewer prepares in advance the questions to be asked. By answering these questions a supervisor gives his opinions about the level of performance of his subordinate, the subordinate's work progress, his strengths and weaknesses, promotion potential, and so on. The evaluator takes detailed notes of the answers, which are then approved by concerned supervisor. The concerned supervisor then approves these. These are then placed in the employee's personnel service file.

Since an expert is handling the appraisal process, in consultation with the supervisor, the ratings are more reliable. However, the use of HR experts makes this approach costly and impractical for many organizations.

## **II. Modern Methods**

Modern methods are an improvement over the traditional methods. Modern methods are an attempt to remove defects from old methods. These are discussed below:

### **(i) Behaviourally Anchored Rating Scales (BARS)**

It is designed to identify critical areas of performance of a job. Under this method the behaviourally anchored ratings scales are outlined to recognize the critical areas of effective and ineffective performance behaviour for getting results. The evaluator is required to observe the behaviour of the employee while performing the job. He then compares these behavioural observations with the behaviourally anchored rating scales. This method is more valid and

expected to give more reliable results as it minimizes the errors in performance appraisal. It identifies measurable behaviour and is therefore more scientific.

The following are some of the important features of BARS method:

- (a) Performance areas of the employees that need to be assessed are determined and described by the individuals who will use the scales.
- (b) The scales are attached with the explanations of the actual job behaviour to represent particular levels of performance.
- (c) All the areas of performance that need to be examined are based on the observable behaviour and are significant to the job, which is being evaluated because BARS are customized for the job.
- (d) As the raters who will use the scales actively participate in the development process, they are more dedicated to the final product.

BARS were introduced to present results to improve the performance of the employees of a company. BARS also help in overcoming rating errors.

### **(ii) Result-Oriented Appraisal or MBO Technique**

The result-oriented appraisals are based on the concrete performance targets that are usually established jointly by the superior and subordinates.

Much of the initial impetus for MBO was provided by Peter Drucker (1954) and by Douglas McGregor (1960). Drucker first described MBO in 1954 in the *Practice of Management*. Drucker pointed to the importance of managers having clear objectives that support the purposes of those in higher positions in the organization. McGregor argues that by establishing performance goals for employees after reaching agreement with superiors, the problems of appraisal of performance are minimized. MBO in essence involves noting clearly defined goals of an employee in agreement with his superior. Refinements brought out by George Odione, Valentine, Humble and others have enriched the concept and made it more acceptable as an appraisal technique.

The MBO process has the following four steps:

- (a) The first step is to establish the objectives by the superiors that each employee should attain. These objectives are used to evaluate the performance of each employee in the organization.
- (b) The second step is to set the standards for evaluating the performance of the employees. As employees perform, they know fairly well the standards against which their performance is to be judged.
- (c) The third step is to compare the actual level of attained objectives with the objectives set by the organization. The evaluator depicts the reasons for the objectives that were not met. This step helps

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in determining the needs to provide training to the employees of the organization.

- (d) The final step is to establish new strategies for the objectives that were not met. This step involves active participation of the superiors and subordinates in setting objectives.

This process is most useful at the managerial and subordinate level. MBO does not apply to the assembly line workers whose jobs have less flexibility and their performance standards are already defined.

### **(iii) Assessment Centre Method**

This method of appraising was first applied in the German Army in 1930. Later business organizations also started using this method. This is not a technique of performance appraisal by itself. In fact, it is a system, where assessment of several individuals is done by various experts by using various techniques.

In this approach, individuals from various departments are brought together to spend two or three days' working on an individual or group assignment similar to the ones they would be handling when promoted. Evaluators observe and rank the performance of all the participants. Experienced managers with proven ability serve as evaluators. This group evaluates all employees both individually and collectively by using simulation techniques like role playing, business games and in basket exercises. Assessments are done generally to determine employee potential for promotion.

The following are the drawbacks of this method:

- a. Costly: Organizations have to pay for the travel and lodging cost of the employees to be assessed. Moreover the work of an organization also suffers for the time period they are away from the job. Also the companies have to pay heavy expenditure in establishment of assessment centres.
- b. Impression of the employees: Centre staff is influenced by the subjective elements, such as social skills and personality of the employee rather than the quality of their work.
- c. Demoralize an employee: A negative report for an employee may demoralize an employee. It may have an adverse effect on the behaviour and work of an employee who is not promoted.
- d. Promotes unhealthy competition: It promotes strong and unhealthy competition among the employees that are assessed.
- e. Overemphasis on centre results: This method lays overemphasis on the result of the centre, which is based on judgement of employees over a short span of time.

#### **(iv) Human Resource Accounting Method**

Human resources are a valuable asset of any organization. This asset can be valued in terms of money. When competent, and well-trained employees leave an organization the human asset is decreased and vice versa.

Human resource accounting deals with cost of and contribution of human resources to the organization. Cost of the employee includes cost of manpower, planning, recruitment, selection, induction, placement, training, development, wages and benefits, etc. Employee contribution is the money value of employee service which can be measured by labour productivity or value added by human resources. Difference between cost and contribution will reflect the performance of the employees.

Human resource accounting method is still in the transition stage. The contribution made by employee can be measured in terms of output.

If the cost incurred on an employee is greater than the contribution made than this is an indicator of finding out the causes of low performance, analysing it and then making a proper check to control such causes. In case the contribution is more or equivalent to the cost incurred than this also requires review for future reference.

#### **(v) 360 Degree Appraisal**

It is a method of appraisal in which employees receive their performance feedback from their boss, colleagues, customers, peers and their own subordinates in the organization. This form of performance evaluation can be very beneficial to managers because it typically gives them a much wider range of performance-related feedback than a traditional evaluation. This method helps individuals to know their strengths and weaknesses and, thus, helps them to develop their interpersonal skills. It also improves communication between employees and their customers, as they will be able to know what the customers think about them. Thus, it is an efficient method to improve interpersonal skills of employees and to attain higher customer satisfaction level.

The following are some of the drawbacks of this method:

- (a) It is possible that the team member can have personal problems with the employee and, thus, he may not take an honest decision.
- (b) It involves lot of time required in selecting the team that will rate the performance, preparing questionnaires and analysing the collected information.

#### **Check Your Progress**

3. What does a checklist represent?
4. List the important features of the BARS method.

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## 10.4 PROBLEMS AND SOLUTIONS

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None of the methods for appraising performance is absolutely valid or reliable. Each has its own strengths and weaknesses. In spite of knowing that a completely error-free performance appraisal can only be an idealized model, we can isolate a number of factors that significantly impede objective evaluation. The major problems in performance appraisal are:

#### (i) Rating Biases

Most appraisal methods involve judgements. The performance appraisal process and techniques relies on the evaluator who has his own personal biases, prejudices and idiosyncrasies. It would be naïve to assume that all evaluators will impartially appraise their subordinates. The evaluator or raters biases include the following:

- (a) **Leniency and strictness error:** Errors of leniency are caused by the tendency of the lenient rater to put most of the ratees on the higher side of the scale, while the tough rater places them on the lower side of the scale. This is so because every evaluator has his own value system that acts as a standard against which appraisals are made. Relative to the true or actual performance an individual exhibits, some evaluators mark high and others low. The former is referred to as positive leniency error and the latter as negative leniency error (strictness error). When evaluators are positively lenient in their appraisal, an individual's performance becomes overstated. Similarly, a negative leniency error understates performance, giving the individual a lower appraisal. If the same person appraised all individuals in an organization, there would be no problem. Although there would be an error factor, it would be applied equally to everyone. The difficulty arises when there are different raters with different leniency errors making judgements.
- (b) **Halo error:** The 'halo effect' is a tendency to allow the assessment on one trait to influence assessment on others. According to Bernardin and Beatty, halo effect is a 'tendency to rate high or low on all factors due to the impression of a high or low rating on some specific factors.' This arises when traits are unfamiliar, ill-defined and involve personal reactions. One way of minimizing the halo effect is by appraising all the employees with one trait before going on to rate them on the basis of another trait.
- (c) **Central tendency error:** The central tendency error refers to the tendency of not using extreme scale scores on the judgement scale; most of the rates are clustered in the middle. According to Bernardin and Beatty, central tendency is 'the reluctance to make extreme ratings

(in either direction); the inability to distinguish between and among ratees; a form of range restriction'. Raters who are prone to the central tendency error are those who continually rate all employees as average. They follow play safe policy because of answerability to management or lack of knowledge about the job and person he is rating or least interest in his job. This type of rating will create problems, especially if the information is used for pay increases.

- (d) **Personal prejudice:** The rater's personal prejudice can influence the objectivity of performance appraisals. If the rater dislikes an employee he may rate him poorly.
- (e) **Consequence of appraisal:** If the evaluator knows that a poor appraisal could significantly hurt the employee's future (particularly opportunities for promotion or a salary increase) the evaluator may be reluctant to give a realistic appraisal.
- (f) **The recency effect:** Raters generally remember the recent actions of the employee at the time of rating. If a favourable action has taken place recently, the employee will be given a high rating. Conversely, he will be given a poor rating if an unfavourable action has taken place recently.

#### **(ii) Opportunity Bias**

This results when the amount of output is influenced by factors beyond the control of employees. Some employees have better working conditions, supportive supervisors, more experienced co-workers, and hence their output may be greater than others working on identical tasks.

#### **(iii) Group Cohesiveness**

Cohesive groups with high morale can produce more than less cohesive groups with low morale.

#### **(iv) Knowledge of Predictor Bias**

A rater's knowledge of the performance of an employee on predictors can influence his appraisal ratings. An employee who topped in the selection list might leave the impression that he is the best among the employees and, hence, the rater may rate him as 'good' when his performance is moderate.

#### **(v) Similarity Error**

When evaluators rate other people in the same way that the evaluators perceive themselves, they are making a similarity error. Based on the perception that evaluators have of themselves, they project those perceptions on others. For example, the evaluator who perceives himself as aggressive may evaluate others by looking for aggressiveness.

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## **Ways for Improving Performance Appraisals**

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#### **(i) Choosing the Appraisal Method**

With a wide range of appraisal methods currently available, an organization is faced with the difficult task of selecting the best approach to meet its needs. Before selecting the method of appraisal to be followed we should examine two areas with special care:

- (a) Various factors that can help or hinder the implementation of a particular appraisal programme and
- (b) The appropriateness of the appraisal method for the special jobs to which the appraisal system will apply.

#### **(ii) Multiple Raters**

As the number of raters' increases, the probability of getting accurate information increases. If a person has had ten supervisors, nine have rated him excellent and one poor, we can discount the value of the one poor evaluation. Therefore, by moving employees about within the organization so as to gain a number of evaluations, we increase the probability of achieving more valid and reliable evaluation.

#### **(iii) Training Appraisers**

If you cannot find good raters, the alternative is to make good raters. Evidence indicates that the training of appraisers can make them more accurate raters. Common errors such as halo and leniency have been minimized or eliminated in workshops where managers can practice observing and rating behaviours.

#### **(iv) Ongoing Feedback**

Employees like to know how they are doing. If managers share with the subordinate both expectations and disappointments on a day-to-day basis by providing the employee with frequent opportunities to discuss performance before any reward or punishment consequences occur, there will be no surprises at the time of the annual formal review.

#### **(v) Selective Rating**

It has been suggested that appraisers should rate in those areas in which they have significant job knowledge. If raters make evaluation on only those dimensions on which they are in a good position we increase the inter-rater agreement and make the evaluation a more valid process.

#### **(vi) Peer Evaluation**

The main advantages of peer evaluation are as follows:

- (a) There is a tendency for co-workers to offer more constructive insight to each so that, as a unit, each will improve and

- (b) The recommendations of peers tend to be more specific regarding job behaviours.

However, for peer assessments to function properly, the environment in the organization must be such that politics and competition for promotions are minimized.

#### **(vii) Post-appraisal Interviews**

It is necessary to communicate to employees how they have performed. To meet this need, managers must take the time to schedule a meeting with their subordinates to discuss the results of the performance evaluation. Employees need to know how they are doing, be recognized for outstanding achievements and be notified about where there is room for improvement.

#### **(viii) Rewards to Accurate Appraisers**

The managers who are evaluating must perceive that it is in their personal and career interests to conduct accurate appraisals. If they are not properly rewarded for doing effective appraisals, they will take the easy way out by first trying to avoid the process entirely. If pushed, they will complete the appraisals, but these can be expected to suffer from positive leniency and low differentiation. Encouraging and rewarding accurate appraisers will remove this flow.

To conclude, we can say that performance evaluations are an integral part of every organization. Properly developed and implemented, the performance evaluation can help an organization achieve its goals by developing productive employees.

#### **Check Your Progress**

5. Why are the errors of leniency caused?
6. Define 'halo effect'.

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## **10.5 THE APPRAISAL INTERVIEW**

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A post-appraisal interview should be arranged so that employees are given feedback and the organization understands the difficulties under which employees work, so that their training needs may be discovered. Permitting employees to review the results of their appraisal allows them to detect any errors that may have been made. If they disagree with the evaluation, they can even challenge the same through formal channels.

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## 10.6 MANAGING COMPENSATION

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Good compensation plans have a salutary effect on the employees. Although there can be both monetary and non-monetary forms of compensation, it is the monetary compensation which is the most basic element by which individuals are attracted to an organization and persuaded to remain in it. Wages in the widest sense mean any economic compensation paid by the employer under some contract to his workers for the services rendered by them. A national wage policy thus aims to establish wages at the highest possible level, which the economic conditions of the country permit.

One of the objectives of economic planning is to raise the standard of living of the people. This means that the benefits of the planned economic development should be distributed among the different sections of society. Therefore, in achieving a socialistic pattern of society like ours, the need for a proper reward system for the working class of the country can never be overemphasized.

### 10.6.1 Job Evaluation

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.’

### 10.6.2 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'

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### **10.6.3 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:

- (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.

### **10.6.4 Incentive Methods**

We have already discussed wage incentives previously. To recapitulate, 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.

#### **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.

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- (ii) To avoid or minimize additional capital investment for the expansion of production capacity.
- (iii) To increase a worker's earnings without dragging the firm in a higher wage rate structure regardless of productivity.
- (iv) To use wage incentives as a useful tool for securing a better utilization of manpower, better production scheduling and performance control, and a more effective personnel policy.

### **Merits of Wage Incentive Plans**

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

- (i) When well-designed and properly applied, payment by results may generally be relied upon to yield increased output, lower the cost of production and bring a higher income to the workers.
- (ii) A works study associated with payment by results is a direct stimulus to workers to improve the organization of work and to eliminate lost time and other waste.
- (iii) Labour and total costs per unit of output can be estimated more accurately in advance.
- (iv) Less direct supervision is needed to keep output up to a reasonable level.
- (v) The conflicting interests of employers and employees are unified. Increased efficiency and smooth working can therefore be promoted and sustained.

### **Demerits of Wage Incentive Plans**

- (i) Quality tends to deteriorate unless there is a stricter system of checking and inspection.
- (ii) Payment by results may lead to opposition or restriction on output when new machines and methods are proposed or introduced. This is because of the fear that the job may be restudied and earnings reduced.
- (iii) When paid by result, workers tend to regard their highest earnings as norms and, therefore, press for a considerable higher minimum wage.
- (iv) The amount and cost of clerical work increases.
- (v) There is a danger of disregarding safety regulations and thereby increasing the rate of accidents.

- (vi) Some workers tend to overwork and thus undermine their health.
- (vii) Jealousies may arise among workers because some are able to earn more than others or because fast workers are dissatisfied with the slower or older workers in the group.
- (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.

### **Types of Wage Incentive Plans**

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.

#### **1. Incentive Plans for Blue-Collar Workers: For Individuals:**

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**(A) 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

**(B) Long-Term Plans**

This is 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

**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:

- (xii) Profit Sharing Schemes

**Check Your Progress**

- 7. What is job evaluation?
- 8. Mention any one objective of economic planning.

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## **10.7 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS**

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1. Performance appraisal is the systematic, periodic and an impartial rating of an employee's excellence in matters pertaining to his present job and his potential for a better job.
2. Performance appraisal includes all formal procedures used to evaluate personalities and contributions and potentials of group members in a working organization. It is a continuous process to secure information necessary for making correct and objective decisions on employees.
3. A checklist represents, in its simplest form, a set of objectives or descriptive statements about the employee and his behaviour.
4. The important features of the BARS method are the following:
  - Performance areas of the employees that need to be assessed are determined and described by the individuals who will use the scales.
  - The scales are attached with the explanations of the actual job behavior to represent particular levels of performance.
5. The errors of leniency are caused by the tendency of the lenient rater to put most of the ratees on the higher side of the scale, while the tough rater places them on the lower side of the scale.
6. The 'halo effect' is a tendency to allow the assessment on one trait to influence assessment on others.
7. 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 is called job evaluation.
8. One of the objectives of economic planning is to raise the standard of living of the people.

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## **10.8 SUMMARY**

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- According to Wendell French, performance appraisal is, 'the formal, systematic assessment of how well employees are performing their jobs in relation to established standards, and the communication of that assessment to employees.'
- Performance appraisal plans are designed to meet the needs of the organization and the individual. It is increasingly viewed as central to good human resource management.
- Performance appraisal is a process not to be undertaken in isolation of various human resources functions. It begins with job analysis,

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job description and job specification. These help in establishing the standard performance.

- A number of different performance appraisal methods or techniques are available for evaluating the performance of the employees.
- Modern methods are an improvement over the traditional methods. Modern methods are an attempt to remove defects from old methods.
- Behaviourally Anchored Rating Scales (BARS) is designed to identify critical areas of performance of a job. Under this method the behaviourally anchored ratings scales are outlined to recognize the critical areas of effective and ineffective performance behaviour for getting results.
- None of the methods for appraising performance is absolutely valid or reliable. Each has its own strengths and weaknesses.
- A post-appraisal interview should be arranged so that employees are given feedback and the organization understands the difficulties under which employees work, so that their training needs may be discovered.
- Good compensation plans have a salutary effect on the employees. Although there can be both monetary and non-monetary forms of compensation, it is the monetary compensation which is the most basic element by which individuals are attracted to an organization and persuaded to remain in it.

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## 10.9 KEY WORDS

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- **Evaluation:** It is a systematic determination of a subject's merit, worth and significance, using criteria governed by a set of standards.
- **Reward:** It is a thing given in recognition of service, effort, or achievement is called a reward.
- **Supervision:** It is the act or function of overseeing something or somebody.

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## 10.10 SELF ASSESSMENT QUESTIONS AND EXERCISES

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### Short-Answer Questions

1. Write a short note on performance appraisal.
2. What are the objectives of performance appraisal?

3. Mention the purposes for which organizations use performance appraisal.
4. What are the major problems in performance appraisal?

### **Long-Answer Questions**

1. What are the uses of performance appraisal? Discuss.
2. Explain the process of performance appraisal.
3. What are the traditional and modern methods of performance appraisal?

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## **10.11 FURTHER READINGS**

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## UNIT 11 MANAGING CAREERS

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### NOTES

#### Structure

- 11.0 Introduction
- 11.1 Objectives
- 11.2 Career Planning and Development
- 11.3 Sweat Equity and Job Evaluation Systems
  - 11.3.1 Job Evaluation Systems
- 11.4 Managing Promotion, Demotions and Transfers
- 11.5 Labour Attrition: Causes and Consequences
- 11.6 Answers to Check Your Progress Questions
- 11.7 Summary
- 11.8 Key Words
- 11.9 Self Assessment Questions and Exercises
- 11.10 Further Readings

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### 11.0 INTRODUCTION

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In this unit, we will discuss career management. A career is an occupation undertaken for a significant period of a person's life and with opportunities for progress. It describes an individual's journey through learning, work and other aspects of life. Most of us use the term to exclusively refer to our journey through our professional lives. Normally, employees want to advance and grow in their careers. Most individuals develop quite early in their life, the idea of what career they would like to pursue. Unless an organization meets these desires and aspirations of its employees, it cannot make optimum use of its human resources. But organizations have their own requirements and constraints which limit their capacity to meet the employees' expectations. Career planning is an important technique for productive resolution of this conflict between the individual and the organization.

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### 11.1 OBJECTIVES

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

- Understand the process of career planning and development
- Discuss the meaning of sweat equity
- Explain the job evaluation systems
- Describe the process of labour attrition its causes and consequences

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## 11.2 CAREER PLANNING AND DEVELOPMENT

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The proper way to analyze and discuss careers is to look at them as made up of stages. We can identify five career stages that most people will go through during their adult years, regardless of the type of work they do. These stages are exploration, establishment, mid-career, late career and decline.

1. **Exploration:** Many of the critical choices individuals make about their careers are made prior to entering the workforce on a paid basis. Very early in our lives, our parents and teachers begin to narrow our alternatives and lead us in certain directions. The careers of our parents, their aspirations for their children and their financial sources are crucial factors in determining our perception of what careers are open to us.  
  
The exploration period ends for most of us in our mid-twenties as we make the transition from college to work. From an organizational standpoint this stage has little relevance since it occurs prior to employment. However, this period is not irrelevant because it is a time when a number of expectations about one's career are developed, many of which are unrealistic. Such expectations may lie dormant for years and then pop up later to frustrate both the employee and the employer.
2. **Establishment:** The establishment period begins with the search for work and includes our first job, being accepted by our peers, learning the job and gaining the first tangible evidence of success or failure in the real world. It is a time which begins with uncertainties, anxieties and risks. It is also marked by making mistakes and learning from these mistakes and the gradual assumption of increased responsibilities. However, the individual in this stage has yet to reach his peak productivity and rarely gets the job that carries great power or high status.
3. **Mid-career:** Most people do not face their first severe dilemmas until they reach their mid-career stage. This is a time when individuals may continue their prior improvements in performance or begin to deteriorate. At this point in a career, one is expected to have moved beyond apprenticeship to worker-status. Those who make a successful transition, assume greater responsibilities and get rewards. For others, it may be a time for reassessment, job changes, adjustment of priorities or the pursuit of alternative lifestyles.
4. **Late career:** For those who continue to grow through the mid-career stage, the late career usually is a pleasant time when one is allowed the luxury to relax a bit. It is the time when one can enjoy the respect given to him by younger employees. During the late career, individuals are no longer learning, they teach others on the basis of the knowledge they have gained. To those who have stagnated during the previous stage,

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the late career brings the reality that they cannot change the world as they had once thought. It is a time when individuals have decreased work mobility and may be locked into their current job. One starts looking forward to retirement and the opportunities of doing something different.

5. **Decline:** The final stage in one's career is difficult for everyone but it is hardest for those who have had continued successes in the earlier stages. After several decades of continuous achievements and high levels of performance, the time has come for retirement. Managers should be more concerned with the match for new employees and those just beginning their employment careers. Successful placement at this stage should provide significant advantages to both the organization and the individual.

Many employees lack proper information about career options. As managers identify career-paths that successful employees follow within the organization, they should publish this information. To provide information to all employees about job openings, managers can use job posting. Job posting provides a channel by which the organization lets employees know what jobs are available and what requirements they will have to fulfil to achieve the promotions to which they may aspire.

One of the most logical parts of a career development programme is career counselling. This can be made part of an individual's annual performance review. The career counselling process should contain the following elements:

- (a) The employee's goals, aspirations and expectations with regard to his own career for the next five or six years;
- (b) The manager's view of the opportunities available and the degree to which the employee's aspirations are realistic and match with the opportunities available;
- (c) Identification of what the employee would have to do in the way of further self-development to qualify for new opportunities;
- (d) New job assignments that would prepare the employee for further career growth.

Training and educational development activities reduce the possibilities that employees will find themselves with obsolete skills. When these development activities are properly aligned with an individual's aspirations and organizational needs, they become an essential element in an employee's career growth. In addition to encouraging employees to continue their education and training so as to prevent obsolescence and stimulate career growth, managers should be aware that periodic job changes can achieve similar ends. Job changes can take the form of vertical promotions, lateral transfers or assignments organized around new tasks.

Available evidence suggests that employees who receive challenging job assignments early in their careers do better on their jobs. The degree of stimulation and challenge in a person's initial job assignment tends to be significantly related to later career success and retention in the organization. Initial challenges, if they are successfully met, stimulate a person to perform well in later years. There are definite benefits for managers who correctly fill positions with individuals who have the ability and interest to satisfy the job's demands.

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### Check Your Progress

1. What is the proper way to analyse and discuss careers?
2. Mention the five career stages.

## 11.3 SWEAT EQUITY AND JOB EVALUATION SYSTEMS

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

### 11.3.1 Job Evaluation Systems

Determining the relative worth of all jobs in the enterprise is difficult. This is so, because jobs differ with respect to the demands made on the employees as well as the value of the job to the enterprise. The comparison and evaluation may be made on two bases:

#### I. Non-analytical or non-quantitative system

This system utilizes non-quantitative methods of listing jobs in the order of difficulty. The comparison and evaluation made on non-quantitative basis is made by ranking or classifying the jobs from the lowest to the highest. Non-analytical system is usually of two types. These are as follows:

- (i) **Ranking system:** This is a very simple method of job evaluation. Under this system, the job raters simply rank one job against another without assigning point values. The ranking method consists of ranking the jobs in the organization from the lowest to the highest.

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

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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.

### 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.
- (ii) **The factor comparison system:** This system is similar to the point rating system. The factor comparison system was developed by Eugene 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.

#### Check Your Progress

3. Define sweat equity.
4. Who developed the factor comparison system?

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## 11.4 MANAGING PROMOTION, DEMOTIONS AND TRANSFERS

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Let us begin by discussing promotions.

### I. Promotion

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

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

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

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

### Types of Promotion

The different types of promotions are the following:

#### (a) Limited Promotion

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

#### (b) Dry Promotion

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

#### (c) Multiple Chain Promotion

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

### NOTES

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**(d) Up and Out Promotion**

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

**Basis of Promotion**

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

**(a) Promotion Based on Seniority**

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

**(b) Promotion Based on Merit**

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

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

**(c) Merit-cum-Seniority Promotion**

Promotion based on 'Merit cum Seniority' would have a blend of the advantages of both the systems discussed above. Both the service seniority

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

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### **(d) Promotion by Selection**

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

### **(e) Time Bound Promotion Scheme**

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

### **(f) Temporary Promotion Scheme**

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

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**Promotion Policy**

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

**(a) Promotion Policy Statement**

A corporate policy on promotion helps to state formally the organization's broad objectives, and to formulate both the organization's manpower and individual career plans.

**(b) Ratio of Internal Promotion Vs External Recruitment**

A promotion policy statement must state the ratio of internal promotions to external recruitment at each level. Such a statement will help manpower planners to project numbers of internally available candidates for vacancies.

**(c) Decide the Basis for Promotion**

A promotion policy statement must decide the basis on which promotions are to be given. Usually promotions are decided on the basis of performance appraisals.

**(d) Decide the Routes for Promotion**

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

**(e) Communicate the Promotion Policy**

The organization should communicate its promotion policy to its employees. Such an exercise will help aspirants to acquire the necessary formal qualifications, encourage them to attend suitable external development programmes etc.

**(f) Lack of Promotional Avenues**

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

**(g) Determination of Seniority**

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

**(h) Relationship of Disciplinary Action to Promotion**

Another area to look into while formulating a promotional policy is whether there is a relationship between any disciplinary action taken against an employee and promotion. Does a disciplinary action cause a loss in employee seniority? If yes, then to what extent?

***Advantages of a Promotion Policy***

The following are the benefits of a good promotion policy:

- (i) A good promotion policy provides an incentive to work more effectively as it recognises an employee who does better work. It must however tell employees in advance what avenues exist for advancement.
- (ii) It develops employee loyalty by rewarding him and placing him in a higher position in the organization for his efficiency.
- (iii) It facilitates and increases job satisfaction.
- (iv) It increases work effectiveness in the organization.
- (v) It also attracts efficient employees to the organization.
- (vi) It increases employee interest in training and self-development.
- (vii) A promotion policy makes employees believe that their turn too will come and so they remain with the company. This reduces labour turnover.

**II. Demotion**

Demotion is a process by which the employee is downgraded and sent to a lower position from the one he is holding at present. When an employee is moved to a job with less responsibility, status or compensation he is said to be demoted. Demotion is the reverse of promotion. It is more a punishment for inefficiency or incompetence. According to D.S. Beach, demotion is 'the assignment of an individual to a job of lower rank and pay usually involving lower level of difficulty and responsibility'. According to Arun Monappa and Saiyadain demotion 'is a downward assignment in the organization's hierarchy to a lower level job which has less responsibility, pay and status. Because of this hierarchical repositioning it has a negative connotation and may lead to employee dissatisfaction'. Demotions, being a serious penalty, must be handled tactfully. The usefulness of demotion as a punitive measure is questioned on many grounds. A demoted employee will be disgruntled

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and his dissatisfaction may spread to co-workers which will adversely affect morale, productivity and discipline of the work force.

### Causes of Demotion

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

### Conditions for Demotion

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

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

### III. Transfer

A transfer is a change in job assignment. It does not involve a change in responsibility and status. A movement of an employee between equivalent positions at periodical intervals is called “transfer”. A transfer therefore does not involve a change of responsibility or compensation. Transfers are normally made to place employees in positions where they are likely to be more effective or where they are likely to get greater job satisfaction. Transfers may be either organization-initiated or employee-initiated. An organization may initiate a transfer to place employees in positions where they are likely to be more effective or where they are better able to meet work schedules of the organization. Employee initiated transfers also known as “personnel transfers” may be initiated for several reasons. These could range from

wanting a change of boss or a change of location or to avoid interpersonal conflicts with their present colleagues or to join their friends and relatives.

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

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

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

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

### **Types of Transfers**

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

#### **(a) General**

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

#### **(b) Production**

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

## **NOTES**

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**(c) Replacement**

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

**(d) Shift**

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

**(e) Remedial**

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

**(f) Versatility**

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

**(g) Punishment or Penal**

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

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

**(h) Request Transfers**

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

**(i) Mutual Transfers**

When transfers turn out to be mutual between two employees they are referred to as mutual transfers. Usually the organization concedes to the request of employees for transfer if another employee is willing to go to the other place.

**Transfer Policy**

It is clear that transfers are made for a number of reasons and are initiated by either the supervisor or the subordinate. If transfers are left entirely to the discretion of supervisors or employees, a number of problems are likely to occur such as favouritism or victimisation. To avoid these problems it is necessary that every organization evolve its transfer policy. Every organization should have a just and impartial transfer policy which should be known to each employee. It is, therefore, important that the company should formulate a policy to govern the administration of all types of employee transfers, rather than decide each case solely on the characteristics of that case. The absence of a well-formulated transfer policy will breed a state of uncertainty amongst the employees. For a successful transfer policy, proper job description and job analysis should be done. Further, care should be taken to ensure that frequent or large-scale transfers are avoided by laying down adequate procedures for the purpose. A systematic transfer policy should provide for the following:

- A transfer policy should clarify the types and circumstances under which transfers will be used. The organization should specifically clarify the types of transfers and the conditions under which these will be made.
- The transfer policy must locate the authority that may initiate and implement the transfer. In other words, it should indicate who would be responsible for initiating and approving the transfers.
- A transfer policy should indicate whether the transfer could be made only within a sub-unit or also between departments, divisions and plants.
- The transferability of both jobs and individuals' needs should be examined in terms of job descriptions, streams of specialization and individual background and training.
- A transfer policy should indicate the basis for transfer. Should it be on the basis of seniority or skill and competence?
- A transfer policy should prescribe whether, when an employee is transferred, his previous seniority credit will be retained.
- The transfer policy should indicate to the transferee the pay scales, the exact wages and perquisites that he would receive in the transferred job. If there is any difference, it should be specified.

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## NOTES

- A transfer policy should provide for timely communication of the transfer decision. The transferee should be intimated of the transfer well in advance.
- A transfer should be in writing and duly communicated to all concerned.
- Transfers should not be made frequently.

Industrial practices vary and each organization must formulate its own policy and rules in connection with transfers. In making transfers, it is advisable for the organization to pay the employee the actual cost of moving the household to the place of transfer. A transfer policy will help effective employee redeployment and protect employees from arbitrary transfers.

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### 11.5 LABOUR ATTRITION: CAUSES AND CONSEQUENCES

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Organizations these days are facing a challenge of not only finding the right people but also retaining them. With youngsters becoming more and more ambitious and organizations offering competitive salaries, labour attrition and employee retention have become major issues.

#### Causes and Consequences of Labour Attrition

The main causes of labour attrition are as follows:

1. Personal causes
2. Unavoidable causes
3. Avoidable causes

#### 1. Personal causes

These are causes that force a worker to quit. These include:

- (a) Better opportunity
- (b) Premature retirement owing to failing health or aging
- (c) Family issues and responsibilities
- (d) Unpleasant working environment

In points (a) to (c), the employee leaves of his own free will. It is a choice that he has made himself. Therefore, it is not possible to suggest a solution or a remedy. However, if the employee leaves because of unfavourable working environment, the employer can definitely try to improve the same. To take remedial measures, the cooperation of senior team members would be required.

## 2. Unavoidable causes

Such causes result from circumstances where the management is forced to ask the employee(s) to leave. This could happen in the following cases:

- If the business is of a seasonal nature
- If there is dearth of raw material
- If there is shortage of power
- If the demand for the concerned product is low
- If the location of the plant is changed
- If the employee has been rendered unfit for work due to some accident / disability
- If some disciplinary action is taken
- If the employee is getting married (especially women)

## 3. Avoidable causes

These causes require the management to attend to certain factors on a continuous basis in order to keep attrition levels low. These avoidable causes include the following:

- Dissatisfaction with salary
- pressure / burden of work
- Dissatisfaction with working conditions
- Lack of growth avenues
- Absence of recreational facilities
- Absence of training facilities

If the management reacts at the right time and in an efficient manner, these causes could be avoided.

### Impact of attrition

- Production is disturbed.
- Precious time is wasted in finding replacements.
- Efficiency of new recruits is low at the beginning.
- Training and induction are not only time-consuming but require expenditure.
- New recruits take time to settle and get trained.
- New recruits also cause a lot of damage and wastage during training period.

## NOTES

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**Check Your Progress**

5. Define promotion.
6. What is dry promotion?

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**11.6 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS**

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1. The proper way to analyze and discuss careers is to look at them as made up of stages.
2. The five career stages are exploration, establishment, mid-career, late career and decline.
3. The term ‘sweat equity’ refers to equity shares offered to the company’s employees on favourable terms, as a kind of reward for their work.
4. The factor comparison system was developed by Eugene J. Benge at the Philadelphia Rapid Transit Company in 1926.
5. A promotion is the transfer of an employee to a job which pays more money or one that carries some preferred status.
6. Dry promotion is a promotion as a result of which there is no increase in the employee’s pay.

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**11.7 SUMMARY**

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- The proper way to analyze and discuss careers is to look at them as made up of stages. We can identify five career stages that most people will go through during their adult years, regardless of the type of work they do.
- Training and educational development activities reduce the possibilities that employees will find themselves with obsolete skills.
- The term ‘sweat equity’ refers to equity shares offered to the company’s employees on favourable terms, as a kind of reward for their work.
- 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.
- In the ranking system and grading system, the relative ranking of jobs was determined without reference to any numerical values (points).
- According to Scott and Clothier, ‘A promotion is the transfer of an employee to a job which pays more money or one that carries some preferred status.’

- Whatever may be the type of promotion followed by the management, there should be a definite promotion policy which should be effective and protect the interests of the employees due for promotion.
- A corporate policy on promotion helps to state formally the organization's broad objectives, and to formulate both the organization's manpower and individual career plans.
- Demotion is a process by which the employee is downgraded and sent to a lower position from the one he is holding at present.
- It is clear that transfers are made for a number of reasons and are initiated by either the supervisor or the subordinate.
- Organizations these days are facing a challenge of not only finding the right people but also retaining them. With youngsters becoming more and more ambitious and organizations offering competitive salaries, labour attrition and employee retention have become major issues.

## NOTES

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### 11.8 KEY WORDS

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- **Transfer:** It is to convey or remove from one place, person, etc., to another.
- **Demotion:** It is to lower someone or something in rank or position.
- **Career:** It is an occupation undertaken for a significant period of a person's life and with opportunities for progress.

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### 11.9 SELF ASSESSMENT QUESTIONS AND EXERCISES

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#### Short-Answer Questions

1. State the significant elements of the career counselling process.
2. Write a short note on sweat equity.
3. What are the two types of non-analytical system?
4. What are the different types of promotions?

#### Long-Answer Questions

1. What is the basis of promotion? Explain.
2. Analyse the essential points to be covered while preparing a concrete promotion policy.
3. Discuss the advantages of a promotion policy.
4. Explain the stages of career in detail.
5. Examine the nine types of transfer.

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## 11.10 FURTHER READINGS

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### NOTES

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## BLOCK - IV

*Employee Welfare,  
Separation and Safety*

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### APPRAISAL AND TRADE UNION

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#### NOTES

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## UNIT 12 EMPLOYEE WELFARE, SEPARATION AND SAFETY

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### Structure

- 12.0 Introduction
- 12.1 Objectives
- 12.2 Welfare and Safety and Accident Prevention
- 12.3 Separation
- 12.4 Employee Grievances and their Redressal
- 12.5 Industrial Relations
- 12.6 Statutory Benefits and Non-Statutory (Voluntary) Benefits
  - 12.6.1 Insurance Benefits
  - 12.6.2 Retirement Benefits
  - 12.6.3 Other Welfare Measures to Build Employee Commitment
- 12.7 Answers to Check Your Progress Questions
- 12.8 Summary
- 12.9 Key Words
- 12.10 Self Assessment Questions and Exercises
- 12.11 Further Readings

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### 12.0 INTRODUCTION

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In this unit, you will learn about employee welfare, which is a comprehensive term that includes various services, benefits and facilities that an employer provides to his employees. These services are provided for the comfort and improvement of the employees and are provided over and above their wages. They also help in uplifting the morale of the employees and motivating them, which further enables the organization to retain them for a longer duration. Employee welfare can include monetary benefits and monitoring of working conditions. In India, various laws and acts have been passed since independence to govern the functioning of a company. These laws and acts provide social security to the employees of the company.

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### 12.1 OBJECTIVES

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

- Discuss employee welfare
- Explain employee grievances and their redressal

## NOTES

- Examine the process of employee separation
- Describe statutory benefits and non-statutory (voluntary) benefits
- State the Insurance benefits, retirement benefits and other welfare measures to build employee commitment

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### 12.2 WELFARE AND SAFETY AND ACCIDENT PREVENTION

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There have been various laws and acts that have been passed since independence for the benefit of employees as well as for their safety. The following are some of the important laws and acts:

- The Employees' State Insurance Act, 1948
- The Employees' Provident Fund Act, 1952
- The Workmen's Compensation Act, 1923
- The Maternity Benefit Act, 1961
- The Industrial Disputes Act, 1947

Let us discuss these in detail.

#### **The Employees' State Insurance Act, 1948**

The Employees' State Insurance Act was passed in 1948 to make available various social welfare facilities available to the employees of a company through one agency. The Employees' State Insurance Scheme (ESIS) is a compulsory and causative scheme for the well-being of the employees. According to this Act, a company should provide medical benefits, such as medical attendance, treatment, drugs and injections to the insured employees having net salary less than 6,500 and their family members. This Act is applicable only to the companies that employ more than 20 employees in the company.

The ESIS is a breakthrough in the history of social security in India. The main objective of this scheme is to launch social insurance for the employees of a company in order to provide them social security during situations, such as illness, long-term sickness or any other health hazard. According to this scheme, medical facilities are also provided to the retired insured individuals and permanently disabled workers and also to their spouses at a minimal payment of ₹ 10 per month.

The ESIS Act is monitored by the Employees' State Insurance Corporation (ESIC), which is established by Central Government. ESIC has its own funds, known as ESI fund that provides cash benefits to insured persons, medical benefits, such as hospitals and dispensaries. The following are the benefits provided by this act:

- **Sickness benefits:** This is given to the employees for maximum period of 91 days. The sickness benefit is the half of the daily average wages of the employee. For getting the sickness benefit the employee should be under the medical treatment at a hospital maintained by the company. Extended sickness benefit is also given to the insured employees who are suffering from the long-term diseases. In this case, employee can get sickness benefit for maximum period of 309 days and the payment given to the employee is 63% of the wages. Sickness benefit is useful to an employee who is unable to work due to illness. Employee also gets medical treatment and financial support.
- **Medical benefit:** It is in the form of free medical treatment that an employee claims in case of illness, maternity and accident. Employee gets this benefit at ESI hospital or dispensary of the doctor to whom the worker is getting treatment. The family of the insured worker also avails this benefit. Workers suffering from critical diseases, such as T.B., Cancer, Leprosy and mental diseases are provided special facilities.
- **Maternity benefit:** It is in the form of cash payment to the insured women for confinement, miscarriage or illness arising out of pregnancy. This benefit is calculated at half of average daily wages. If the insured woman dies during the period of confinement, the nominee gets the benefit for the whole period.
- **Disablement benefit:** This is given in case of permanent disablement of an employee. The benefit is given when an employee is caught in an industrial accident within the factory. The annual benefits depend on the nature of disablement. For the temporary disablement full pay is given to the employee for the period of disablement. For the permanent disablement the employee is given cash benefit for the life at a percentage of full rate.
- **Dependents' benefit:** It is given to the dependents of the employee of a dead insured employee. The benefit is given if an employee dies in an industrial accident. The family of the employee is entitled for cash benefit under this scheme. The widow will receive pension for her whole life.
- **Funeral benefit:** This is given in the form of cash up to maximum of 1,000 to the insured individual for funeral. This benefit is given to the eldest person or the person who is actually incurring the expenditure at the time of funeral.

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### **The Employees' Provident Fund Act, 1952**

The Employees' Provident Fund Act was launched in 1952 that provides retirement benefits to the employees of a company. Retirement benefits include provident fund, family pension, and deposit-linked insurance. This

## NOTES

Act is applicable for the companies in India that employ 20 or more than employees except in Jammu and Kashmir. This Act is not applicable on the companies that are registered under the Cooperative Societies Act, 1912, or under any other law related to cooperative societies of less than 50 individuals.

This scheme is applicable to the employees getting the salary of ₹ 5,000 per month.

According to this Act, the employees need to contribute 8.33 percent of his/her basic salary and dearness allowances comprising of cash value of food allowances and maintaining allowances given to the employees. Now, the government has increased the rate of employee contribution to 10 per cent. The government has introduced various provident fund schemes but the contributory fund scheme became more popular than others. According to the contributory provident fund scheme, both employer and employee contribute equal portion of the basic salary of the employee for provident fund. The total contribution of the provident fund is then deposited with the Provident Fund Commissioner or any trust. The employees get the provident fund after their retirement. The employees also get 8 to 12 per cent interest on the provident fund. Under this scheme individual pension and family pension are provided to the employees of the company.

The government has introduced various schemes under this act. These are as follows:

- **Employees' Pension Scheme, 1995:** It was introduced for the individual employees of a company in the year 1995. Under this scheme, the employees are provided 50 per cent of the salary as their pension after retirement or superannuation after completing 33 years service.
- **Death relief fund:** It was established by the government in January 1964 in order to provide financial help to the nominees or the successor member of the family whose salary does not exceeds ₹ 1,000 per month.
- **Gratuity scheme:** It was a scheme introduced under the Payment of Gratuity Act, 1972, meant for factories, mines, oil fields, plantations, ports, railways, and other companies. This act is applicable for the employees that obtain salary less than or equal to ₹ 3,500 per month.
- **Employees' Deposit-Linked Insurance Scheme:** It was launched for the members of Employees' Provident Fund and the exempted Provident Funds on 1 August 1976. According to this scheme, after the expiry of the member of the provident fund, the individual allowed to obtain the provident fund deposits would be given an extra payment equal to the average balance in the provident fund account of the deceased person during last three years. This scheme is applicable only when the average amount is greater than or equal to 1,000.

- **Group life insurance:** It is a plan that provides coverage for the risks on the lives of a number of individuals under one contract. However, the insurance on each life is independent from the insurance of individuals. This facility is given to the employees that work with an employer without evidence of insurability. The following are features of group life insurance:
  - o Insurance is provided to the employees without any evidence of insurability.
  - o The insurance contract is signed between the insurance company and the employer. There is no direct interaction of the employee with the insurance company.
  - o It is yearly renewable insurance plan.
  - o If any employee of the company suffers from an injury or death, then the claim received by the employer from the insurance company is given to the nominee of the employee.
  - o The premium of the insurance is either paid the employer or by the employer and the employee both.

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### **The Workmen's Compensation Act, 1923**

The Workmen's Compensation Act was established by the government in the year 1923. According to this Act, a company needs to provide a payment of compensation to its employees and their family on the occurrence of organizational accidents and some disease leading to the death or any kind of disablement of the individual. The main objective of this Act is to apply a commitment on the employers to offer compensation to the employees against the accidents that occur during the course of employment. The following are the important features of The Workmen's Compensation Act:

- This Act provides social security to the employees of a company by providing them compensation against various risks.
- A company is liable to pay the compensation only if the accident or the injury to the employee has been caused during the course of employment.
- This Act also provided overtime pay and the value of concessions or benefits in the form of food, clothing and accommodation.
- The amount of compensation that a company needs to pay to an employee depends upon the type of injury or disablement suffered by the employee.
- The minimum amount of compensation that must be paid to an employee on the occurrence of permanent disablement or death is ₹ 60,000 and ₹ 50,000 respectively. However, the maximum amount

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of compensation that must be paid to an employee on the occurrence of permanent disablement or death is ₹ 2.28 lakh and ₹ 2.74 lakh respectively.

This Act is applicable for all the employees that work in railways, factories, mines and other companies. It also applies to all the companies that are involved in an industry specified in Schedule II of the Act.

### **The Maternity Benefit Act, 1961**

The Maternity Benefit Act was launched in 1961. This is a compensation given against the loss of salary to a woman who discontinues to work during the period of pregnancy. The following are the main objectives of this Act:

- Enable the female employee of a company to withdraw her services during the 6 weeks before her expected confinement date
- Allow the female employee to discontinue her services after 6 weeks of confinement
- Provide free medical treatment to a female employee during her pregnancy
- Provide an expected female employee the facility of public funds along with cash benefit so that she can take good care of herself and her child
- Disallow the dismissal of a female employee during her pregnancy period
- Allow the female ladies to feed her baby twice a day during the working hours

### **The Industrial Disputes Act, 1947**

The Industrial Disputes Act was passed in the year 1947. This Act is related to the termination and retrenchment of the employees by a company. This act includes Sections 25-A to 25-S related to employee termination. Among these sections, Section 25-C to 25-E are not applicable for the companies that employ less 50 individuals in the company. Sec 25-C states that when any permanent employee who has worked for more than or equal to one year is being terminated by the company, the company is liable to provide a compensation equal to the 50 per cent of her/his basic salary. Sec 25-C also states that the company is not responsible to give any compensation to an employee, if he or she refuses to accept an alternative job equivalent to his/her previous job. A company is also not liable to give compensation if he or she does not reach the workplace at the scheduled time during the normal working hours at least once a day.

Sec 25-F states that a company cannot terminate the services of an employee without giving a written notice of one month provided the employee has worked for at least one year with the company. The notice must contain the

termination information, such reason for termination and wages for the period of notice. Similarly, according to Sec 25-FF, Sec 25-FFA and Sec 25-FFF, a company is liable to give compensation in case of transfer of undertaking, 60 days notice to the employees before closing the company and compensation to the employees if the employer is closing down the company, respectively.

Section 25-G and Section 25-H handles the processes of retrenchment and re-employment for retrenched employee. Section 25-M states that a company cannot terminate a permanent employee without the permission of the government or such authority as may be specified by the government in the Official Gazette.

Section 25-N states that a company cannot terminate the services of an employee without giving a written notice of three month provided that the employee has worked for at least one year with the company. The notice must contain the termination information, such reason for termination and wages for the period of notice. Section 25-Q and Section 25-R deals with the notice of at least 90 days by a company before closing a company, special provisions relating to restarting of a company closed down before operation of the Industrial Disputes Act, 1976, penalty for termination, and retrenchment without any prior notification and penalty of closure.

### **Industrial accident**

The life of an industrial worker is a hazardous one. An industrial accident may be defined as ‘an occurrence which interferes with the orderly progress of work in an industrial establishment.’ According to the Factories Act, industrial accident is ‘an occurrence in an industrial establishment causing bodily injury to a person which makes him unfit to resume his duties in the next 48 hours.’

*Causes of accidents:* Accidents are usually the result of a combination of factors. According to safety experts there are three basic causes. These are:

1. **Unsafe conditions:** Also known as ‘technical causes.’ They arise when there are improper or inadequate safety guards on machines, when mechanical or construction designs are defective and unsafe; or when there is an absence of proper maintenance and supervision of these devices.
2. **Unsafe acts:** These acts may be the result of lack on the part of the employee or certain bodily defects or wrong attitudes on the part of the employee.
3. **Other causes:** These refer to unsafe situational and climate conditions and variations – such as bad working conditions, rough and slippery floors, excessive glare, etc.

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### Accident prevention

According to the National Safety Council, USA, accident prevention depends on three E's.

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

Accident prevention can be achieved through two basic activities:

1. Reducing unsafe conditions, i.e., removing and reducing physical hazards
2. Reducing unsafe acts. This can be implemented through proper selection and placement of employees, providing training to new employees in safety practices, and through persuasion and propaganda

### Occupational diseases

Occupational diseases are the result of physical conditions and the presence of industrial poisonous and non-poisonous dust in the atmosphere. They usually develop over an extended period of time. They are slow and generally cumulative in their effect. The diseases are the result of constant exposure to the influence of toxic substances of micro-organisms, of air-borne contaminants and stress-producing elements.

### Provisions under the Factories Act, 1948

The Factories Act, 1948, provides for health safety and welfare. We explain the relevant sections pertaining to health and safety of workers:

#### Health

The Act provides detailed instructions on cleanliness, disposal of wastage, ventilation, lighting, over-crowding and so on. The factors that influence the general health of the worker is the working environment that tends to produce ill health. Every employer should protect his employees against health hazards by:

- (i) Devoting adequate attention to working conditions.
- (ii) Substituting a less toxic substance for the hazardous one.
- (iii) Providing protective clothing.

Sections 11 to 20 of the Factories Act provide detailed instructions. These are:

#### Labour welfare

Labour welfare implies providing better work conditions (for example, proper lighting, cleanliness, low noise) reasonable amenities (for example,

recreation, housing, education, etc). The need for providing such services and facilities arise from the social responsibility of industries, a desire for upholding democratic values and a concern for employees.

The Oxford Dictionary defines labour welfare as ‘efforts to make life worth living for workmen’. The report of the committee on labour welfare set up by the Government of India in 1969 refers to welfare as a broad concept, a condition of well-being. It suggests the measures which promote ‘the physical, psychological and general well-being of the working population.’

The ILO defines labour welfare as ‘such services, facilities and amenities as adequate canteens, rest and recreation facilities, arrangements for travel to and from work, and for the accommodation of workers employed at a distance from their houses, and other such services, amenities and facilities contribute to improve the conditions under which workers are employed.’

Labour welfare have their origin either in some statute formed by the state or in some local custom or in a collective agreement or in the employer’s own initiative. Today, welfare has been generally accepted by the employers. Each employer depending on his priorities gives varying degrees of importance to labour welfare. The state only intervenes to ‘widen the area of applicability’. It is now accepted that labour welfare is a social right.

### **Need for labour welfare**

- 1. From the point of view of workers:** Welfare measures must eliminate risk and insecurity. The organization besides providing a fair day’s wages must also provide facilities like medical aid, crèches, subsidized food and transport required by workers.
- 2. From employer’s point of view:** Employers provide amenities to discharge their social responsibility, raise the employee’s morale, use the workforce more effectively and reduce turnover and absenteeism. Welfare helps build a positive image of the organization and makes it easier for them to attract and hire competent personnel.
- 3. From union’s point of view:** Trade unions role in labour welfare stems from worker’s need for welfare services. Unions feel that welfare services ought to be provided whether by the government or the employers. However, much depends on the initiative of the unions, their bargaining strength and the priority given by them to the rights of the workers.

### **Principles of labour welfare**

The following principles should be borne in mind while setting up a labour welfare service:

1. First determine the employees’ real needs. The welfare service should satisfy the real needs of the workers.

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2. Due to differences in sex, age, income levels of employees, a mix of benefits is suggested so that the choice is left to each individual employee.
3. The cost of the service should be calculated and its financing established on a sound basis.

### **Provisions of Factories Act regarding labour welfare**

The Factories Act, 1948, under Sections 42 to 49, contains certain provision for the welfare of the labour working in the factories. The following are some of the provisions mentioned under this act:

1. *Washing facility (Section 42)*: Every factory should provide adequate facilities for washing. Separate and suitable facilities should be provided for both male and female workers.
2. *Storing and drying clothes (Section 43)*: The state government, with respect to the factories has made rules to provide the facility to the workers for keeping their clothes not worn during working hours. This section also enables the factories to provide facility to the workers for drying wet clothes.
3. *Sitting arrangement (Section 44)*: Every factory should have proper sitting arrangements for the workers who have to work in the standing position.
4. *First aid applications (Section 45)*: Every factory should maintain sufficient first aid facility to the workers. The first aid boxes should be equipped with prescribed contents, and there should be at least one box for every 150 workers. Every company having more than 500 workers must have an ambulance room properly equipped with all the equipments and having nursing staff as well.
5. *Canteen (Section 46)*: Every factory having more than 250 workers must provide a canteen facility to their employees.
6. *Shelters, rest rooms and lunch rooms (Section 47)*: Every factory having more than 150 workers must contain suitable facilities for shelters, rest rooms and lunch rooms. The lunch rooms must contain proper arrangements for drinking water and sitting plan for workers.
7. *Creches (Section 48)*: Every factory employing more than 30 workers must contain rooms for the use of their children under the age of six years. Such rooms must be have proper lightening and ventilation facilities. The rooms must have trained women to take care of the children.
8. *Welfare officers (Section 49)*: Every factory employing more than 500 workers must have welfare officers. The state government decides the duties and qualification of these workers.

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## 12.3 SEPARATION

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Employee separation is a process which ensures that an employee who is leaving the organization makes his exit in a structured and systematic manner. Several companies take this process very seriously and therefore have a dedicated department to handle the exit of employees from the organization. There are two types of employee exits. They are:

- Voluntary separation
- Involuntary separation
- **Voluntary separation:** When an employee leaves the company on his or her own accord, it is known as voluntary separation. This type of separation is the most common in organizations. In this type of separation, an employee gets most of the benefits and perquisites due to him or her.
- **Involuntary separation:** However, in times of recession, the act of the management's request to an employee to leave the organization has become quite common. This type of employee separation is known as involuntary separation. In this type of separation, a separation package might be given to the employee. However, if the separation is due to a disciplinary issue, the employee might not get anything at all.

### The Process of Employee Separation

The employee separation process begins from the moment the employee puts forward his notice to the employer about his intention to leave the organization. In earlier times, this process, usually known as 'putting in one's papers', was done by submitting a formal resignation letter. However, in recent times, resignation is generally given through email.

Once the employee gives his/her notice to leave the organization, the human resource (HR) department of the company 'freezes' all the financial transactions and records of the employee. The employee's manager is responsible for ensuring that the employee has properly handed over or completed the tasks assigned to him/her.

The notice period usually ranges from one to three months. However, this depends on the level at which the employee is working and the policies of the organization. Moreover, the employee's manager should have a proper handover plan, which should cover all aspects of closing out on the work that the employee was assigned.

### Participants in the Employee Separation Process

Usually, the process of employee separation takes place along two parallel tracks. One track involves the employee and the manager who is responsible

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for ensuring that the tasks assigned to the employee have been handed over or completed properly. The other track involves the employee and the HR department dedicated for the separation process, who handle the employee benefits, such as provident fund (PF), gratuity (if applicable), etc.

The separation process requires the HR manager at every step and in the final exit interview. The final exit interview is conducted to assess the reasons as to why the employee is leaving the company. It also takes the views of the employee on work and in general. The employee is also asked to give the 'de-motivating factors', if any, that might have been the reason for him/her to leave.

In recent years, the service sector is witnessing high levels of attrition. As a result, it has become essential for organizations to have a structured process of separation for systematic exits of employees. Organizations should ensure that this process is dealt with in a professional and mature manner, especially without any bias.

### **Dismissal**

Dismissal is the process of separating a worker where the employer asks the employee to leave, generally for the fault of the employee. The term is used in the colloquial sense as 'getting fired' in America and 'getting sacked' in Britain.

### **Lay-off**

Lay-off means the inability or refusal of a company to provide job to an employee on the grounds of shortage of coal, power, or raw materials, or the breakdown of machinery. A laid-off employee is not retrenched. In a lay-off, the name of the employee must be in the muster rolls on the date they have been laid off.

### **Retrenchment**

Retrenchment means the termination of service of an employee for any reason; but it certainly isn't a punishment imposed as a disciplinary action. The job can be either terminated due to economy, installation of labour-saving machinery or other any such industrial or trade reasons. Usually, the employee is given a month's notice in writing or is offered payment in place of such notice.

### **Termination**

Termination of job can be two types: 1. Voluntary termination, 2. Involuntary termination. Also termed as the 'pink slip', job termination happens at the hand of the employer. The terminations that occur due to a mutual agreement between the company and the worker are termed as involuntary terminations. The end of an employment contract for a particular period of time is one such

example. There are also age-related job terminations, where the employee leaves the company as he reaches the pre-determined age of retirement.

### **Suspension**

A company resorts to suspension of an employee for the violation of company policy, or major breaches of policy. Work suspensions happen when a reporting manager or supervisor considers an action of an employee, to be a violation of policy that should amount to punishment. Depending on the company's policy, it might decide not to pay the employee during the suspended period. Some companies which have paid suspensions will bar the worker from coming to work but will still offer pay.

### **Death or Incapacity**

In the case of a death of person, the company provides death benefits to the surviving members of the deceased. The benefits may come in the form of cash payments, where the family is provided some monetary relief, besides the monthly pension. In case of labourers, who die during their working tenure, their spouse or child is appointed in their place.

And when an employee is unable to perform any gainful employment due to some physical or mental disability, illness, physical injury, advanced age, or intellectual deficiency, the company initiates the separation method. Generally, the companies provide for the employees who are separated on grounds of incapacity.

### **Voluntary Retirement Scheme**

The voluntary retirement scheme (VRS) was initiated to off-load excess manpower without putting any pressure on the employee to quit. Usually, employees who have attained 40 years of age or completed 10 years of service are eligible for this scheme. The scheme can be availed by all employees, including workers and executives, barring the directors of a company. Anybody who opts for voluntary retirement is permitted 45 days emoluments for each completed year of service. Or they are entitled to monthly emoluments at the time of retirement multiplied by the left over months of job before the normal date of service, whichever is less. In addition, the employees also receive their provident fund and gratuity dues. The compensation gained at the end of VRS is not taxable, on the condition that the retiring employee is not employed elsewhere.

### **Golden Handshake**

Golden handshake method is the way of a company asking its senior executive to leave in lieu of a huge sum of payment. A very profitable separation agreement is offered to the employee as an incentive to retire. A golden handshake is usually offered for loss of employment through layoffs, firing

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or even retirement. The company may offer several ways to make payment, such as cash, or stock options.

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### Check Your Progress

1. When was the Employees' State Insurance Act passed?
2. What is dependents' benefit?
3. Define retrenchment.

## 12.4 EMPLOYEE GRIEVANCES AND THEIR REDRESSAL

The concept of grievance has been defined in several ways by different scholars. According to Dale Beach, 'grievance is any dissatisfaction or feeling of injustice in connection with one's employment situation that is brought to the attention of the management.'

Flippo defined it as 'a type of discontent which must always be expressed. A grievance is usually more formal in character than a complaint. It can be valid or ridiculous, and must grow out of something connected with company operations or policy it must involve interpretation of application of the provisions of the labour contract.'

Grievances give rise to unhappiness, frustration, discontent, indifference to work and poor morale and ultimately lead to inefficiency and low productivity. An HR manager should therefore, see to it that grievances are redressed at the earliest.

### Features of grievance

An analysis of the above-mentioned definitions reveals the following features:

1. 'Grievance' is a term used to refer to any form of discontentment or dissatisfaction with regard to any aspect of the organization.
2. The discontentment or dissatisfaction is a result of issues related to the work place or employment and has nothing to do with personal or family life.
3. The dissatisfaction could either be expressed or implied. It is easier to note and identify expressed grievances as they are reflected through gossip, active criticism, arguments, poor performance and other ways. On the other hand, unexpressed grievances can be seen in indifference to work, laziness, absenteeism, etc.
4. It is not necessary for the discontentment to be always true, rational or legitimate. It may or may not be valid. In fact, at times it may be

altogether irrational. The important thing is that the moment a grievance is noticed, it is not possible for the management to overlook or dismiss it as being irrational or invalid.

5. A grievance can be traced to the employees' perception of unfulfilled expectations from the employers/organization.
6. A grievance results from a feeling of injustice experienced by the employee(s).
7. In the absence of timely redressal, grievances end up lowering morale and reducing employee productivity.

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### **Understanding employee grievance**

The best way to handle grievances is to prepare to tackle them in anticipation. Steps should be taken to tackle them even before grievances take on huge proportions. The normal practice for an ordinary manager is to redress grievances as and when they are brought to his notice. A very good manager will anticipate grievances and prevent them. A good manager will be able to sniff out simmering grievances even before they get transformed into actual grievances through several ways. They are:

1. **Observations:** If an employee lacks compatibility with his colleagues, is always late for work, fails to meet deadlines, is slow and damages office property, then his behaviour is noticed by his seniors or superiors and reports it to the higher authorities.
2. **Opinion surveys:** An organization may conduct regular surveys to find out the opinions and views of its employees with regard to the policies and procedures of the organization. Regular meetings, group sessions, periodical interviews with workers and collective bargaining sessions help to reveal employee discontent, if any, and helps check its growth into a grievance(s).
3. **Gripe boxes:** If a worker resents the company's policies but is uncomfortable voicing his grievances openly, then there should be a facility for him to submit a written complaint or drop it in a gripe box. The complainant should be allowed to maintain anonymity. This allows employees to express themselves freely. Such gripe boxes should be available at prominent locations inside the factory.
4. **Exit interview:** Exit interviews must be conducted when employees leave the company. Exit interviews should be conducted with precision to know why the employee is leaving the organization. By conducting such interviews the organization can gauge the workers' grievances. The employee must be encouraged to express his opinion regarding the organization freely and frankly. In case the company cannot elicit such information because of the employees' reluctance to speak truthfully

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he should be provided with a questionnaire and his dues must be given only after he has filled up the same.

5. **Grievance procedure:** A company should have an organized and planned grievance redressal system which the employees can use to express their grievances. Management must persuade the employees to use it because if this does not happen then the pent up complaints whenever they have anything to say. In the absence of such a mechanism the pent up grievances of the employees may erupt some day for the management to sit up and take notice.

6. **Open door policy:** Some organizations generally invite their employees to drop in to meet their managers, informally, at any time of the day and discuss their grievances. The managers then confirm the validity of the grievance and crosscheck the details. This process helps the management keep a finger on the pulse of the workforce. At first glance, this policy may appear attractive but it also has disadvantages as follows:

- (i) It works only in very small organizations.
- (ii) It bypasses the frontline supervisor.
- (iii) The top management may not be familiar with the work situation.
- (iv) While physically the doors may be kept open, there exist psychological as well as social barriers which prevent employees walking in.

### Need for a grievance handling procedure

Without an analysis of their nature and pattern, the causes of employee dissatisfaction cannot be removed. The HR manager should help the top management and line managers, particularly foremen and supervisors, in the formulation and implementation of the policies, programmes and procedures which would best enable them to handle employees' grievances. These policies, programmes and procedures are generally known as the grievance redressal procedure. The grievance redressal procedure is a device by which grievances are settled, generally to the satisfaction of the trade union or the employees and the management. The adoption of the grievance handling procedure is essential for a variety of reasons. These are given in Table 12.1.

*Table 12.1 Reasons for Adoption of a Grievance Handling Procedure*

1. Most grievances seriously disturb the employees. This may affect their morale, productivity and their willingness to cooperate with the organization. If an explosive situation develops, this can be promptly attended to if a grievance handling procedure is already in existence.
2. It is not possible that all the complaints of the employees would be settled by first-line supervisors, for these supervisors may not have had a proper training for the purpose, and they may lack authority. Moreover, there may be personality conflicts and other causes as well.

3. It serves as a check on the arbitrary action of the management because supervisors know that employees are likely to see to it that their protest does reach higher management.
4. It serves as an outlet for employee gripes, discontent and frustrations. It acts like a pressure valve on a steam boiler. The employees are entitled to legislative, executive and judicial protection and they get this protection from the grievance redressal procedure, which also acts as a means of upward communication. The top management becomes increasingly aware of employee problems, expectations and frustrations. It becomes sensitive to their needs, and cares for their well-being. This is why the management, while formulating plans that might affect the employees—for example, plant expansion or modification, the installation of labour-saving devices, and so on, should take into consideration the impact that such plans might have on the employees.
5. The management has complete authority to operate the business as it sees fit – subject, of course to its legal and moral obligations, and the contracts it has entered into with its workers or their representative trade union. However, if the trade union or the employees do not like the way the management functions, they can submit their grievance in accordance with the procedure laid down for that purpose.

**Source:** C.B. Mamoria and S.V. Gankar, *Personnel Management Text and Cases*. Bombay: Himalaya Publishing House, 2001, pp. 745–46.

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According to T.O. Amstrong, if properly designed, a grievance procedure should be able to offer the following:

1. A path which the aggrieved employee may take to express his grievance.
2. A procedure to ensure systematic handling of each grievance.
3. A method by which an aggrieved employee can give vent to his feelings of dissatisfaction with the work he is assigned, the conditions of work, etc, with the management.
4. A means of ensuring a certain degree of promptness in grievance handling

### **Nature and causes of grievances**

Just about any factor involving wages, hours or conditions of employment has and can be used as the basis of grievance. Calhoon observes ‘Grievances exist in the minds of individuals, are produced and dissipated by situations, are fostered or healed by group pressures, are adjusted or made worse by supervisors, and are nourished or dissolved by the climate in the organization which is affected by all the above factors and by the management.’

Causes of grievances relate to interpretation of all personnel policies. National Commission on Labour states, ‘complaints affecting one or more individual workers in respect of their wage payments, overtime, leave, transfer, promotion, seniority, work assignment and discharge would constitute grievances’. The causes of grievances include the interpretation of areas like placement, transfer, promotion, and so on.

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## Preconditions for sound grievance handling

The efficiency of a grievance procedure depends upon the fulfilment of certain prerequisites. These are as follows:

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- (i) **Conformity with prevailing legislation:** The procedure should be in conformity with the existing law. It should be designed to supplement the statutory provisions. In other words, the existing grievance machinery as provided by law must be made use of. The procedure may be incorporated in the standing orders or collective bargaining agreement of the organization.
- (ii) **Acceptability:** The grievance procedure must be acceptable to all and should, therefore, be developed with mutual consultation among management, workers and the union.
- (iii) **Clarity:** There should be clarity regarding each and every aspect of the grievance procedure. An aggrieved employee must be informed about the person to whom a representation can be made, the form of submission (written or oral), the time limit for the redressal of grievance, and so on.
- (iv) **Promptness:** The grievance procedure must aim at speedy redressal of grievances. The promptness with which a grievance is processed adds further to the success of the grievance procedure. Since justice delayed is justice denied, the procedure should aim at rapid disposal of the grievances. Promptness can be ensured in the following ways:
  - (a) As far as possible the grievance should be settled at the lowest level.
  - (b) There should be only one appeal.
  - (c) Time limit should be prescribed and rigidly enforced at each level.
  - (d) Different types of grievances may be referred to appropriate authorities.
- (v) **Simplicity:** The grievance procedure should be simple. The procedure should consist of as few steps as possible. If there are too many stages in the procedure, too many forms to be filled up, too much going around and so on, the very purpose of the procedure is defeated. Instead of resorting to the formal procedure, an employee may ignore it. Information about the procedure should be communicated to the employees.
- (vi) **Training:** The success of the procedure also depends upon imparting training to the supervisors and union representative in handling grievances. This will help to ensure effective working of the grievance procedure.

- (vii) **Follow up:** The working of the grievance procedure should be reviewed at periodical intervals by the HR department. The department should periodically review the procedure and introduce the essential structural changes making it more effective.

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### 12.5 INDUSTRIAL RELATIONS

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Industrial relations is a dynamic socio-economic process characterized by cooperation and conflict. The state today has an increasing role to play, with its emphasis on welfare, in maintaining a balance between labour and management, especially in India where the former is inadequately organized.

#### The issues

‘Industrial relations’ is a ‘designation of a whole field of relationships that exist because of the necessary collaboration of men and women in the employment processes of industry.’ It is not the cause but an effect of social, political and economic forces.

It has two faces like a coin—cooperation and conflict. The relationship, to use Hegal’s expression, undergoes change from thesis to antithesis and then to synthesis. Thus, the relationship starting with cooperation soon changes into conflict and after its resolution again changes into cooperation. This changing process becomes a continuous feature in industrial system.

The relationship between labour and management is based on mutual adjustment of interests and goals. It depends upon economic, social and psychological satisfaction of the parties. Higher the satisfaction, healthier the relationship. In practice it is, however, found that labour and capital constantly strive to maximize their pretended values by applying resources to institutions. In this effort, they are influenced by and are influencing others. Both of them try to augment their respective income and improve their power position. The major issues involved in the industrial relations process are terms of employment (wages, dearness allowances, bonus, fringe benefits), working conditions, (leave, working hours, health, safety and welfare); non-employment such as job security, personnel issues such as discipline, promotional opportunities and among others recognition of trade unions. However, in view of sharply divided and vociferously pressed rival claims, the objectives of labour and management are not amenable to easy reconciliation. This is all the more so because the resources are limited. Be that as it may, the means adopted to achieve the objectives which vary from simple negotiation to economic warfare adversely affect the community’s interest in maintaining an uninterrupted and high level of production. Further, in a country like India where labour is neither adequately nor properly organized, unqualified acceptance of the doctrine of ‘free enterprise’ particularly between

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labour and management strengthens the bargaining position of the already powerful management.

It is apparent that the State, with ever-increasing emphasis on welfare aspect of governmental activity, cannot remain a silent and helpless spectator in the economic warfare. The legislative task of balancing the conflicting interest in the arena of labour management relations proves to be an extremely difficult one, in view of mutually conflicting interests of labour and management. The substantive issues of industrial relations is of perennial nature and, thus, there can never be a 'solution for all times to come'. There can only be broad norms and guidelines as criteria in dealing with issues of industrial relations. The law plays an important role in shaping the structure of industrial relations. It represents the foundation from which the present system and procedure flow to deal with the problems of industrial relations.

### **Emergence of the industrial relations problem**

Labour problems in factories or even retail handicraft types of industrial organizations do not attract public attention. The workers, wherever employed, are few in number, maintain close contact with the management and the relative position of the management and workers is such that the conflicts, if any, are generally resolved by mutual negotiations. Even where they cannot be resolved, the impact of their conflict on the community is negligible. However, it need hardly be emphasized that our laws must ensure social justice to them.

Problems affecting labour management relations assume significance in the field of wholesale handicraft and get increasingly complicated as we proceed from the independent phase of the wholesale handicraft to the factory phase of centralized production. Helped by industrial revolution and buttressed by energy evolution it has become possible for the employer to engage thousands of workers at one and the same time. These employers cannot, and do not maintain personal contact with the workers, who are not infrequently drawn from entirely different regions and who do not even appreciate the implications of the emerging industrial civilization. The loss of workers' individuality and impersonality are the factors which, among others, aggravate labour-management relations.

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## **12.6 STATUTORY BENEFITS AND NON-STATUTORY (VOLUNTARY) BENEFITS**

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Some statutory benefits that are provided to the employees are the following:

- Social Security
- Medical Aid
- Worker's Compensation

- Statutory Disability

Some non-statutory benefits that are provided to the employees are the following:

- Health Insurance
- Group Life Insurance
- Vision Plan
- Pension Plan

### **12.6.1 Insurance Benefits**

Most professionally-managed companies offer insurance cover to their employees. The insurance covers both death and hospitalization. The life insurance cover is a fixed amount and capped at three times annual cost to company (CTC) of the individual. Many companies also offer personal accident insurance cover which pays a fixed sum in case of accidental death and dismemberment. However, it is to be noted that the amount of insurance can vary from company to company and from place to place.

### **12.6.2 Retirement Benefits**

One attraction for a government job is the provision of pension for old age. This ensures a regular income after retirement and instills a feeling of security among the employees.

Enlightened employers have, in certain undertakings, introduced voluntary pension schemes.

The important aspect in a pension scheme is that an employee with a minimum period of service becomes eligible for a certain percentage of his salary as pension after his retirement from service. He gets it regularly every month as if he were in service.

Here, the rate of pension is dependent on the period of service. An employee with 15 years of service can retire and become entitled for half of his pension. An employee who retires after 30 years of service is normally paid full pension, which may work out to about 40 per cent of the basic salary, last drawn by him. Normally an employee is permitted to retire after 25 years of service or at the age of 55 whichever is earlier. There are many industrial establishments where employees retire on account of superannuation only at the age of 60 years.

In the case of an employee who is permanently disabled by an industrial injury, he becomes entitled to pension for life as per provisions of the Employees' State Insurance Act.

A combined scheme of gratuity and pension in partial payment is considered as the best method.

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Further extension of the pension scheme for payment of pension in the event of the death of the employee to his widow during her life time, provided she does not get re-married, and minor children, until they become majors, is a matter, accepted in principle by enlightened undertakings.

### **Voluntary Retirement Scheme**

In the post 1990s scenario of corporate restructuring, VRS has emerged as the most popular method for downsizing of workforce. Voluntary retirement refers to premature termination of employment while retirement means superannuation. Further, the word 'retirement' implies 'termination of employer-employee relationship at the conclusion of pre-agreed terms on attaining the age of superannuation.' On the other hand, the term 'voluntary retirement' refers to a situation when an employee on his own volition decides to terminate the employer-employee relationship before the 'maturity of terms and conditions of employment.' In other words, Voluntary retirement is premature and voluntary ending on employment contract by the employee.

According to a World Bank Report, 'Voluntary retirement mechanisms are the most widely used mechanism for reducing the size of workforce and arguably the most politically and socially acceptable largely because of their voluntary nature.' A typical voluntary retirement scheme is a program which invites the worker to 'vacate' their positions in the company in exchange for a pre-determined compensation package. The compensation package may consist of only cash payment or it can be in form of cash and pension or just increased pensions or stock options in new private enterprises (in case of mergers) or other benefits, plus cash compensation. Most voluntary retirement schemes are carefully designed with a liberal dose of compensation in order to induce employees to embrace retirement 'voluntarily.' Since companies want the compensation package to act as an inducement, they are more generous than any statutory settlement payable under national labour laws.

### **12.6.3 Other Welfare Measures to Build Employee Commitment**

- Some companies offer their employees residential facilities in prime locations. Public sector units and some old companies have 'employee quarters' in the prime locations in various cities. Some employers also arrange for healthcare and education facilities within the residential premises of the employees.
- In-house training sessions are arranged by many employers, to ensure re-skilling of their employees. Some employers also encourage employees to take up professional courses and sponsor such spends.

### **Check Your Progress**

4. Define grievance.
5. What is 'industrial relations'?

### **NOTES**

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## **12.7 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS**

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1. The Employees' State Insurance Act was passed in 1948.
2. Dependents' benefit is given to the dependents of the employee of a dead insured employee. The benefit is given if an employee dies in an industrial accident.
3. Retrenchment means the termination of service of an employee for any reason; but it certainly isn't a punishment imposed as a disciplinary action.
4. Grievance is any dissatisfaction or feeling of injustice in connection with one's employment situation that is brought to the attention of the management.
5. 'Industrial relations' is a designation of a whole field of relationships that exist because of the necessary collaboration of men and women in the employment processes of industry.

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## **12.8 SUMMARY**

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- The Employees' State Insurance Act was passed in 1948 to make available various social welfare facilities available to the employees of a company through one agency.
- The ESIS is a breakthrough in the history of social security in India.
- The main objective of this scheme is to launch social insurance for the employees of a company in order to provide them social security during situations, such as illness, long-term sickness or any other health hazard.
- The ESIS Act is monitored by the Employees' State Insurance Corporation (ESIC), which is established by Central Government. ESIC has its own funds, known as ESI fund that provides cash benefits to insured persons, medical benefits, such as hospitals and dispensaries.
- The Workmen's Compensation Act was established by the government in the year 1923.

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- The Maternity Benefit Act was launched in 1961. This is a compensation given against the loss of salary to a woman who discontinues to work during the period of pregnancy.
- Employee separation is a process which ensures that an employee who is leaving the organization makes his exit in a structured and systematic manner.
- Several companies take this process very seriously and therefore have a dedicated department to handle the exit of employees from the organization. There are two types of employee exits.
- The concept of grievance has been defined in several ways by different scholars. According to Dale Bearch, 'grievance is any dissatisfaction or feeling of injustice in connection with one's employment situation that is brought to the attention of the management.'

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### 12.9 KEY WORDS

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- **Insurance:** It is a means of protection from financial loss. It is a form of risk management, primarily used to hedge against the risk of a contingent or uncertain loss.
- **Pension:** It refers to regular payment made by the state to people of or above the official retirement age and to some widows and disabled people is called pension.
- **Grievance:** It is a complaint. It can be formal, as when an employee files a *grievance* because of unsafe working conditions, or more of an emotional matter, like a *grievance* against an old friend who betrayed you.

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### 12.10 SELF ASSESSMENT QUESTIONS AND EXERCISES

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#### Short-Answer Questions

1. What are the most important laws and acts that have been passed since independence for the benefit of employees?
2. Write a short note on the Employees' State Insurance Act, 1948.
3. What are the schemes introduced under the Employees' Provident Fund Act, 1952?
4. What are the provisions under the Factories Act, 1948?

### **Long-Answer Questions**

1. What are the two types of employee exits?
2. Discuss the process of employee separation.
3. Critically analyse the features of grievance.

### **NOTES**

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### **12.11 FURTHER READINGS**

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# **UNIT 13 INDUSTRIAL RELATIONS AND COLLECTIVE BARGAINING**

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## **Structure**

- 13.0 Introduction
- 13.1 Objectives
- 13.2 Trade Unions
- 13.3 Collective Bargaining
- 13.4 Discipline Administration
- 13.5 Grievances Handling
- 13.6 Managing Dismissals and Workers Participation in Management
- 13.7 Answers to Check Your Progress Questions
- 13.8 Summary
- 13.9 Key Words
- 13.10 Self Assessment Questions and Exercises
- 13.11 Further Readings

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## **13.0 INTRODUCTION**

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In the previous unit, you learnt about various laws related to employee welfare. Here, we will discuss trade unions and collective bargaining.

In India, the State also plays a vital role in industrial relations, with its emphasis on welfare, maintaining a balance between labour and management. Moreover, the Trade Unions Act, 1926, allows employees to form registered trade unions for collective bargaining. The Act gives the registered trade unions certain protection and privileges. The government also formulated a comprehensive scheme on 30 December 1983 for workers' participation in management. The scheme, applicable to all public sector undertaking, allows both the workers and the management to have equal participation in the shop/plant forums. Along with these concepts, the unit will also discuss separation and discipline administration.

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## **13.1 OBJECTIVES**

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

- Discuss about industrial relations and collective bargaining
- Learn about trade unions and collective bargaining

- Understand discipline administration and grievances handling
- Describe need and methods of separation

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## **13.2 TRADE UNIONS**

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## **NOTES**

Under the Trade Unions Act, 1926, employees (including association of employers) are registered to form trade unions for collective bargaining. The Act gives the registered trade unions certain protection and privileges.

### **Scope and coverage**

The extent of this Act is the entire country. All kinds of unions aiming at regularizing the labour–management relations come under the fold of this Act. According to Section 2(h) of the Act, a ‘trade union’ regulates not only the relations between employees and employers but also between employees and their colleagues.

The Act is a central enactment but it is administered by and large, by the state governments. Trade unions whose objectives are not restricted to one state, are the subject of the Central Government. The state government shall appoint a Registrar of trade unions assisted by Additional or Deputy Registrars, for each State. The state government shall also make regulations for enforcing the provisions of the Act.

Although it is not necessary to register a trade union, it is desirable since a trade union which registered is entitled to certain rights and privileges. As many as seven workers of a company can form a trade union. The executive committee of the union should be constituted according to the provisions of the Act. The rules of the trade union should clearly mention its name and objects, the purposes for which its funds can be used, provision for maintenance of a list of members, procedure for admission of ordinary, honorary or temporary members, rate of subscription (being not less than ₹ 0.25 per member), procedure for amending or rescinding rules, manner of appointing executive committee and other office-bearers, safe custody of funds, audit and inspection of account books, procedure for dissolution of the union and changing its union. After all the requirements have been fulfilled, the Registrar shall register the trade union.

### **Who can be a member?**

All persons who have attained the age of 15 years, are eligible to be a member of a registered trade union, subject to the rules of the union.

### **Appointment of office-bearers**

At least 50 per cent of the office bearers of a union should be employed in the industry related to the trade union. Outsiders such as lawyers, politicians,

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social workers, etc. can constitute the remaining 50 per cent. For being appointed as an office bearer, one must be:

- (a) 18 years old or above; and
- (b) should not been convicted by a court of law.

### **Cancellation of registration**

The registration of a trade union can be cancelled if an application has been forwarded for its cancellation. The Registrar can cancel a trade union by giving at least 2 months' notice under any of the following circumstances.

- (a) if registration has been obtained by fraud or mistake
- (b) if the union has ceased to exist
- (c) if it has wilfully contravened any of the provisions of the Act; or
- (d) if any rule which is required under Section 6, has been deleted.

### **Legal status of a Registered Trade Union**

- (i) A trade union is a corporate body with perpetual succession and a common seal.
- (ii) It can acquire, hold, sell or transfer any movable or immovable property and can be a party to contracts.

### **Dissolution of Trade Union**

A notice of dissolution signed by any seven members and the secretary of the Union should be sent to the Registrar within 14 days of the dissolution. If the Registrar is satisfied, the notice will be registered and the union will be dissolved.

### **Obligations**

1. The registered trade union should spend its fund on payment of salaries, allowances and expenses of its office-bearers, expenditure incurred on administration and audit, allowances for death, old age, sickness, accident or unemployment of its members, publication of labour journals, etc. A separate political fund to further civic and political interests may be set up.
2. The account books and membership register of the trade union should be kept open for inspection by any of its members or office-bearers.
3. The Registrar should receive a copy of every alteration made in the rules within a fortnight of making the alternation.
4. The Registrar should receive annual statement of receipts and expenditures and assets and liabilities of the union for the year ending on 31st December.

## Rights of Registered Trade Unions

A trade union has a right to demonstrate. A trade union has a right to appeal against an order of the Registrar either refusing or cancelling registration, to the Civil Court/High Court, within the prescribed time.

## Multiplicity of Trade Unions

According to the Trade Unions Act, 1926, in India, any seven persons can form a union. This Act allows such people to raise issues, such as initiate arguments, file suits and even bargain with employers. As there are no limits to the formation of unions in one organization, small sections of workers form separate unions.

Although a strong union fights for the welfare and interest of the workers, and helps in organizational stability and growth, the existence of several trade unions in one institution may act as a barrier in collective bargaining. As a result, the growth and welfare of the both the employees and the organization may be affected.

## Issues due to multiplicity of trade unions

Several trade unions in one organization can result in several problems, affecting the growth and stability of both the workers and the organization. Some of these issues are:

- Limited representation
- Inter-union opposition
- **Limited representation:** Multiplicity of trade unions in an organization have small portion of the total workforce. Each union has its own issues and requirements. As a result, it is difficult for all the unions to unite as a single body and make a single list of demands. The multiple trade unions therefore make the bargaining power of the workers very weak.
- **Inter-union opposition:** Multiple trade unions in an institution also lead to inter-union contention. Unions try every possible measure to get a stronger hold on the workers. This results in the loss of interest of the workers in unionism. In such situations, deceitful employers take advantage of this rivalry and may refuse to bargain saying that there is a lack of a strong representative union.

### Check Your Progress

1. What is the main proposal of the Trade Unions Act, 1926?
2. Who can be a member of a trade union?

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### **13.3 COLLECTIVE BARGAINING**

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#### **NOTES**

Two important agents for institutionalization of conflict are trade unions and collective bargaining. Collective bargaining can help to institutionalize conflict by encouraging labour to work under certain guidelines, by persuading them to accept the need for a compromise and by leading them to believe that gains can be made within the confines of the present system.

Collective bargaining is concerned both with determining the price of labour and the conditions under which labour works. Through collective bargaining, trade unions seek not only to secure high wages but to reduce the impact of arbitrary management decision on their members.

Collective bargaining is distinct feature of the modern industrial era. Collective bargaining is defined to cover the negotiation, administration, interpretation, application and enforcement of written agreements between employers and unions representing their employees setting forth joint understandings as to policies and procedures governing wages, rates of pay, hours of work and other conditions of employment. The process of collective bargaining is called bargaining because each side applies pressure on the other. Mere representation of views for consideration is not bargaining. The best known forms of pressures are threats of strikes and lockouts.

Collective bargaining is a process of voluntary agreement. Agreement comes when one or both of the parties would rather accept the other's terms than face the consequences. The term 'collective bargaining' was coined by Sidney and Beatrice Webb, the famous historians of the British labour movement in 1891. It is an extremely useful shorthand term for describing a continuous, dynamic, institutional process for solving problems arising directly out of employer–employee relationship.

The practice of collective bargaining has developed from the theory that the individual employee as such is an ineffective participant in the labour market. He has neither the knowledge nor the resources to take advantage of the best opportunities for disposing of his services. Under these circumstances if the worker acts in his individual capacity he is most likely to receive a lower level of compensation for his services. These limitations on the ability of an individual worker might be removed either through Government interference or through collective bargaining. Government may fix up wages of an individual worker. Collective bargaining is a technique which seeks to determine the rates of pay without the arbitrary control of Government. For this reason it is regarded as democratic means of achieving the compensation of human services. The practice of collective bargaining has developed mainly because individual workers have been given economic advantages to be gained in such co-operative markets. It is through collective bargaining that workers improve their positions in the labour markets.

Collective bargaining represents a situation in which the essential conditions of employment are determined by a bargaining process undertaken by representatives of a group of workers on the one hand and of employers on the other. It is called 'collective' because employees pool their interests and bargain as a group and employers may also act as a group rather than as individuals. In collective bargaining, individual employees make the union their agent and accept the terms and conditions arranged by their representatives and employers recognize the union and its officers as the business representatives of their employees.

Prof. Slichter has rightly pointed out that collective bargaining does more than merely establish a few simple working conditions. It actually defines a broad area of civil rights in industry by providing for both managerial and union action according to specified rules rather than arbitrary and capricious decisions. It sets up a system of 'industrial jurisprudence' in relationships between employers and employees. It thus provides an objective declaration of labour policy governing specified areas of employment relationships.

Collective bargaining is an institutional process of representations. The chief participants in collective bargaining do not act for themselves. They are representatives of their respective institutions. In collective bargaining the employer does not deal directly with his worker. He deals with an institution authorized to represent the workers for the purposes of negotiating and administering the terms and conditions of employment. This representative nature of the organized union-management relationship applies to contract administration as well as to negotiation. Collective bargaining is a complex process because it involves psychology, economics, politics and power.

Collective bargaining may occur at several levels. At the shop-floor level, it may take place between shop stewards and plant management and is called 'workplace bargaining' or 'plant bargaining.' At the level of the company, it may take place between unions and management and has been designated as 'company bargaining.' At the level of an industry, it may take place between a union or federation of unions and an employers' association. This type of bargaining is called 'national bargaining.' In addition to 'formal bargaining,' there may be 'informal bargaining' exerting marked impact in organizational settings. Further the collective bargaining may be on ad-hoc basis or permanent basis.

The conclusion of collective bargaining is the collective agreement or 'labour contract.' It is the written statement of the terms and provisions arrived at by collective bargaining. It is either a mimeographed document or a small printed booklet.

From a functional standpoint, collective bargaining may be regarded as an institutional process for (i) fixing the price of labour; (ii) establishing a system of industrial jurisprudence and (iii) providing machinery for

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representation of the individual and group interests of employees under the contract.

There are three kinds of collective agreements in India. First, there exists agreements arrived at in voluntary negotiations between the management and unions. Second, there is collective bargaining arrangement legally designated as a 'settlement.' This type of bargaining is arrived at conciliation proceedings and is accordingly tripartite in character. Thirdly, there is an agreement called 'consent awards.' They are negotiated between the conflicting parties when a dispute is really proceeding or pending before an industrial court and thereafter included in the adjudicators' award.

### **Features of Collective Bargaining**

Collective bargaining is regarded as a constructive response to industrial conflict as it reflects a willingness to remove the conflicts by discussion and understanding rather than by warfare.

Collective bargaining is not an ideal system. At best, it is an imperfect institutional process that works reasonably well in an imperfect society. No one has now come forth with any alternative procedure that will work better. Collective bargaining is necessarily a pragmatic process.

1. It is a two-way process. It is a mutual give and take rather than take it or leave it method of arriving at the settlement of a dispute. Both parties are involved in it. A rigid position does not make for a compromise settlement. Collective bargaining is a 'civilized confrontation' with a view to arriving at an agreement, for the object if not 'warfare' but 'compromise.'
2. It is a continuous process which provides a mechanism for continuing an organized relationship between the management and trade unions. Collective bargaining begins and ends with the writing of a contract.
3. Collective bargaining is not a competitive process but it is essentially a complementary process.
4. Collective bargaining is a negotiation process and it is a device used by wage earners to safeguard their interests. It is an instrument of an industrial organization for discussion and negotiation between the two parties.

### **Prerequisites for Successful Collective Bargaining**

Certain conditions must be satisfied for collective bargaining to be effective. These are as follows:

1. The parties must attain a sufficient degree of organization. If the workers' organization is weak, employers can say that it does not represent the workers and will refuse to negotiate with it. Unless the

workers are able to form strong and stable unions, collective bargaining will not be successful.

2. Freedom of association is essential for collective bargaining. Where there is no freedom of association, there can be no collective bargaining. Freedom of association implies that the workers as well as the employers will have the right to form an organization of their own to protect their interests.
3. There should be mutual recognition between both the groups. Collective bargaining cannot begin if the employers do not recognize the workers' organization. The conflict of interests makes the two groups hostile to each other. They must recognize each other and realize that adjustment and understanding is essential for the achievement of organizational goals.
4. There must exist a favourable political climate, essential for successful collective bargaining. If the government encourages collective bargaining as the best method of regulating conditions of employment, it will be successful. Where the governments restrict trade union activities, there can be no collective bargaining.
5. Agreement must be observed by those to whom they apply. The workers' organization must be strong enough to exercise its authority over its members. If the trade union has no power over its members, collective bargaining will not be effectively implemented.
6. A give and take policy must prevail in the organization. The difference between two parties can be adjusted only by compromise so that an agreement can be reached. Neither side should be too rigid on its demand. Their attitudes should be flexible and both sides should be ready to give up some of its demands. Unions should not rigidly insist upon unreasonable demands and should be ready to reduce its demands to come to an agreement.
7. Sometimes unfair labour practices are resorted to by both the employers and the trade unions. These will restrict the development of collective bargaining. Unfair labour practices should be avoided by both the sides, as this will create an atmosphere of goodwill.

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### Check Your Progress

3. What are the two important agents of institutionalization?
4. What does collective bargaining represent?

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## **13.4 DISCIPLINE ADMINISTRATION**

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In so far as maintenance of effective employee discipline is concerned, the HR manager has got a crucial role to play. He has got a number of responsibilities in this regard.

1. Advising and assisting top line management in determining and developing an appropriate disciplinary procedure.
2. Assisting in communication of the disciplinary procedure to all employees of the organization.
3. Making sure that the disciplinary policy conforms to the legal provisions.
4. Making sure that the disciplinary action is fair and conforms with appropriate principles of personnel management.
5. Training the supervisors and executives in dealing with disciplinary cases and problems.

Analysing the role of the HR manager in regard to employee discipline, the Indian Institute of Personnel Management indicates – ‘In advising management whether to proceed with a disciplinary case, the personnel officer must give careful thought to the likely repercussions on discipline and general relationship in the organization. Even when there is a prima facie case against an employee, it is to be considered whether an enquiry, with all the publicity and excitement that it causes, is advisable, or whether some other line of action might prove more effective in improving discipline for the future, such as consultation with the trade union or works committee in the hope that social pressure may be brought on the delinquent to apologize and not repeat the offence’.

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## **13.5 GRIEVANCES HANDLING**

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A grievance procedure is a formal process which is preliminary to an arbitration which enables the parties involved to attempt to resolve their differences in a peaceful, orderly and expeditious manner.

The Code of Discipline adopted by the Indian Labour Conference in 1957 laid down that the management and unions should establish, upon a mutually agreed basis, grievance procedure which would ensure a speedy and full investigation leading to a settlement. At present, the Model Grievance Procedure in India provides for five successive time bound steps, each leading to the next unless the aggrieved employee prefers an appeal (see Table 13.1). These steps are as follows:

**Table 13.1** *Grievance Handling Procedure Suggested by Indian Institute of Personnel Management*

1. In the first instance, the grievance should be settled at the lowest level, that is, the employee should raise his grievance with his immediate superior.
2. It should be made clear to the employee that he may appeal if he does not get satisfaction from his immediate superior. He should know who the next person in the echelon of management is to whom he should refer his grievance.
3. The grievance should be speedily dealt with.
4. If the grievance is against any instructions issued by the superior, the employee should clearly understand that in the interest of discipline, the instructions must first be carried out before the grievance can be considered and decided upon. It is only when this has been done that the employer will register his protest and set the grievance handling procedure in motion.
5. It should be clearly understood by the employee that there will be no recourse to any official machinery till the grievance redressal procedure has been set in the motion and that in the event the employee is still dissatisfied, there will be no direct action by either party which might prejudice the case or raise doubts while the grievance is being investigated.

**Source:** Indian Institute of Personnel Management's *Personnel Management in India*, 1973 pp. 188–89.

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**Step I:** The aggrieved employee verbally explains his grievance to his immediate supervisor or in a conference or a discussion specifically arranged for the purpose. The employee seeks satisfaction from his supervisor. The supervisor must give his answer within forty-eight hours of the presentation of the complaint. The grievance can be settled if the supervisor has been properly trained for the purpose, and if he adheres strictly to a basic problem-solving method.

**Step II:** The second step begins when the grievance is not settled by the supervisor. If the employee does not receive an answer within the stipulated time or he is not satisfied with the answer, he shall either in person or with his departmental representative present his grievance to the head of the department designated for this purpose. The head of the department is generally the chief business manager, a superintendent or an industrial relations officer who goes into the grievance and gives his decision on the matter. He is required to furnish his answer within three days of the presentation of the grievance.

**Step III:** If the employee is not satisfied with the answer, he can approach the grievance committee which shall evaluate the case and make its recommendations to management within seven days of presentation of the case. The grievance committee is composed of some fellow-employees, the shop steward or a combination of union and management representatives. The committee may suggest any one of the possible solutions:

- o It may call upon the grievant to accept the employer's proposed settlement.

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- o It may advise him that the trade union will not press for anything more than has already been suggested.
- o In some cases, it may recommend that the issue be submitted for arbitration.
- o The employee would be informed about the recommendation with three days.

**Step IV:** If the committee fails to take a decision within the stipulated period or if the employee is not satisfied with the decision, he can make an appeal for revision to management. Management is supposed to communicate its decision within seven days of the worker's revised petition.

**Step V:** If the employee is dissatisfied with the management's decision, union and management may refer the grievance for voluntary arbitration within a week of the receipt of management's decision by the aggrieved employee. The parties may agree beforehand that the arbitrator's award will be final and binding on both the parties.

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### 13.6 MANAGING DISMISSALS AND WORKERS PARTICIPATION IN MANAGEMENT

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Employee dismissals are terminations from employment executed by an employer against the will of an employee. Two basic types of dismissals exist: reductions in force (RIF), which are also referred to as layoffs or corporate downsizing, and behavior-related terminations. Dismissals have been discussed in Unit 12.

Workers' participation is a broad concept. It has been differently viewed by sociologists, psychologists, economists and lawyers. Sociologists view workers' participation as an instrument of varying potentialities to improve industrial relations and promote industrial peace. Psychologists consider participation as a mental and emotional involvement of a person in a group situation which encourages workers to share managerial responsibility.

Being a dynamic subject, no rigid limits can be laid down for workers' participation for all industries and for all times. It can be elastic enough to include workers' representation even at the top level, namely, board of directors. It can also be confined to the extremely limited domain of consultation at the lowest level such as 'to promote measures for securing and preserving amity and good relations between the employer and workmen and to that end, to comment upon matters of their interest or concern and endeavour to compose any material difference of opinion in respect of such matters.'

Workers' participation in management has been classified into five stages. These are informative, consultative, associative, administrative and

decisive participations, the extent of each depending upon the quality of management and the character of the employee.

K.C. Alexander has, however, suggested different modes of workers' participation, viz. (i) collective bargaining, (ii) joint administration, (iii) joint decision-making, (iv) consultation, and (v) information sharing.

According to Kenneth F. Walker, various forms of workers' participation in management are ascending participation, descending participation, disjunctive participation and informal participation. In ascending participation, workers may be given an opportunity to influence managerial decisions at higher levels, through their elected representatives to works committee, shop or joint council or board of the establishment. In descending participation, they may be given more powers to plan and make decisions about their own work. They may participate through collective bargaining. They may also participate informally, when for example, a manager adopts a participative style of supervision of workers. These and other forms of participations have played a significant role in transforming the scope and concept of workers' participation.

#### **Separation: Needs and Methods**

It is to be noted that the needs and methods of separation have been discussed in Unit 12.

#### **Check Your Progress**

5. What is a grievance procedure?
6. Mention the different modes of worker's participation.

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### **13.7 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS**

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1. Under the Trade Unions Act, 1926, employees (including association of employers) are registered to form trade unions for collective bargaining.
2. All persons who have attained the age of 15 years are eligible to be a member of a registered trade union, subject to the rules of the union.
3. Two important agents for institutionalization of conflict are trade unions and collective bargaining.
4. Collective bargaining represents a situation in which the essential conditions of employment are determined by a bargaining process undertaken by representatives of a group of workers on the one hand and of employers on the other.

#### **NOTES**

## NOTES

5. A grievance procedure is a formal process which is preliminary to an arbitration which enables the parties involved to attempt to resolve their differences in a peaceful, orderly and expeditious manner.
6. Different modes of workers' participation, are (i) collective bargaining, (ii) joint administration, (iii) joint decision-making, (iv) consultation, and (v) information sharing.

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### 13.8 SUMMARY

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- Under the Trade Unions Act, 1926, employees (including association of employers) are registered to form trade unions for collective bargaining. The Act gives the registered trade unions certain protection and privileges.
- The extent of this Act is the entire country. All kinds of unions aiming at regularizing the labour–management relations come under the fold of this Act.
- At least 50 per cent of the office bearers of a union should be employed in the industry related to the trade union. Outsiders such as lawyers, politicians, social workers, etc. can constitute the remaining 50 per cent.
- A notice of dissolution signed by any seven members and the secretary of the Union should be sent to the Registrar within 14 days of the dissolution.
- Two important agents for institutionalization of conflict are trade unions and collective bargaining.
- Collective bargaining can help to institutionalize conflict by encouraging labour to work under certain guidelines, by persuading them to accept the need for a compromise and by leading them to believe that gains can be made within the confines of the present system.
- Collective bargaining is an institutional process of representations. The chief participants in collective bargaining do not act for themselves.
- Collective bargaining is regarded as a constructive response to industrial conflict as it reflects a willingness to remove the conflicts by discussion and understanding rather than by warfare.
- The Code of Discipline adopted by the Indian Labour Conference in 1957 laid down that the management and unions should establish, upon a mutually agreed basis, grievance procedure which would ensure a speedy and full investigation leading to a settlement.
- Workers' participation is a broad concept. It has been differently viewed by sociologists, psychologists, economists and lawyers.

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## 13.9 KEY WORDS

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- **Inspection:** It is the act of looking at something carefully, or an official visit to a building or organization to check that everything is correct and legal.
- **Trade Union:** It is an organized association of workers in a trade, group of trades, or profession, formed to protect and further their rights and interests.

## NOTES

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## 13.10 SELF ASSESSMENT QUESTIONS AND EXERCISES

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### Short-Answer Questions

1. Write a short note on the coverage and scope of trade union.
2. What are the issues that arise due to the multiplicity of trade unions?
3. Mention the features of collective bargaining.
4. What are the steps that need to be followed for grievance handling?

### Long-Answer Questions

1. What is collective bargaining? Discuss.
2. What are the conditions that need to be satisfied to make collective bargaining effective?
3. Discuss the role of a HR manager.

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## 13.11 FURTHER READINGS

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- Aquinas, P. G. 2005. *Human Resources Management – Principles and Practice*. New Delhi: Vikas Publishing House Pvt Ltd.
- Decenco, David A. and Stephen P. Robbins. 1989. *Personnel/HRM*, 3rd Edition. New Delhi: Prentice-Hall of India.
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# UNIT 14 HUMAN RESOURCE INFORMATION SYSTEM

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## NOTES

### Structure

- 14.0 Introduction
- 14.1 Objectives
- 14.2 Human Resource Information System: An Overview
  - 14.2.1 Need, Objectives and Advantages of HRIS
- 14.3 Personnel Records/Reports and E-Record on Employees
  - 14.3.1 Personnel Research and Personnel Audit: Objectives, Scope and Importance
- 14.4 Answers to Check Your Progress Questions
- 14.5 Summary
- 14.6 Key Words
- 14.7 Self Assessment Questions and Exercises
- 14.8 Further Readings

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## 14.0 INTRODUCTION

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This unit will discuss the Human Resource Information System or HRIS. HRIS can be defined as an integrated system used to gather, store and analyse information regarding an organization's human resources (HR). This system helps automate and manage the organization's HR, payroll, management and accounting activities. The information required for various functions of human resource management are as follows:

- Procurement function
- Development function
- Compensation function
- Maintenance function
- Integration function

During recent times, organizations mostly use computerized HRIS. A computerized HRIS is an information system that makes use of computers to monitor, control and influence the movement of human beings from the time they indicate their intention to join an organization till the time they leave the organization.

Accounting and auditing of human resources is also an integral part of the HRIS. Human resource accounting (HRA) is the measurement and reporting of the costs incurred for recruiting, hiring, training and developing

employees and their present economic value to the organization. It involves the assessment of the costs and value of the people as organizational resources.

Informed employers also voluntarily use HR audit as a tool for evaluation and control of personnel function. HR audit is used widely to check the organizational performance in the management of human resources.

This unit will therefore discuss the importance of HRIS, with an emphasis on the needs, objectives and advantages of the system, and the significance of human resource accounting and audit.

## NOTES

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### 14.1 OBJECTIVES

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

- Learn about human resource information system
- Describe the purpose of personnel research and personnel audit
- Understand the objectives, scope and importance of personnel audit

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### 14.2 HUMAN RESOURCE INFORMATION SYSTEM: AN OVERVIEW

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Human resource information system (HRIS) is a system used by an organization to collect, analyse and report information about its people and jobs. It applies to information needs at the macro and micro levels. HRIS is simply a database system offering important information about employees in a central and accessible location. When such information is required, the data can be retrieved and used to facilitate human resource planning decisions.

#### Information needs in HRM

A human resource manager requires a lot of information and data pertaining to all aspects of human resource management (HRM). HRIS ensures that this information, which is essential for planning, controlling, decision-making and preparing reports, is made available to them. The information needed to satisfactorily perform various functions of human resource management are:

- **Procurement function**
  - o Inventory of present and future manpower
  - o Possible changes influencing manpower utilization
  - o Cost of recruitment and replacement
  - o Matching of required skill with the available skill

## NOTES

- **Development function**
  - o Cost of training programmes and the benefits from them
  - o Plans related to career and succession
  - o Performance measurement
- **Compensation function**
  - o Costs of employees in terms of turnover
  - o Connection between productivity and wages
  - o Effect of money on work motivation
- **Maintenance function**
  - o Causes and costs of employee separation
  - o Absenteeism, turnover and other indicators of organizational health
  - o Incentives needed for voluntary separation (VRS), if necessary
- **Integration function**
  - o Causes of change in productivity level
  - o Cost of adoption to environmental changes
  - o Impact of changes in technology and markets

### Computerized HRIS

A computerized HRIS is an information system that makes use of computers to monitor, control and influence the movement of human beings from the time they indicate their intention to join an organization till the time they leave the organization. According to S. Chandrashekar, it consists of the following subsystems:

- **Recruitment information:** It includes advertisement module, applicant's profile, appointment and placement data.
- **Personnel administration information:** It consists of personnel needs of an employee concerning leaves, transfer, promotion, increment, etc.
- **Manpower planning information:** It offers data that could help human resource mobilization, career planning, succession planning and inputs for skill development.
- **Training information:** It provides information for designing course material, arranging need-based training and appraising the training programme, etc.
- **Health information:** It consists of data related to health, welfare and safety of employees.

- **Payroll information:** It provides data regarding wages, salaries, incentives, allowances, fringe benefits, deductions for provident fund, etc.
- **Personnel research information:** It is a bank of historic and current data about employee attitude, turnover, **absenteeism**, which may be used for different types of analyses

## NOTES

### 14.2.1 Need, Objectives and Advantages of HRIS

The need for HRIS is felt for the following reasons:

- The personnel records, when kept manually, do not offer up-to-date information at short notice.
- The manual transfer of data from one record to another may increase the chances of error.
- The clerical work involved is quite labour intensive and costly.
- The manual analysis of data is time-consuming and quite often not readily available for decision-making purpose.
- Information is not available at a central, easily accessible place since records are kept at separate locations, handled by different persons in different departments.

### Objectives of HRIS

The objectives of HRIS are as follows:

- To supply up-to-date information at a reasonable cost
- To offer an adequate and comprehensive information system about human resources
- To offer data security through passwords and elaborate codes. Thus, it helps in maintaining privacy

### Advantages of HRIS

The advantages of HRIS are as follows:

- For large organizations that employ very large number of people, it becomes necessary to employ HRIS.
- In a geographically dispersed company, every office requires timely and accurate information about manpower. If information is stored in multiple locations, costs and inaccuracy will increase.
- Modern-day compensation package is complex consisting of many allowances and deductions. HRIS helps in easy calculation of these.

## NOTES

- An employer has to comply with several labour laws. A computerized information system would store and retrieve data quickly and correctly enabling the employer to comply with statutory requirements.
- With the help of a computerized personnel information system, employee records and files can be integrated for fast retrieval, cross-referencing and forecasting.
- Necessary flexibility for adaptation to changes in environment can be built into a mechanized information system.

### Designing a modern HRIS

The steps involved in the development of a sound HRIS are as follows:

- **Preliminary systems analysis:** It involves definition of the problem, specification of objectives and operational needs, constraints affecting the system, making feasibility study and submission of the report.
- **Systems design:** Alternatives to meet the objectives are described and evaluated. The requirements of the chosen alternatives are specified and its effects on people are estimated.
- **Systems engineering:** The study of engineering components and their cost- effectiveness is made. This study will help the top management to make the right choice.
- **Systems testing and implementation:** The HRIS along with its subsystems should be installed and tested.
- **Systems monitoring and evaluation:** The performance of the system is measured and evaluated so that modifications may be done to solve the human problems in systems design and control.

#### Check Your Progress

1. What is Human Resource Information System (HRIS)?
2. What is a computerized HRIS?

### 14.3 PERSONNEL RECORDS/ REPORTS AND E-RECORD ON EMPLOYEES

With the advent of technology, we have modern tools to keep track of personnel records and update them timely. Personnel records document the contractual relationship between employer and employee and provide a history of the employee's career. The information held in these records is used

to make a wide range of decisions, for example about promotion, transfer, termination or disciplinary action.

### **14.3.1 Personnel Research and Personnel Audit: Objectives, Scope and Importance**

## **NOTES**

Research is carried out to find out things. Rational managerial decisions can't be made without knowing about the current state of things and how they relate to each other. The use of scientific research methods helps us in learning the real state of things, rather than just inferring how they are.

Basic personnel research gives a complete understanding of human behaviour in the context of organizations. With the aid of this research, organizations could be designed optimally which would make people more content and hence, more productive. As a result organizations can become more successful.

There are two types of personnel research: (i) basic and (ii) applied.

- (i) Basic research is a general term that attempts to reveal the truth about personnel that is applicable across various people and institutions. Generally, academics perform this research, which is published in scholarly journals.
- (ii) Applied research has a more focussed approach. It seeks to find out what is happening to a certain group of people in a specific situation. This research is usually performed by human resource managers and personnel consultants.

Personnel research can be applied in various ways. It can be applied to solve an urgent problem within a company. Supposedly, employees of a certain company are not sending in their travel reimbursement slips on time. In such a scenario, by applying personnel research, the company can figure out an effective way where it can persuade its employees to speed up the sending of reimbursement slips. By applying the same research, a company can also find out why a large number of employees are not happy with their job role.

The research can also be applied to figure out the various hobbies of employees, so that it can create fields to encourage them. With the help of this research, a company can also analyze data, such as salaries, to identify and correct inequities in the workplace.

### **Human Resource Accounting and Personnel Audit**

The American Accounting Society Committee on Human Resource Accounting defines human resources accounting as the process of identifying and measuring data about human resources and communicating this information to interested parties.

## NOTES

Flamhoitz defines HRA as ‘accounting for people as an organizational resource’. It involves measuring the costs incurred by organizations to recruit, select, hire, train and develop human assets. It also involves measuring the economic value of people to the organization.

According to Woodruff Jr, Vice-President of R.G Barry Corporation, ‘Human resource accounting is an attempt to identify and report investments made in human resources of an organization that are presently not accounted for in conventional accounting practice. Basically it is an information system that tells the management what changes over time are occurring to the human resources of the business.’

Stephen Knauf defines HRA as ‘The measurement and quantification of human organizational inputs such as recruiting experience and commitment.’

From the above definitions, we may define HRA as the measurement and reporting of the costs incurred for recruiting, hiring, training and developing employees and their present economic value to the organization. It involves the assessment of the costs and value of the people as organizational resources.

### **Objectives of HR accounting**

According to Rensis Likert, one of the earliest proponents of HRA system, it fulfils the following objectives:

1. Provide cost value information about acquiring, developing, allocating and maintaining human resources so as to meet organizational goals
2. Enable management to effectively monitor the use of human resources
3. Find whether human assets are appreciating or depreciating over a period of time
4. Assist in the development of effective management practices by classifying the financial consequences of various practices

To these objectives of HRA, the following may be added:

1. Better decisions about human resources on improved information system
2. Better human resource planning, enabling long-term opportunity for planning and budgeting
3. To attract good, competent and efficient personnel to work for the organization
4. In taking decisions regarding promotion, transfer, training, retirement and retrenchment of such resources
5. For fixing the right person for the right job

6. In evaluating the expenditure, if any, incurred by the organization in giving further training and in evaluating the return on such investment in human resources
7. To motivate individual persons in the organization to increase their worth by training
8. In planning physical resources vis-à-vis human resources by giving valuable information

## NOTES

### **Advantages and limitations of HR accounting**

The following are the advantages and limitations of human resource accounting:

#### ***Advantages of HR accounting***

Human resource accounting helps in knowing whether human asset is being built up in the business or not. An executive may show good results in producing goods, etc., but he might not have built the human resources properly. A good manager keeps the morale of his subordinates high so that they can contribute their best in achieving the organizational objectives. The following advantages are derived from an HRA system:

1. It throws light on the strengths and weaknesses of the existing workforce in an organization. This in turn, helps the management in recruitment planning, whether to hire people or not. It thus provides useful information about the value of human capital which is essential to managers for taking the right decisions, e.g., choice between:
  - Direct recruitment and promotion
  - Transfer and retention
  - Retrenchment and retention
2. The management can evaluate the effectiveness of its policies relating to human resources. For instance, high costs of training may indicate the need for changes in policy for reducing labour turnover. The management can also judge as to whether there is an adequate return on investment in human resources. HRA provides feedback to manager on his own performance.
3. It helps potential investors to judge a company better on the strength of the human assets utilized therein. If two companies offer the same rate of return on capital employed, information on human resources can help investors decide which company to be picked up for investment. The present law does not require the value of the human asset to be shown in the balance sheet.

## NOTES

4. It helps the management in taking appropriate decisions regarding the use of human assets in an organization, that is, whether to hire new recruits or promote people internally, transfer people to new locations or hire people locally, incur additional training costs or hire consultants keeping the impact on the long-run profitability in mind.
5. The return on investment (ROI) can realistically be calculated only when investment on human resources is also taken into account. The return on investment may be good because there is an investment on human beings. On the other hand, a low investment may be the reason of low investment on human asset. So ROI can give accurate results only when expenditure on employees is treated as an asset.
6. HRA may help to improve the motivation and morale of employees by creating a feeling that the organization cares for them. HRA will also help in improving the efficiency of employees. The employees come to know of the cost incurred on them and the returns given by them in the form of output, etc.
7. It can be seen whether the business has made proper investments in human resources in terms of money or not. If the investment is excessive then efforts should be made to control it.
8. HRA will give the cost of developing human resources in the business. This will enable the management to ascertain the cost of labour turnover also. There may be a high labour turnover and the management may not take it seriously in the absence of cost figures of human resources. Though it is not possible to eliminate labour turnover but in case the cost of labour turnover is high, then the management should try to reduce it as far as possible.

### Limitations of HR accounting

HRA is a source of essential information not just for the management but also for the investors. Yet, its development and application have not really been very encouraging. This is so because HRA has the following drawbacks:

1. **Not easy to value human assets:** No guidelines are available to differentiate between the 'cost' and 'value' of human resources. The existing valuation system has many negative points. Once the task of valuating human resources in a particular way has been completed, many human resources may just leave the organization. Human life itself is uncertain. Therefore, it is not right to evaluate the asset under such hazy conditions. An organization cannot own human assets like physical assets. They cannot use or retain them at their own sweet will

either. Therefore, it would be inappropriate to treat them as 'asset' in the true sense of the word. Once these 'assets' gain experience, they may simply leave the organization causing immense damage.

2. **Results in dehumanizing human resources:** There is always a chance of HRA leading to employees being manipulated or dehumanized. A person from the lower rungs may, for instance, lack motivation, which will affect his performance and productivity.
3. **No evidence:** There is no empirical evidence to support the hypothesis that HRA is an effective managerial technique for improving the management of human resources.
4. **HR is full of measurement problems:** The accountants and financial professionals do not agree on any one measurement process. They have yet to come up with a common solution with regard to the form and manner in which the process should be undertaken, and their value in the financial statements.

To further add to the problems, there is the question of making a decision regarding the recovery rates. How should the human resources be amortized in order to be able to value them? What about the rate of amortization? Should it be constant, decreasing or increasing? Should the rate differ from one category of personnel to the other?

5. **Employees and unions may not like the idea:** There is a constant fear that the trade unions may oppose HR accounting. Placing a value on employees may lead them to expect rewards/compensation based on such valuation. HRA may result in division among the ranks of employees. A group of employees may be valued lower than their real worth due to manipulations by the management. Such manipulative practices will be protested against by the unions.

### Personnel Audit

To recapitulate, an audit is a review and verification of completed transactions to see whether they represent a true state of affairs of the business or not. Though there is no legal obligation to audit personnel policies and practices, informed employers voluntarily use it as a tool for evaluation and control of personnel function.

### Qualitative and quantitative indicators for HR audit

Table 14.1 outlines the most commonly used qualitative and quantitative indicators of effectiveness classified by major functions. It should be remembered that these indicators are not fool proof and may not be applicable in all cases.

## NOTES

**Table 14.1** Qualitative and Quantitative Indicators for HR Audit

**NOTES**

Major Functions	Qualitative Indicators	Quantitative Indicators
1. Procurement	Personnel inventory, replacement tables, organization planning, job descriptions and specification, source evaluation, exit interviews, induction programmes	Turnover rates, selection rates, retrenchment, dismissal and lay-offs, recruitment time-lag and recruitment ratios
2. Utilisation	Identification of merits	Capacity utilisation, idle time-statistics, extra-time statistics, backlogs, turnover per employee, profits per rupee of personnel expenses, etc.
3. Training and Development	Training programmes, supervisory and management development programmes, systematic promotions, career planning, formal appraisals	Time taken in training, apprentice ratios, scrap losses, productivity increases
4. Compensation	Job evaluation programme, wage and salary surveys, complaint from employees about wage and salaries	Wage and salary differentials, benefit range and costs, number of employees earning bonus in excess of standard rate
5. Integration and Maintenance	House organ, employee hand-book, employee voluntary participation in optional service programmes	Measured morale, measured communication, absenteeism and turnover rates, number of grievances, suggestion ratios, accident rates
6. Labour Relations	Labour-management committees, contract interpretations, no strike clause	Work stoppages, grievances and their settlement, arbitrations, costs

**Source:** Tripathi, P.C. 1999. 'Personnel Management and Industrial Relations'. New Delhi: Sultan Chand and Sons, pp. 126–127.

**Process of HR audit**

The HR audit should do a thorough probe, evaluating HR policies, programmes, philosophy, practices and concepts and comparing with standards and with those of the personnel records of the said organization and other organizations. The level and depth of the audit should be decided in advance. Rao has included the following in an HR audit process:

- Identify indices, indicators, statistical ratios and gross numbers in some cases
- Examine the variations in time-frame in comparison with a similar previous corresponding period
- Compare the variations of different departments during different periods
- Examine the variations of different periods and compare them with similar units and industries in the same region.
- Draw trend lines, frequency distributions and calculate statistical correlations.

- Prepare and submit a detailed report to the top management and to the managers at appropriate levels for information and necessary action.

### **Audit of HR results**

The real test of HR policies and programmes lies in the results achieved. Comprehensive policy statements and elaborate procedural manuals are useless unless they yield good results. In the audit of results, the HR audit may calculate ratios and percentages from personnel statistics. Such measurement will reveal useful trends in manpower utilisation.

HR audit is a comparatively new area of audit. Therefore, the HR auditor has no body of laws, regulations and standard practices to guide him. The HR auditor has to depend upon his own judgement and records available within the organization. Moreover, HR audit may become a fault-finding exercise. For example, wherever certain deficiencies are detected, the management and workers may start blaming each other. To avoid such situations, a forward looking approach is required.

### **Audit report**

After examining various aspects of human resource management, the HR auditor compiles his observations, analysis, findings and recommendations in the form of a report. There is no prescribed format of the report in case of HR audit. The audit has to examine the various HR reports, personnel policies and practices. The HR audit report is meant mainly for the top management. However, certain aspects of the report, e.g., attitude survey and safety survey may be made available to employees. The report should be based solely on the findings and it should be submitted within a reasonable time after the audit work is over. The following items should be contained in the report:

- Table of contents
- Preface, giving a brief statement of the objectives
- Executive Summary, in which the entire report is summarised for the top executives; this should also contain the recommendations along with the factual information or findings.
- The report proper, in which a major division is covered as a special section; a clear and in-depth analysis of the data and information, furnished area-wise or department-wise. Each section should be complete, and should contain as many supporting data as are practical without making it too voluminous. Other data should be included in the appendix.
- Summary, which is general in nature and is relevant to all the persons concerned. This is more detailed than the summary and conclusions at the end of the report.

### **NOTES**

## NOTES

- Appendix, this includes supporting data and information which is not necessary in the main part of the report.
- Bibliography, which refers to important books and journals that are necessary for future reading, is included at the end.
- Audit report should be signed by all members making the audit.

### Check Your Progress

3. What is the purpose of basic personnel research?
4. What are the two types of personnel research?

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## 14.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

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1. Human Resource Information System (HRIS) is a system used by an organization to collect, analyse and report information about its people and jobs.
2. A computerized HRIS is an information system that makes use of computers to monitor, control and influence the movement of human beings from the time they indicate their intention to join an organization till the time they leave the organization.
3. Basic personnel research gives a complete understanding of human behaviour in the context of organizations.
4. There are two types of personnel research: (i) basic and (ii) applied.

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## 14.5 SUMMARY

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- Human Resource Information System (HRIS) is a system used by an organization to collect, analyse and report information about its people and jobs.
- A human resource manager requires a lot of information and data pertaining to all aspects of human resource management (HRM).
- A computerized HRIS is an information system that makes use of computers to monitor, control and influence the movement of human beings from the time they indicate their intention to join an organization till the time they leave the organization.

- Research is carried out to find out things. Rational managerial decisions can't be made without knowing about the current state of things and how they relate to each other.
- The use of scientific research methods helps us in learning the real state of things, rather than just inferring how they are.
- The American Accounting Society Committee on Human Resource Accounting defines human resources accounting as the process of identifying and measuring data about human resources and communicating this information to interested parties.
- Human resource accounting helps in knowing whether human asset is being built up in the business or not. An executive may show good results in producing goods, etc., but he might not have built the human resources properly.
- The real test of HR policies and programmes lies in the results achieved. Comprehensive policy statements and elaborate procedural manuals are useless unless they yield good results.

## NOTES

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### 14.6 KEY WORDS

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- **Turnover:** It is the amount of money taken by a business in a particular period.
- **Wage:** It is a fixed regular payment earned for work or services, typically paid on a daily or weekly basis.

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### 14.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

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#### Short-Answer Questions

1. What are the functions performed by human resource management?
2. What does a computerized HRIS consist of?
3. Write a short note on personnel research.

#### Long-Answer Questions

1. What are the advantages of HRIS? Explain.
2. Discuss the objectives of HRIS.
3. What are the objectives that an HRA system fulfils?
4. What are the advantages of HR accounting?

**NOTES**

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## 14.8 FURTHER READINGS

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- Aquinas, P. G. 2005. *Human Resources Management – Principles and Practice*. New Delhi: Vikas Publishing House Pvt Ltd.
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# Master of Business Administration

## 317 25

### HUMAN RESOURCE MANAGEMENT

II - Semester

HUMAN RESOURCE MANAGEMENT



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