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DIRECTORATE OF DISTANCE EDUCATION

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III-SEMESTER

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PRINCIPLES OF PERSONNEL MANAGEMENT

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1.1 INTRODUCTION

Personnel Management (staffing function of Management), also known as Human Resource Management. Personnel management is concerned with the proper use of human factors. Personnel management may be defined as that part of the management process, which is primarily concerned with the human constituents of an organization.

PersonnelMmanagement

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Self-Instructional Material

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Personnel management is defined as an administrative specialization that focuses on hiring and developing employees to become more valuable to the company. It is sometimes considered to be a sub-category of human resources that only focuses on administration.

Personnel management can be defined as obtaining, using and maintaining a satisfied workforce. It is a significant part of management concerned with employees at work and with their relationship within the organization.

According to Flippo, “Personnel management is the planning, organizing, compensation, integration and maintenance of people for the purpose of contributing to organizational, individual and societal goals.” According to Brech, “Personnel Management is that part which is primarily concerned with human resource of organization.”

1.2 DEFINITION

”The personnel function is concerned with the procurement, development, compensation, integration, and maintenance of the personnel of an organization for the purpose of contributing toward the accomplishment of that organization’s major goals or objectives. Therefore, personnel management is the planning, organizing, directing, and controlling of the performance of those operative functions.”

Edwin B. Flippo

According to French, “Personnel management is the recruitment, selection, development, utilization of and accommodation to human resources by organization. The human resources of an organization consist of all individuals regardless of their role, who are engaged in any of the organizations activities.”

“Personnel management is that field of management which has to do with planning, organising, and controlling various operative activities of procuring, developing, maintaining and utilizing a labour force in order that the objectives and interest for which the company is established are attained as effectively and economically as possible and the objectives and interest of all levels of personnel and community are served to the highest degree.”

M. J. Jucius, Personnel Management

“Personnel Administration is a method of developing the potentialities of employees so that they get maximum satisfaction out of their work and give their best efforts to the organisation.”

Pigors and Myres

“Personnel management is that part of management function which is concerned with people at work and with their relationships

within an enterprise. Its aim is to bring together and develop into an effective organisation the men and women who make up an enterprise and, having regard to the well-being of an individual and of working groups, to enable to make their best contribution to its success”.

*-The British Institute of Personnel
Management*

“Personnel Management is that part of the management function which is primarily concerned with human relationships within an organisation. Its objective is the maintenance of those relationships on a basis which, by consideration of the well-being of the individual, enables all those engaged in the undertaking to make their maximum personal contribution in the effective working of the undertaking.”

Indian Institute of Personnel Management, Kolkata

1.3 OBJECTIVES AND FUNCTIONS

One of the principles of management is that all the work performed in an organization should, in some way, directly or indirectly, contribute to the objectives of that organization. This means that the determination of objectives, purposes or goals is of prime importance and is a pre requisite to the solution of most management problems. Objective are predetermined ends or goals at which individual or group activity in an organization is aimed.

1.3.1. Objectives of Personnel Management

These reveal the basic philosophy of top management towards the labour force engaged on the work and its deep underlying conviction as to the importance of the people in the organization. The following are the most important objectives.

❖ **Maximum individual development**

The employer should always be careful in developing the personality of each individual. Each individual differs in nature and therefore management should recognise their individual ability and make use of such ability in an effective and make use of such ability in an effective manner.

❖ **Desirable working relationship between employer and employees**

It is the main objective of personnel management to have a desirable working relationship between employee and employees so that they may co-operate the management. Effective molding of human resources as contrasted with physical resources: Man is the only active factor of production, which engages the other factors of production to work.

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Specific objectives

- i. Selection of right type and number of persons required to the organisation.
- ii. Proper orientation and introduction of new employees to the organisation and their jobs.
- iii. Suitable training facilities for better job performance and to prepare the man to accept the challenge of higher job.
- iv. Provision of better working conditions and other facilities such as medical facilities.
- v. To give a good impression to the man who is leaving the organisation.
- vi. Maintaining good relations with the employees.

1.3.2. Function of personnel management

Personnel management involves two categories of functions managerial and operative.

- ❖ Planning, organising, motivating and controlling are common to all managers including personnel managers and are performed by all of them. That is why it is said that general management and personnel management are one and the same.
- ❖ The planning function of a personnel manager pertains to the steps taken in determining a course of action. This involves developing a personnel programme and specifying what and how operative personnel functions are to be performed.
- ❖ After plans have been developed, the personnel manager must establish an organisation to carry them out. This function, therefore, calls for groupings of personnel activities, assignment of different group of activities to different individuals, delegation of authority to carry them out and provision for coordination of authority relationships horizontally and vertically in the organisation structure.
- ❖ Motivation involves guiding and supervising the personnel. Personnel manager must inculcate in the workers a keen appreciation of the enterprise policies. He must guide them towards improved performance and motivate them to work with zeal and confidence.
- ❖ Control involves measuring performance, correcting negative deviations and assuring the accomplishment of plans. Through direct observation, direct supervision, as well as reports, records and audit, personnel management assures itself that its activities are being carried out in accordance with the plans.

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1.3.3. Nature of personnel management

- ❖ Personnel management includes the function of employment, development and compensation- These functions are performed primarily by the personnel management in consultation with other departments.
- ❖ Personnel management is an extension to general management. It is concerned with promoting and stimulating competent work force to make their fullest contribution to the concern.
- ❖ Personnel management exist to advise and assist the line managers in personnel matters. Therefore, personnel department is a staff department of an organization.
- ❖ Personnel management lays emphasize on action rather than making lengthy schedules, plans, and work methods. The problems and grievances of people at work can be solved more effectively through rationale personnel policies.
- ❖ It is based on human orientation. It tries to help the workers to develop their potential fully to the concern. It also motivates the employees through its effective incentive plans so that the employees provide fullest co-operation.
- ❖ Personnel management deals with human resources of a concern. In context to human resources, it manages both individual as well as blue- collar workers.

1.4 ROLE AND STRUCTURE OF PERSONNEL FUNCTION IN ORGANIZATION

Organizational structure pertains to the way in which companies arrange their departments. Smaller companies tend to have flatter organizational structures with few management levels. Larger companies use tall organizational structures with many echelons of management and employees. Companies use several types of organizational structure for specific roles. For example, companies using a geographic organizational structure decentralize various functions like marketing because of varying regional needs.

1.4.1. Role of personnel manager

One of the main functions of personnel manager is counselling role. As a counselor As a counsellor, personnel manager discusses the problems with employees related to career, health, family, finance, social life and try to solve their problems and offer advice on how to overcome them. Other functions are a mediator, initiating policies, representative role, decision making role, leadership and welfare role. In this article, we will explore the role of a personnel manager in an organization. Personnel manager is the head of personnel department.

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He performs both managerial and operative functions of management. His role can be summarized as:

- ❖ Personnel manager provides assistance to top management- The top management are the people who decide and frame the primary policies of the concern. All kinds of policies related to personnel or workforce can be framed out effectively by the personnel manager.
- ❖ He advices the line manager as a staff specialist- Personnel manager acts like a staff advisor and assists the line managers in dealing with various personnel matters.
- ❖ As a counsellor,- As a counsellor, personnel manager attends problems and grievances of employees and guides them. He tries to solve them in best of his capacity.
- ❖ Personnel manager acts as a mediator- He is a linking pin between management and workers.
- ❖ He acts as a spokesman- Since he is in direct contact with the employees, he is required to act as representative of organization in committees appointed by government. He represents company in training programmes.

1.4.2.Functions of personnel manager

Being a manager, he is primarily responsible for the overall management of the department and performs basic managerial functions like planning, organizing, directing, and controlling. Additionally, some operational functions like recruitment, training, etc. also form an important part of his role. A personnel manager plays an integral role in effective personnel management and making human relations in the organization better.

Counsellor

Counseling is one of the main functions of personnel manager. As a counsellor, personnel manager discusses the problems with employees related to career, health, family, finance, social life and try to solve their problems and offer advice on how to overcome them.

Initiating Policies

Initiating policies is another main function of personnel manager. Initiating policies and formulating them are two important tasks of a personnel manager. He assists the senior management in creating policies pertaining to personnel management, salary administration, welfare activities, transfers, working environment, records, and appraisals.

The Advisory Role

In any organization, on a daily basis, line managers face a wide range of problems pertaining to personnel management. This is where

a personnel manager steps in and offers advice on such matters since he is familiar with the laws and practices that surround human resources.

The Link between the Employees and the Management

Apart from personnel management, the personnel manager tries to maintain good industrial relation within the organization. So, he helps the trade unions in understanding the different policies of the organization. He also communicates the views and concerns of the union leaders to the senior management.

Representative Role

The personnel manager is also responsible to represent the company and communicate management policies which affect the people in the organization. This role is best-suited to him because he has a better overall picture of the company's operations.

Decision-making Role

He plays an important part in decision-making on human resources-related issues. He also formulates and designs policies and programs of personnel management.

Mediator Role

In case of a conflict between employees or groups of employees, a superior and a subordinate, or even the management and employees, the personnel manager plays the role of a mediator. His role is to ensure peace and harmony in the organization.

Leadership Role

He offers leadership and guidance to employees. Further, a personnel manager ensures effective communication in the organization and motivates employees to work towards achieving the organization's objectives.

Welfare Role

In most organizations, the personnel manager also acts as the welfare officer. Therefore, he ensures facilities and services like canteen, transport, hospitalization, and other employee welfare services are available to the workers.

Research Role

He maintains a record of all employees in the organization. He also researches various personnel areas like absenteeism, alcoholism, labor turnover, etc. Further, post-analysis, he recommends apt measures to help eradicate them to the senior management.

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1.4.3. Structure of the organizational management

An organization is a social unit of individuals that is designed and managed to achieve collective goals. As such organizations are open systems that are greatly affected by the environment they operate in. Every organization has its own typical management structure that defines and governs the relationships between the various employees, the tasks that they perform, and the roles, responsibilities and authority provided to carry out different tasks. An organization that is well structured achieves effective coordination, as the structure delineates formal communication channels, and describes how separate actions of individuals are linked together.

The organizational structure of the personnel management system

The organizational structure of the personnel management system is a set of interrelated divisions, a personnel management system and officials. It reflects the existing division of rights, powers, roles and activities of personnel and their integration into the system. Depending on the type, size and objectives of the management object and its external environment, there are various organizational structures for personnel management.

The organizational structure of the personnel management system, as well as the organizational structure of the organization, are divided into several types, each of which reflects the approach laid in the organizational structure of the management of the organization as a whole. In practice, there are elementary, linear, functional, and matrix structures.

The elementary organizational structure

The elementary organizational structure of personnel management reflects a two-tiered leadership that can exist in small organizations or in different branches and branches of large organizations. With this structure of personnel management, the upper level and the lower level are distinguished. Elementary organizational structures are characterized by the fact that they allow workers to make quick decisions, respond quickly to changes in the external environment and provide an informal approach to motivating and monitoring personnel activities. This gives the organization certain advantages. At the same time, elementary organizational structures open up scope for the voluntarism of the leader and focus his attention on current affairs, not giving the opportunity to deal with strategic issues.

The linear organizational structure

The linear organizational structure of human resources management assumes relative autonomy in the work and is generally characterized by simple one-dimensional relationships, the possibility of self-government. Therefore, it is widely used in the organization of work in the lower production units, family or small business. This approach to grouping employees is used in the case when the functions performed are of the same type, and the personnel are not differentiated by specialty. In medium and large organizations, linear division gives an effect, as a rule, at the lower levels of the hierarchy. As soon as the work begins to specialize, it becomes necessary to move to other types of organizational structures.

Functional organizational structure

Functional organizational structure is formed where functional division of labor and functional specialization appear. This is the most common type of organizational structure. As soon as certain functions are institutionalized, an organizational structure of personnel management immediately forms in the organization, linking these units into a single whole and establishing subordination ties. Functional organizational structures of personnel management allow senior management to focus on strategic issues, create favorable conditions for achieving high efficiency through specialization. Their disadvantages include the fact that they contribute to the emergence of specific organizational barriers between grouped works, as well as the development of predominantly vertical links that require the creation of additional coordinating bodies.

The matrix organizational structure

The matrix organizational structure of personnel management creates the conditions for employees to feel more satisfied with their work. However, the use of groups as an element of the matrix organization of the organization, apart from the positive sides, has disadvantages as well. Groups are often not sustainable entities, and their intensive use practically deprives the members of the group of their permanent workplace. In addition, in such groups, it is difficult for personnel managers and managers to engage in the development of personnel, and frequent changes in managers and specialists lead to loss of control.

1.4.4. Types of organizational structures

All managers must bear that there are two organisations they must deal with-one formal and the other informal. The formal organisation is usually delineated by an organisational chart and job descriptions. The official reporting relationships are clearly known to

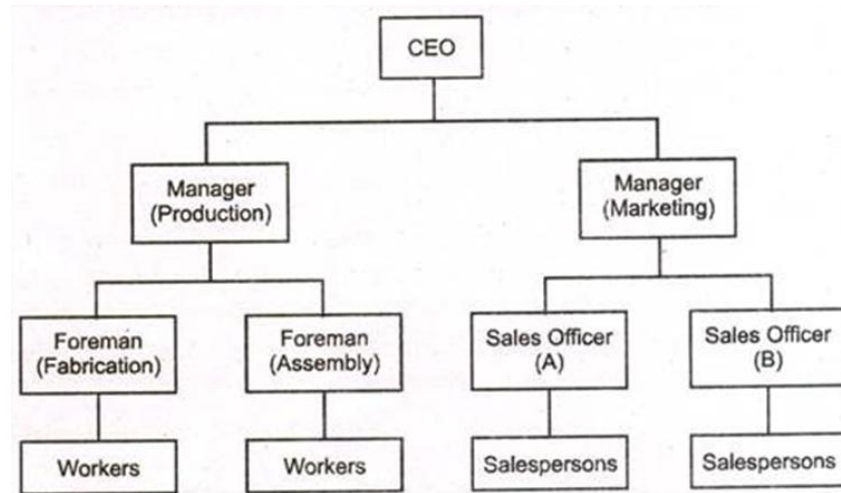
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every manager. Alongside the formal organisation exists are informal organisation which is a set of evolving relationships and patterns of human interaction within an organisation that are not officially prescribed.

Line Organizational Structure

A line organisation has only direct, vertical relationships between different levels in the firm. There are only line departments-departments directly involved in accomplishing the primary goal of the organisation. For example, in a typical firm, line departments include production and marketing. In a line organisation authority follows the chain of command.



Features

Has only direct vertical relationships between different levels in the firm.

Advantages

1. Tends to simplify and clarify authority, responsibility and accountability relationships
2. Promotes fast decision making
3. Simple to understand.

Disadvantages

1. Neglects specialists in planning
2. Overloads key persons.

Some of the **advantages** of a pure line organisation are:

- i. A line structure tends to simplify and clarify responsibility, authority and accountability relationships. The levels of responsibility and authority are likely to be precise and understandable.

- ii. A line structure promotes fast decision making and flexibility.
- iii. Because line organisations are usually small, managements and employees have greater closeness.

However, there are some disadvantages also. They are:

Staff or Functional Authority Organizational Structure

The jobs or positions in an organization can be categorized as:

Line position

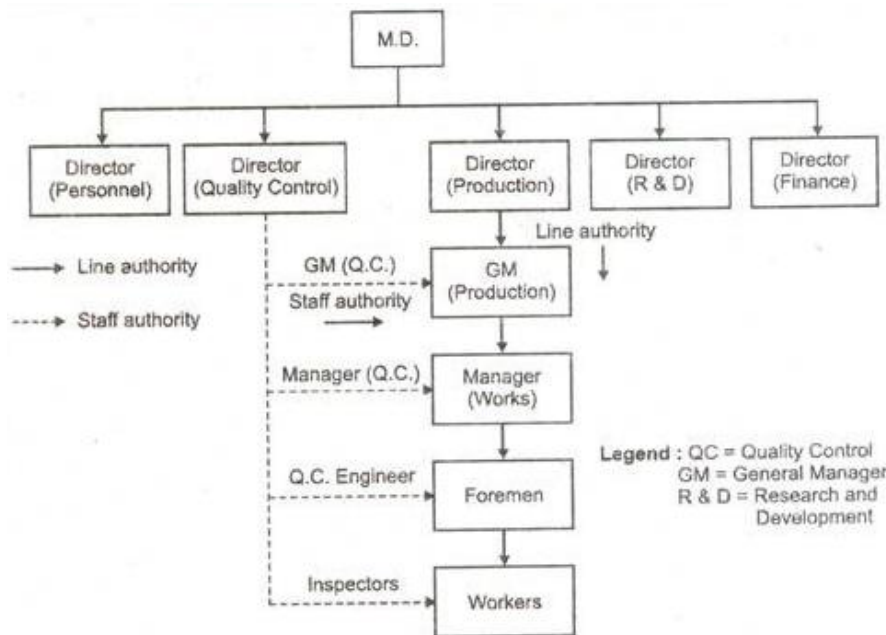
A position in the direct chain of command that is responsible for the achievement of an organization's goals and

Staff position

A position intended to provide expertise, advice and support for the line positions.

The line officers or managers have the direct authority (known as line authority) to be exercised by them to achieve the organisational goals. The staff officers or managers have staff authority over the line. This is also known as functional authority.

An organisation where staff departments have authority over line personnel in narrow areas of specialization is known as functional authority organisation.



In the line organisation, the line managers cannot be experts in all the functions they are required to perform. But in the functional authority organisation, staff personnel who are specialists in some fields are given functional authority. The principle of unity of command is violated when functional authority exists i.e., a worker or a

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group of workers may have to receive instructions or orders from the line supervisor as well as the staff specialist which may result in confusion and the conflicting orders from multiple sources may lead to increased ineffectiveness. Some staff specialists may exert direct authority over the line personnel, rather than exert advice authority.

Disadvantages of a pure line organizational structure

Thee potential conflicts resulting from violation of principle of unity of command and the tendency to keep authority centralized at higher levels in the organisation.

Line and Staff Organizational Structure

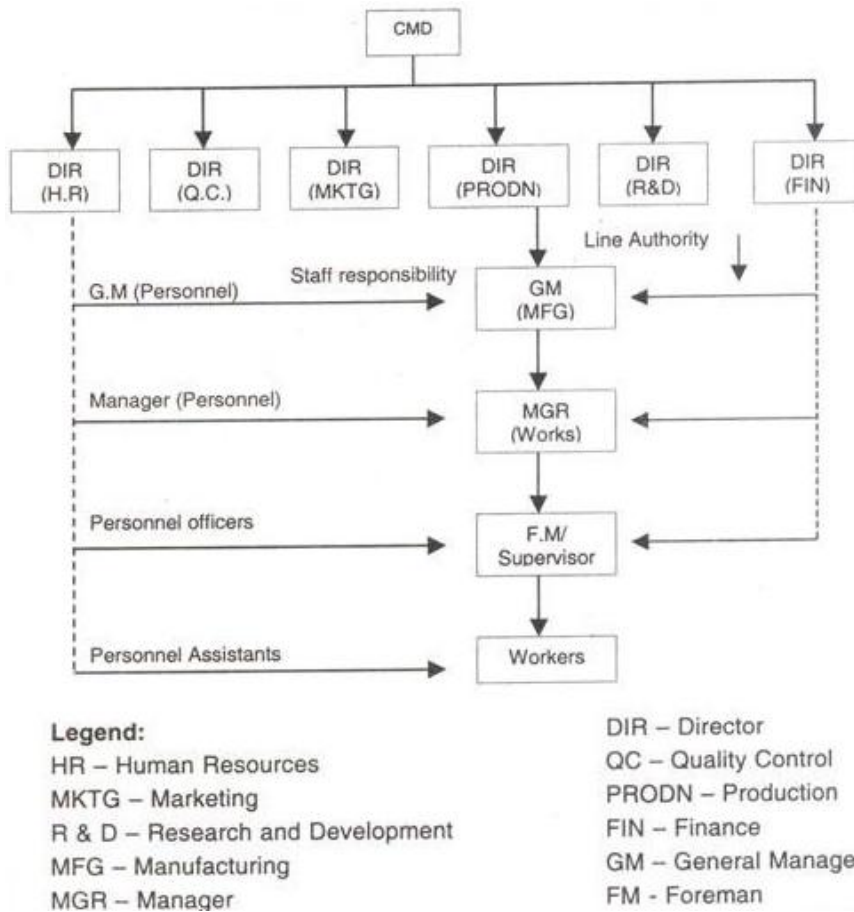
Most large organisations belong to this type of organisational structure. These organisations have direct, vertical relationships between different levels and also specialists responsible for advising and assisting line managers. Such organisations have both line and staff departments. Staff departments provide line people with advice and assistance in specialized areas.

The line and staff organisational chart. The line functions are production and marketing whereas the staff functions include personnel, quality control, research and development, finance, accounting etc. The staff authority of functional authority organisational structure is replaced by staff responsibility so that the principle of unity of command is not violated.

Three types of specialized staffs can be identified:

1. Advising,
2. Service and
3. Control

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Some staffs perform only one of these functions but some may perform two or all the three functions. The primary advantage is the use of expertise of staff specialists by the line personnel. The span of control of line managers can be increased because they are relieved of many functions which the staff people perform to assist the line.

Advantages

- i. Even through a line and staff structure allows higher flexibility and specialization it may create conflict between line and staff personnel.
- ii. Line managers may not like staff personnel telling them what to do and how to do it even though they recognize the specialists' knowledge and expertise
- iii. Some staff people have difficulty adjusting to the role, especially when line managers are reluctant to accept advice.
- iv. Staff people may resent their lack of authority and this may cause line and staff conflict.

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Features

1. Line and staff have direct vertical relationship between different levels.
2. Staff specialists are responsible for advising and assisting line managers/officers in specialized areas.
3. These types of specialized staff are (a) Advisory, (b) Service, (c) Control e.g.,

Advisory

Management information system, Operation Research and Quantitative Techniques, Industrial Engineering, Planning etc

Service

Maintenance, Purchase, Stores, Finance, Marketing.

Control

Quality control, Cost control, Auditing etc.

- i. Use of expertise of staff specialists.
- ii. Span of control can be increased
- iii. Relieves line authorities of routine and specialized decisions.
- iv. No need for all round executives.

Disadvantages

- i. Conflict between line and staff may still arise.
- ii. Staff officers may resent their lack of authority.
- iii. Co-ordination between line and staff may become difficult.

Committee Organizational

Features

1. Formed for managing certain problems/situations
2. Are temporary decisions.

Advantages

- i. Committee decisions are better than individual decision
- ii. Better interaction between committee members leads to better co-ordination of activities
- iii. Committee members can be motivated to participate in group decision making.
- iv. Group discussion may lead to creative thinking.

Disadvantages

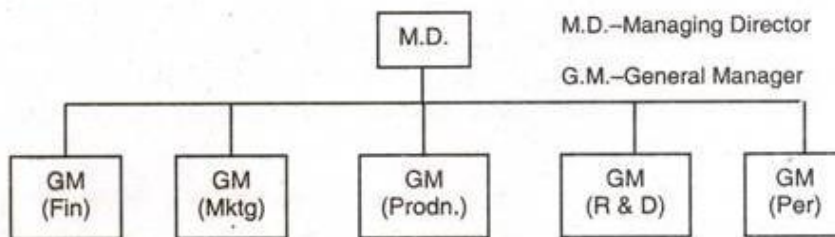
- i. Committees may delay decisions, consume more time and hence more expensive
- ii. Group action may lead to compromise and indecision.
- iii. Buck passing' may result.

Divisional Organizational Structure

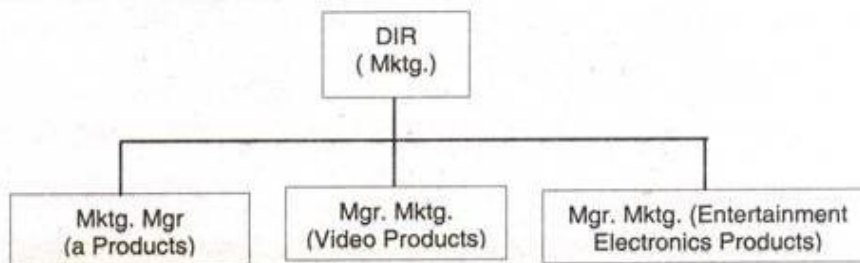
In this type of structure, the organisation can have different basis on which departments are formed. They are:

- i. Function,
- ii. Product,
- iii. Geographic territory,
- iv. Project and
- v. Combination approach.

(a) Departmentation by Function



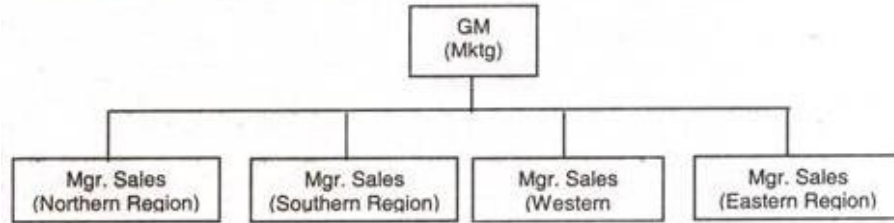
(b) Departmentation by Product



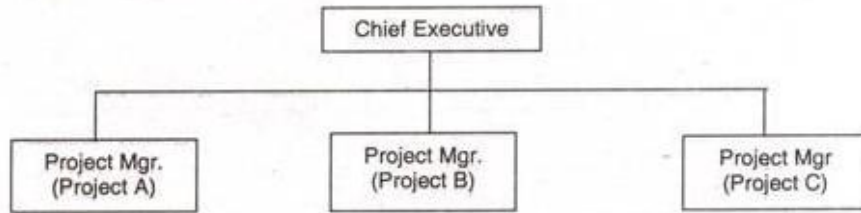
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(c) Departmentation by Geographic territory



(d) Departmentation by Project



(e) Departmentation by combination approach (Combination of any two or more bases discussed above).

Project Organizational Structure

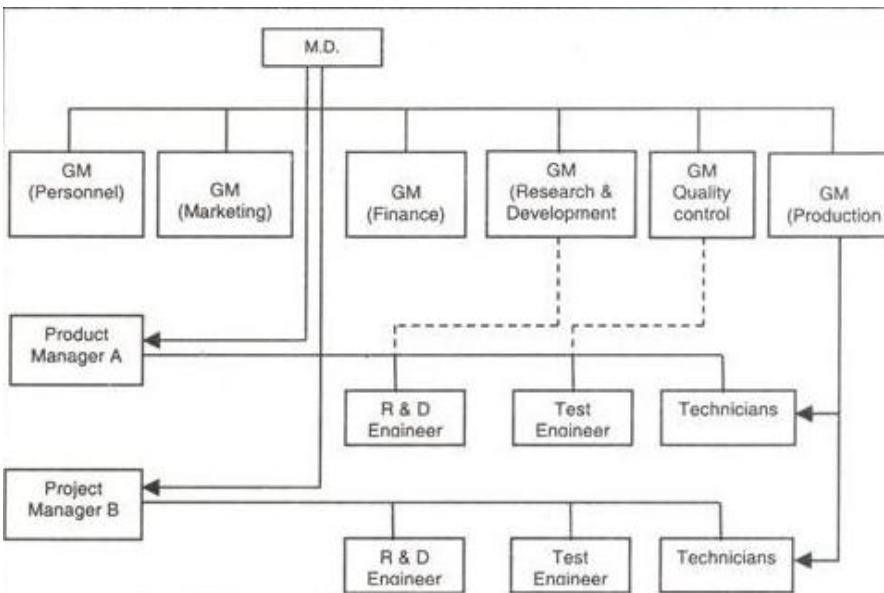
The line, line and staff and functional authority organisational structures facilitate establishment and distribution of authority for vertical coordination and control rather than horizontal relationships. In some projects work process may flow horizontally, diagonally, upwards and downwards.

The direction of work flow depends on the distribution of talents and abilities in the organisation and the need to apply them to the problem that exists. To cope up with such situations, project organisations and matrix organisations have emerged. A project organisation is a temporary organisation designed to achieve specific results by using teams of specialists from different functional areas in the organisation.

The project team focuses all its energies, resources and results on the assigned project. Once the project has been completed, the team members from various cross functional departments may go back to their previous positions or may be assigned to a new project.

Some of the examples of projects are: research and development projects, product development, construction of a new plant, housing complex, shopping complex, bridge etc.

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Feature

Temporary organisation designed to achieve specific results by using teams of specialists from different functional areas in the organisation.

Importance of Project Organisational Structure

- i. Work is defined by a specific goal and target date for completion.
- ii. Work is unique and unfamiliar to the organisation.
- iii. Work is complex having independent activities and specialized skills are necessary for accomplishment.
- iv. Work is critical in terms of possible gains or losses.
- v. Work is not repetitive in nature.

Characteristics of project organization

- 1. Personnel are assigned to a project from the existing permanent organisation and are under the direction and control of the project manager.
- 2. The project manager specifies what effort is needed and when work will be performed whereas the concerned department manager executes the work using his resources.
- 3. The project manager gets the needed support from production, quality control, engineering etc. for completion of the project.
- 4. The authority over the project team members is shared by project manager and the respective functional managers in the permanent organisation.

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5. The services of the specialists (project team members) are temporarily loaned to the project manager till the completion of the project.
6. There may be conflict between the project manager and the departmental manager on the issue of exercising authority over team members.
7. Since authority relationships are overlapping with possibilities of conflicts, informal relationships between project manager and departmental managers (functional managers) become more important than formal prescription of authority.
8. Full and free communication is essential among those working on the project.

Matrix Organizational Structure

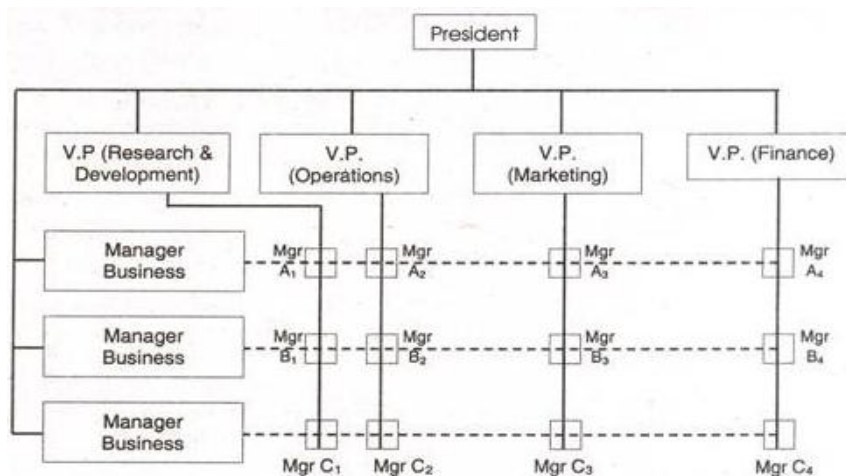
It is a permanent organisation designed to achieve specific results by using teams of specialists from different functional areas in the organisation.

Feature

Superimposes a horizontal set of divisions and reporting relationships onto a hierarchical functional structure

Advantages

1. Decentralized decision making.
2. Strong product/project co-ordination.
3. Improved environmental monitoring.
4. Fast response to change.
5. Flexible use of resources.
6. Efficient use of support systems.



Disadvantages

1. High administration cost.
2. Potential confusion over authority and responsibility.
3. High prospects of conflict
4. Overemphasis on group decision making.
5. Excessive focus on internal relations.

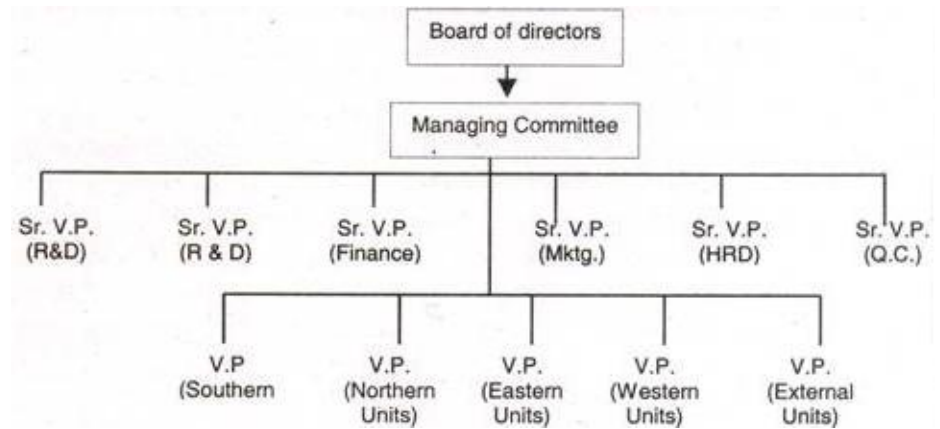
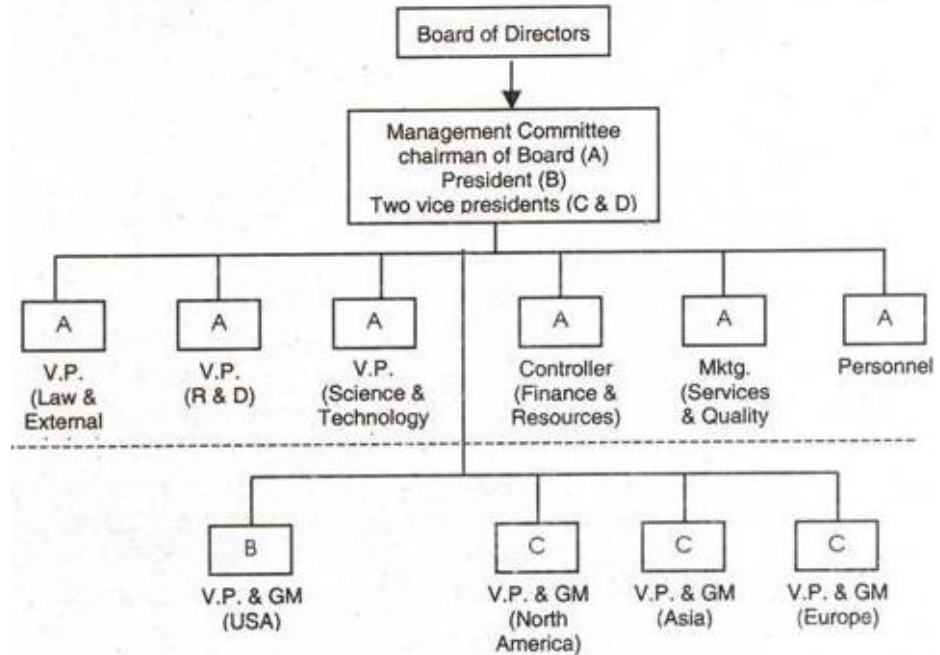
This type of organisation is often used when the firm has to be highly responsive to a rapidly changing external environment. In matrix structures, there are functional managers and product managers. Functional manager are in charge of specialized resources such as production, quality control, inventories, scheduling and marketing. Product or business group managers are in charge of one or more products and are authorized to prepare product strategies or business group strategies and call on the various functional managers for the necessary resources.

The problem with this structure is the negative effects of dual authority similar to that of project organisation. The functional managers may lose some of their authority because product managers are given the budgets to purchase internal resources. In a matrix organisation, the product or business group managers and functional managers have somewhat equal power. There is possibility of conflict and frustration but the opportunity for prompt and efficient accomplishment is quite high.

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Hybrid Organizational Structure



Advantages

- 1. Alignment of corporate and divisional goals.
- 2. Functional expertise and efficiency.
- 3. Adaptability and flexibility in divisions.

Disadvantages

- 1. Conflicts between corporate departments and units.
- 2. Excessive administration overhead.
- 3. Slow response to exceptional situations.

Uses

Used in organisations that face considerable environmental uncertainty that can be met through a divisional structure and that also required functional expertise or efficiency .This kind of structure depends on factors such as degree of international orientation and commitment. Multinational corporations may have their corporate offices in the country of origin and their international divisions established in various countries reporting to the CEO or president at the headquarters. The international divisions or foreign subsidiaries may be grouped into regions such as North America, Asia, Europe etc. and again each region may be subdivided into countries within each region.

While the focus is on international geographic structures, companies may also choose functional or process or product departmentation in addition to geographic pattern while at the head quarter's the departmentation may be based on function.

The Informal Organisation

An informal organisation is the set of evolving relationships and patterns of human interaction within an organisation which are not officially presented. Alongside the formal organisation, an informal organisation structure exists which consists of informal relationships created not by officially designated managers but by organisational members at every level. Since managers cannot avoid these informal relationships, they must be trained to cope with it

The informal organisation has the following characteristics

- i. Its members are joined together to satisfy their personal needs (needs for affiliation, friendship etc.)
- ii. It is continuously changing
- iii. The informal organisation is dynamic.
- iv. It involves members from various organisational levels.
- v. It is affected by relationship outside the firm.
- vi. It has a pecking order: certain people are assigned greater importance than others by the informal group.

Even though an informal organisational structure does not have its own formal organisational chart, it has its own chain of command:

Benefits of Informal Organisation

- i. Assists in accomplishing the work faster.
- ii. Helps to remove weakness in the formal structure.
- iii. Lengthens the effective span of control.

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- iv. Compensation for violations of formal organisational principles.
- v. Provides an additional channel of communication.
- vi. Provides emotional support for employees.
- vii. Encourages better management.

Disadvantages of informal organisation

May work against the purpose of formal organisation.

- i. Reduces the degree of predictability and control.
- ii. Reduces the number of practical alternatives.

Increases the time required to complete activities

1.5 PERSONNEL PRINCIPLES AND POLICIES

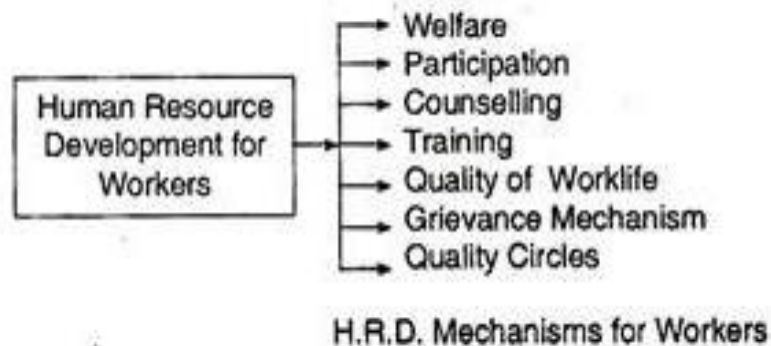
According to Scot and others “carefully defined personnel policies serve as a stabilising influence to prevent the waste of energy in following programmes not in harmony with the company objectives”.

Due to the importance of personnel function in the management, it becomes essential to formulated personnel policies. These policies are formulated keeping in mind the following principles:

1.5.1. Principles of personnel management

Principles of personnel management help the personnel managers to conduct and direct the policies in a proper way.

These principles are:



Principle of Maximum Personnel Development

By this principle, the workers are developed to the maximum extent, so that their developed ability, cleverness, productivity and efficiency can be used for the firm’s objective.

Principle of Scientific Selection

This principle enables to have a right person for the right job.

Principle of High Morale

Ideal wage policy should be offered to the workers so that their morale becomes high and they work with interest.

Principle of Dignity of Labour

The labour should feel proud of their work.

Principle of Team Spirit

Team spirit must be developed in the workers. They should work collectively with collective responsibility, and should have sense of cooperation, unity and mutual trust.

Principle of Effective Communication

There must be effective communication between the management and workers otherwise complex problems like mistrust, hatred and ill-will arise which in turn affects the production of the organization.

Principle of Joint Management

This creates responsibility in the labour with increasing mutual faith and friendship. This improves the labour relations.

Principle of Fair Reward

Labour should be given proper compensation for the work. This develops industrial peace.

Principle of Effective Utilisation of Human Resources

Personnel management should be developed for the effective use of the human resources. Proper training should be awarded to the personnel for their development.

1.5.2. Contents of personnel policy

The following are the principal sources of Personnel Policies:

1. Traditions and past experience.
2. Personnel Policies of similar concerns.
3. The philosophy of Board of Directors.
4. Suggestions of employees.
5. Labour Legislation and policies of the Government.
6. Trade Union and collective bargaining.

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1.6 MANAGERIAL FUNCTIONS

Management aims at getting things done by others. Managerial functions deal with planning, organizing, directing, coordinating and controlling the activities of employees in an enterprise.

Planning

Planning involves thinking in advance. It is the determination of strategies, programmes, policies, procedures to accomplish organizational objectives. Planning is a difficult task which involves ability to think, to predict, to analyze, and to come to decisions. In the context of personnel management, it requires the determination of human resource needs.

Organizing

Organization is a process of allocating the task among its members for achieving organizational objectives. This is done by designing the structure or relationship among jobs, personnel and physical factors. For achieving enterprise goals a number of plans, policies and programmes are decided upon. Organization is a channel for implementing them and achieving good results. The assignment of tasks and fixing of responsibilities will be the function of personnel management.

It decides who should do what. Who is responsible to whom? These decisions will help in smooth working of the organization. Everybody will be assigned the task according to his capacity and calibre. There will be a system assessing performance and communicating it to the appropriate persons. Setting up a good organizational structure where everybody is clear about his role is the responsibility of personnel management.

Directing

It is the basic function of managerial personnel. Directing means telling people to do a particular work. It does not mean only issuing orders to employees but also ensures that they perform as per the directions. The employees are also given instructions for carrying out their task. The orders and instructions should be clear and precise so that these are obeyed properly.

Motivating employees to accomplish their task is also a part of directing function. The circumstances, psychology, economic and social factors influencing employees should be taken into consideration while selecting the techniques of motivation. Though all these decisions are taken by the top level management but personnel department is consulted at every stage. The effectiveness of various

plans and policies for motivating employees is also undertaken by personnel department.

Coordinating

Organizational objectives will be achieved only if group activities in the enterprise are coordinated effectively. There may be a problem of each group or department trying to pursue its own goals without bothering about overall objectives. A coordinated approach will help in achieving common goals.

Coordination of personnel is required at all levels of management. Personnel department coordinates the task of developing, interpreting and reviewing personnel policies and programmes related to employees. The final decisions may be left to line managers but personnel department makes suggestions for improvements.

Controlling

Controlling is the act of checking, regulating and verifying whether everything occurs as per the standards set and plans adopted. The performance of persons is regularly reviewed to find out whether it is going according to the standards or not. In case, performance is low then steps are taken to improve it in future. Controlling function involves reviewing performance and taking corrective measures.

1.7 OPERATIVE FUNCTIONS

These functions are related to the procuring, developing, compensating, integrating and maintaining a work-force for attaining organizational goals. These functions are also known as service functions.

Procurement

This function relates to the procuring of sufficient and appropriate number of persons for carrying out business work. The needs of the organization should be assessed to find out the requirements of persons. Besides number, the procurement of suitable persons is also essential. For this purpose, the requirements of various jobs should be studied for fixing the educational and technical experience of persons expected to man those jobs. Only the right type of persons will be able to give satisfactory results.

Development

The development function is concerned with the development of employees by increasing their skill and proficiency in work. The persons are given proper training through various methods so that their performance is better in undertaking the jobs. Proper job description will enable the employees to know their weak points in performing

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various jobs. Training programmes are made suitable to cover up deficiencies in workers' performance.

Sometimes employees are given on-the-job training to acquaint them with real work situation. There can be lectures, discussions, demonstrations to improve the skill of employees. To give wide experience of various jobs a method of rotation may also be followed. In this method employees are put on various jobs in rotation so that they have the experience of all of them. All these methods are followed to improve the skill of employees for making them suitable for the jobs.

Compensation

It is concerned with securing adequate and equitable remuneration to persons working in the organization. Job analysis will enable in fixing the remuneration for various jobs. The needs of the jobs and qualifications of persons who will take up those jobs should be taken into consideration while fixing remuneration. If the employees are paid less than they should have got, they may leave the job at an earliest opportunity. So compensation should be fixed in such a way that it is able to attract and retain suitable persons in the organization.

Integration

Integration is concerned with the attempt to effect reconciliation of individual, organization and social interest. It involves infusing among employees a sense of belonging to the enterprise. The employees should identify their personal interest with that of the organization. They should have a feeling that everything good of the enterprise will also be in their interest. This will bring about harmony of interests both of employees and the organization. There should be proper communication channel at all levels. The grievances of employees should be redressed at the earliest. This will help in creating good industrial relations and will integrate them.

Maintenance

This function deals with sustaining and improving conditions that have been established. Better conditions of work should be maintained at all times. The employees will feel happy to work under such conditions. These conditions include establishment of health, sanitation and safety standards. If working conditions deteriorate, then employees will be prompted to leave the enterprise. Personnel department is put in charge of providing and maintaining healthy and conducive working conditions in the enterprise.

Check your Progress

1. Define personnel management
2. List out any two functions of personnel management
3. What are the main role of personnel manager
4. Who is informal organization
5. What are the controlling

1.8 ANSWER TO CHECK YOUR PROGRESS QUESTIONS

PersonnelMmanagement

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1. **According to French**, “Personnel management is the recruitment, selection, development, utilization of and accommodation to human resources by organization. The human resources of an organization consist of all individuals regardless of their role, who are engaged in any of the organizations activities.”
2. (i) Planning, organising, motivating and controlling are common to all managers including personnel managers and are performed by all of them. That is why it is said that general management and personnel management are one and the same.

(ii) The planning function of a personnel manager pertains to the steps taken in determining a course of action. This involves developing a personnel programme and specifying what and how operative personnel functions are to be performed.
3. One of the main functions of personnel manager is counselling role. As a counselor As a counsellor, personnel manager discusses the problems with employees related to career, health, family, finance, social life and try to solve their problems and offer advice on how to overcome them.
4. An informal organisation is the set of evolving relationships and patterns of human interaction within an organisation which are not officially presented. Alongside the formal organisation, an informal organisation structure exists which consists of informal relationships created not by officially designated managers but by organisational members at every level
5. Controlling is the act of checking, regulating and verifying whether everything occurs as per the standards set and plans adopted. The performance of persons is regularly reviewed to find out whether it is going according to the standards or not.

1.9 SUMMARY

In this unit, you have learnt about the meaning, definition, objectives, functions, nature, role and structure of personal function, personnel principles and policies, managerial functions and operative functions of personnel management of an organization. Personnel management is the management of human resources in an organization and is mainly concerned with the creation of a harmonious working relationship among its participants and bringing about their individual and group development. Personnel management deals with the hiring and utilization of human resources. An organization's personnel management is the branch of general management, which deals with

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the human relationship in an organization. It describes effectively the process of planning and directing the workforce. Personnel management undertakes all those activities, which relate to human elements or relationship and to material elements in an organization.

1.10 KEY WORDS

- **Personnel management:** The recruitment, selection, development, utilization of and accommodation to human resources by organization.
- **Decision making :** He plays an important part in decision-making on human resources-related issues
- **Counsellor:** Personnel manager discusses the problems with employees related to career, health, family, finance, social life and try to solve their problems and offer advice on how to overcome them
- **Leadership:** He offers leadership and guidance to employees.
- **Staff position:** A position intended to provide expertise, advice and support for the line positions
- **Coordinate :** Organizational objectives will be achieved only if group activities in the enterprise are coordinated effectively
- **Controlling :** The act of checking, regulating and verifying whether everything occurs as per the standards set and plans adopted

1.11 FURTHER READINGS

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Personnel Management

1.12 SELF-ASSESSMENT QUESTIONS AND EXERCISES

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Short Questions

1. Define the term personnel management
2. Briefly explain the scope of personnel management.
3. Why is personnel management important? Discuss its significance at various levels.
4. Write a short note on personnel management policies

Long Questions

1. Explain the operative and managerial functions of Personnel management in detail
2. Discuss the meaning, purpose and objectives of personnel management.
3. What are the objectives of personnel management
4. What are the principles of personnel management
5. What are the role of personnel manager

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UNIT -IIJOB EVALUATION

Structure

- 2.1. Introduction
- 2.2. Job Analysis
 - 2.2.1. Uses of job analysis
 - 2.2.2. Contents of job analysis
 - 2.2.3. The steps in job analysis
 - 2.2.4. Methods of collecting job analysis data
- 2.3. Job Design
- 2.4. Job Description
 - 2.4.1. Uses of job description
 - 2.4.2 Components of job description
 - 2.4.3. Writing a job description
 - 2.4.4. Limitations of job description
- 2.5. Job Specification
- 2.6. Methods of job evaluation
 - 2.6.1. Ranking method
 - 2.6.2. Grading method
 - 2.6.3. Point method
 - 2.6.4. Factor comparison method
- 2.7. Advantages and disadvantages of job evaluation
- 2.8. Answer to check your progress Questions
- 2.9. Summary
- 2.10. Key Words
- 2.11. Further Readings
- 2.12. Self-Assessment Questions and Exercises

2.1 INTRODUCTION

Job analysis is the process by means of which a description of the methods and procedures of doing a job, the physical conditions under which the job is done and the relation of the job to other jobs and conditions of employment are developed. The first outcome of a job analysis is a job description. The job description defines the scope of a

job, its major responsibilities as well as its positioning in the organization. Recruitment is another critical HR function. It is the process of identifying qualified and skilled persons for actual or anticipated vacancies in organizations. It is important for organizations to have a recruitment policy. Selection can be of two kinds internal or external. It is the process of selecting a certain number of people, from a large number of applicants, who are most likely to perform their jobs with maximum effectiveness and remain with the company. After selecting a candidate, he/ she should be placed in a suitable job. Placement is an important HR activity and involves assigning a specific rank and responsibility to an employee.

This unit covers the fundamentals of job analysis, job description and job specification

2.2 JOB ANALYSIS

The growth and development of an organization structure results in jobs that have to be staffed. 'Work' is an organization's primary function. The 'basic work activities' may relate to three categories data, people and things. Data includes synthesizing, coordinating, analysing, compiling, computing, copying and comparing activities. People relate to monitoring, negotiating, instructing, supervising, diverting, persuading, speaking, signaling, 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

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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.

2.2.1. Uses of job analysis

Job analysis is of fundamental importance to manpower management programme. The following are the possible uses of job analysis:

Provides complete knowledge of the job

It provides complete knowledge about the job. Therefore, it is helpful in organizational planning.

Helps in recruitment and selection

By indicating the specific requirements of each job, job analysis provides a realistic basis for recruitment and selection of employees. It is the best means of discovering the essential traits and personal characteristics leading to success or failure on the job.

Establishes a base for compensation of employees

By indicating the qualifications required for doing a specified job and the risk and hazards involved in doing a job, job analysis helps in establishing a basis for compensation. It precedes job evaluation that measures the worth of jobs within the organization for the purpose of establishing a base for wages. A satisfactory evaluation of jobs is not possible without a comprehensive job analysis.

Job re-engineering

Job analysis provides information that enables us to change jobs in order to permit their being manned by personnel with specific characteristics and qualifications. It helps to rearrange the work flow and to revise existing procedure.

Employee development

Job analysis provides the necessary information for employee development. When considering an employee for promotion, it may facilitate his easy consideration for the job.

Performance appraisal

Job analysis helps in establishing clear-cut standards. This helps the employees as they can know what is expected of them. It also helps the managers to appraise the performance of their subordinates.

Training

Job analysis reveals the required skills and knowledge for doing a job. This helps in providing suitable training for the workers by determining the content and subject matter for the training course.

Performance Appraisal

It helps in establishing clear-cut standards which may be compared with the actual contribution of each individual.

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.

2.2.2. Contents of job analysis

A job analysis provides the following information:

Job identification

Its title, including its code number.

Significant characteristics of a job

Its location, physical setting, supervision, union jurisdiction, hazards and discomforts.

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.

Which materials, and equipment a worker uses

Metals, plastics, grains, yarns, milling machines, punch presses and micrometers.

How a job is performed

Nature of operation, e.g., lifting, handling, cleaning, washing, feeding, removing, drilling, driving, setting up and many others.

Required personnel attributes

Experience, training, apprenticeship, physical strength, coordination or dexterity, physical demands, mental capabilities, aptitudes, social skills.

Job relationship

Experience required, opportunities for advancement, patterns of promotions, essential cooperation, direction or leadership from and for a job.

2.2.3. The steps in job analysis

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

Step 1: Collection of Background Information

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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

2.2.4. 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:

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.

Sending out questionnaires

This method is usually employed by Human Resource Planning 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.

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.

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.

2.3 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.

2.4 JOB DESCRIPTION

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

2.4.1. 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.

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- (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

2.4.2 Components of job description

A job description contains the following data:

Job identification or organizational position

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?

Job summary

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.

Job duties and responsibilities

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.

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.

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.

Machine, tools and equipment

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

Working conditions

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.

Hazards

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

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2.4.3. 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:

1. A paragraph is allocated to each major task or responsibility.
2. Paragraphs are numbered and arranged in a logical order, task sequence or importance.
3. Sentences are begun with an active verb, e.g., ‘types letters’, ‘interviews the candidates’, ‘collects, sorts out, routes and distributes mail.’
4. Accuracy and simplicity are emphasized rather than an elegant style.
5. Brevity is usually considered to be important but is largely conditioned by the type of job being analysed and the need for accuracy.
6. Examples of work performed are often quoted and are useful in making the job description explicit.
7. Job descriptions, particularly when they are used as bases for training, Human Resource Planning often incorporate details of the faults which may be encountered in operator tasks and safety check-points.
8. Statements of opinion, such as ‘dangerous situations are encountered’, should be avoided.
9. 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.

2.4.4. 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.

2.5 JOB SPECIFICATION

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

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

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

These specifications relate to the following:

- a) 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.
- b) Psychological characteristics or special aptitude which includes such qualities as manual dexterity, mechanical, aptitude, ingenuity, judgment, resourcefulness, analytical ability, mental concentration and alertness.
- c) Personal characteristics or traits of temperament, such as personal appearance, good and pleasing manners, emotional

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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.

- d) 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.
- e) Other features of a demographic nature, which are age, sex, education, experience and language ability.

Hotel Taj

New Road, Mumbai – 524 963

Education Qualification: School leaving certificate like SSC, SSLC Class X or equivalent

Experience: At least 2 years in similar position in starred hotels

Skill, Knowledge and Abilities Skill: Glass work cleaning, use of mechanical cleaner/polisher procedure for cleaning plastic signs, use of menu, how to change menus **Social Skills:** Diplomacy (problems of interruption by guests), liaison with maintenance department, liaison with staff.

Abilities: Ability to have light conversation with guests in English and local language. **Knowledge:** Stores indent procedures, recognition of electrical faults on signs, current guest list, and staff currently employed.

Work Orientation Factors: Position may require standing up to 30% of work timings **Age:** Preferably below 28 years

Educational Qualification: MBA with specialization in HRM or MA in Industrial Psychology or MSW with specialization in labour welfare.

Desirable: A degree or diploma in Labour Law.

Experience: At least 3 years' experience in a large manufacturing company.

Skill: Skill in conducting job analysis interview, making group presentations, writing job description, conducting exit interviews to find out more about the deficiency in the present system.

Ability: Ability in conducting meetings with departmental heads, prioritize work and to put forth views in a convincing manner.

Knowledge: Knowledge of compensation practices in competing industries, procedure of compensation survey techniques, analysing performance appraisal systems, conducting job analysis procedures.

Work Orientation Factors: The position may require travelling extensively from the place of work to an extent of at least 15% of the work time.

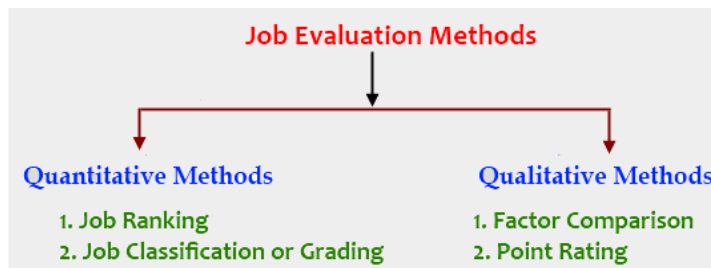
Age: Preferably between the age of 35 and 45 years.

2.6 METHODS OF JOB EVALUATION

For fixing compensation to different jobs, it is essential that there is internal equity and consistency among different job holders. Job evaluation is the process of determining the relative worth of different categories of jobs by analyzing their responsibilities and, consequently, fixation of their remuneration. The basic objective of job evaluation is to determine the relative contributions that the performance of different jobs makes towards the realization of organisational objectives.

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There are four basic methods of job evaluation: ranking method, job grading method, point method and factor comparison method. Out of these, first two methods are non-quantitative and also known as traditional, non-analytical or summary methods. The last two methods of job evaluation are quantitative, also known as analytical methods, and use various quantitative techniques in evaluating a job.



The basic difference between qualitative and quantitative methods of job evaluation is in terms of

1. Consideration of the job as a whole versus consideration of different components of a job; and
2. Judging and comparing jobs with each other versus assigning numerical scores on a rating scale.

Usually, in practice, a combination of different methods is followed. Based on this concept, some other methods have also been developed.

2.6.1. Ranking method

In the ranking method of job evaluation, a whole job is compared with others and rank is provided on the basis of this comparison. The usual process followed in this method is as under:

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1. On the basis of job analysis, each member of the job evaluation committee ranks each job independently either against the benchmark job or against all other jobs. The ranking is provided to the job on the basis of this comparison.
2. In order to increase the reliability of ranking, this exercise is undertaken twice or thrice by the members.
3. If there are significant differences of opinions among the members about the ranking of a particular job, the matter is settled by mutual consultation, or by working out the average.

Merits

Ranking method has certain facial merits. Some of these merits are as follows:

- ❖ The method is comparatively simple, easily understandable, and mostly acceptable by labor unions. It is suitable for comparatively smaller organisations which may not like to undertake more laborious exercises.
- ❖ The method is less costly to undertake and maintain as compared to other systems.

Demerits

Since ranking method of job evaluation is qualitative and non-analytical. It suffers from the following limitations:

- ❖ Ranking method is judgmental and, therefore, it is affected by personal preferences of job evaluators.
- ❖ This method ranks various jobs in order of their relative worth. It does not specify the real difference between two jobs. For example, the exact difference between job ranked at first and the job ranked at second cannot be specified.

2.6.2. Grading method

Job grading method also known as job classification method establishes various grades for different categories of jobs. For example, jobs of an operative may be classified as unskilled, semi-skilled, skilled and highly-skilled. The process followed in this method is as under:

1. At the initial stage, a number of job classes or grades is decided on the basis of job analysis. Job grades can be determined on either of two bases. First, all jobs may first be ranked and their natural classes may be determined. The description of each job class is prepared covering all jobs falling in a class. Second, the job evaluation committee may prepare a series of job class description in advance on the basis of which various jobs may be graded.

2. Different characteristics of each job are matched with description of job class and a job is placed in the class with which it matches best.

Merits

Grading system of job evaluation particularly in government jobs is quite popular as this has certain merits over the ranking method. These are as follows:

- ❖ It is quite simple to operate and understand as the relevant information is provided by job analysis which serves other purposes too.
- ❖ Job evaluation done on grading method makes wage and salary determination easier as these are fixed in terms of various grades of jobs.

Demerits

This system of job evaluation suffers with the following limitations:

- ❖ Job grade description is vague and personal biases may distort job grading as the method is not based on any scientific analysis.
- ❖ There are chances of employees' resistance when new clusters of jobs are prepared. This is evident by the fact that government employees agitate when recommendations of a new pay commission come.

2.6.3. Point method

Point method of job evaluation is widely used in business organizations. It is an analytical and quantitative method which determines the relative worth of a job on the basis of points allotted to each specific factor of a job. The sum total to these points allotted to various job factors is the worth of the job. This total is compared with that of other jobs and relative worth of various jobs is determined.

2.6.4. Factor comparison method

This method, also known as key job method, was originally developed at the Philadelphia Rapid Transit Company, USA by **Eugene J. Benge** in 1926 to overcome two major problems faced in point method of job evaluation. viz. determining the relative importance of factors and describing their degrees. In this method, each factor of a job is compared with the same factor of the other jobs or the key job either defined or existing one. When all factors are compared, the final rating is arrived at by adding the value received at each comparison. For this purpose, Benge identified five factors mental effort, skill, physical effort, responsibility and working conditions. The procedure for factor comparison method of job evaluation is as follows:

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1. At the initial stage, some key jobs which are well recognized are selected. These jobs should be from a cross-section of departments. These should represent all levels of wages and salaries which are considered fair, both internally as well as externally.
2. Various factors of the jobs which are to be considered for comparison, should be identified. These factors may be mental requirement. Skills, physical requirement, responsibility and working conditions.
3. Each factor of a job is compared with the same factor of the key job and rank is awarded. This exercise is repeated for all other factors.
4. The relative worth of a job is determined by adding the ranks obtained by different factors of a job. Sometimes, the rank is expressed in terms of monetary values and these values are added together to get the correct wage rate for the job.

Merits

The factor comparison method is more systematic and analytical as compared to any other method and offers following merits:

- ❖ It provides more accurate information about the relative worth of a job as different comparable factors are compared with key jobs.
- ❖ Since only limited number of factors relevant for the effective job performance are compared, there are reduced chances of overlapping.
- ❖ Since the evaluation is more systematic and analytical, its logic can be accepted by trade unions and workers.

Demerits

However, factor rating method has its own operational problems which restrict its adaptability. The major problems are as follows:

- ❖ This method is quite costly and time consuming to install and difficult to understand by those not fully conversant with job evaluation process.
- ❖ If wage rates are adopted for making comparison, the system may become obsolete very soon as there may not be proportionate increase in wages for all jobs.
- ❖ This system considers only limited factors of job for comparison. This may be a positive point so far as avoidance of duplication and simplicity of procedure are concerned, but may ignore other factors which may be important for the performance of the job.

2.7 ADVANTAGES AND DISADVANTAGES OF JOB EVALUATION

Job evaluation is the evaluation or rating of jobs to determine their position in the job hierarchy. The evaluation may be achieved through the assignment of points or the use of some other systematic method for essential job requirements, such as skills, experience and responsibility. In the words of Netherlands Committee of Experts on job evaluation, “job evaluation is a method which helps to establish a justified rank order of jobs as a whole being a foundation for the setting of wages. Job evaluation is the only one of the starting points for establishing the relating differentiation of base wage rates.”

Advantages

The system of job evaluation is a powerful tool in the hands of management in managing manpower. It claims the following points to its credit.

Sound Wage Policy

Job evaluation is basically an attempt to measure the real worth of each job by a process of expert judgment. Therefore, any wage policy based on a scientific job evaluation is bound to be systematic and sound.

Settlement of Wage Disputes

The chances for disputes and grievances regarding the individual rates of wages are very rare. Even if there arises any disputes, it can be conveniently settled by referring to the job evaluation machinery.

Better Control over Labour Costs

Job evaluation enables the management to exercise effective control over the labour costs, because they can give appropriate pays for the each job.

Building up of Employee Morale

Since this system aims to reward employees' suitability, it will help to build up employee morale and bring job satisfaction.

Proper Placement of Personnel

It helps in selecting the right man for the right job. Besides, this system facilitates to form a logical basis for designing training programmes for the worker.

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Elimination of Personal Bias

The evils of personal bias, favoritism, and arbitrary judgment on the part of the management in fixing wage differential etc. are avoided, because wage rates are set by experts other than the management and that too after a careful job evaluation programme.

Reliable in All

This system provides well-defined methods for measuring various jobs. Besides, it also helps to justify the existence of different scales for different jobs. For these reasons, it is accepted by both workers and the management without any hesitation

Disadvantages

In spite of the various advantages cited above, it will not be wise for management to place too much reliance on it. There are several limitations to this technique. The important demerits of this system are as follows:

Lack of Complete Accuracy

The accuracy claimed by it is not in fact accurate. The system considers the key factors independent of others which is not so in reality. Consequently, the weights assigned to the factors are also less accurate. This is particularly so if the factors are of highly technical in nature.

Unrealistic Assumptions

Job evaluation is based on the assumption that wage rates can be related to the work of a given job. It completely ignores the fact that conditions in the labour market exercise greater influence in the determination of wage rates.

Formation of the Committee

The formation of the job evaluation committee itself creates a serious problem. Only persons who are capable of evaluating the jobs should be appointed as committee members. Besides, there is also difference of opinion regarding the number of members. Authorities suggest 5 to 20 members. All these factors make the installation of a job evaluation programme more costly.

Selection of a Suitable Method

The selection of a suitable method also poses a serious problem to the management. There are four methods and each method has its own merits and demerits. 5. Number of Factors There is no clear-cut opinion amongst the scholars as to how many factors should

be used and what weightage should be assigned to each factor. In many cases, 100 factors are used. This multiplicity of factors creates confusion and so precise results cannot be obtained.

Equal Pay for Equal Job

This system presumes that job of equal content will be equally attractive to the employees. But this presumption is unreal. For instance, a job offers little or no prospects for a rise or promotion; while another job rated similar to it, has better prospects for the workers; the latter will attract more than the former. Under such circumstances, the business firm has to pay more wages for the former job so as to make it more attractive.

Unsuitable for Small Concerns

Installing and operating a job evaluation programme requires much time and money. Hence, it is very difficult to introduce it in smaller concerns.

Check your Progress

6. What do you mean by job analysis
7. What do you mean by job description
8. What do you mean by job specification
9. What do you understand by ranking method

2.8 ANSWER TO CHECK YOUR PROGRESS QUESTIONS

1. The growth and development of an organization structure results in jobs that have to be staffed. 'Work' is an organization's primary function. The 'basic work activities' may relate to three categories data, people and things. Data includes synthesizing, coordinating, analysing, compiling, computing, copying and comparing activities.
2. 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. 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.
4. In the ranking method of job evaluation, a whole job is compared with others and rank is provided on the basis of this comparison

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2.9 SUMMARY

In this unit, you have learnt about the job evaluation, job analysis, uses, contents, step, methods, job design, job description, job specification and methods of job evaluation, advantages and disadvantages of job evaluation of organization. In conclusion, it may be remarked that job evaluation consisting of only a few factors can give good results and hence a shortened system is more reliable. However, job values must be constantly watched. Similarly, the job requirements may also change in course of time. Unless the job values and contents are rechecked so as to include the changes, they will not represent the true position. It is also highly necessary to adjust the job rating to changed situation and so it can be kept up-to-date at all times. Thus, job evaluation system, in spite of the limitations, can produce reliable results

2.10 KEY WORDS

- **Assessment:** It is the action of assessing someone or something.
- **Manager:** It refers to a person responsible for controlling or administering an organization or group of staff. .
- **Job:** It refers to a paid position of regular employment. .
- **Salary:** It is 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.
- **Subordinate:** It refers to a person under the authority or control of another within an organization.
- **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.

2.11 FURTHER READINGS

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2.12 SELF-ASSESSMENT QUESTIONS AND EXERCISES

Short Questions

1. What is job analysis and what are its uses?
2. Briefly discuss the meaning and uses of job description.
3. What are the limitations of job description?
4. Write a detailed note on job specification.
5. What is job description
6. What are contents of job specification
7. Define job evaluation
8. Mention the methods of job evaluation
9. What is job design

Long Questions

1. Discuss the importance of role analysis in an organization. What are its advantages?
2. What are the components of job description?
3. Write the goals of job evaluation
4. Describe the methods of job evaluation
5. Describe the various methods of job analysis
6. Write a detailed note on how to write a job description.

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UNIT-III HUMAN RESOURCE PLANNING

Structure

- 3.1. Introduction
 - 3.1.1. Definition of HR planning
- 3.2. Characteristics of human resource planning
 - 3.2.1. Objectives of human resource planning
- 3.3. Need for planning
- 3.4. Human resource planning process
 - 3.4.1. Advantages of HR planning programmes
 - 3.4.2. Role of human resource manager
- 3.5. Factors influencing human resource plan
- 3.6. Limitation of human resource planning
- 3.7. Forecasting the demand for HR
- 3.8. Answer to check your progress Questions
- 3.9. Summary
- 3.10. Key Words
- 3.11. Further Readings
- 3.12. Self-Assessment Questions and Exercises

3.1 INTRODUCTION

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 achieve organizational objectives. Those organizations that are able to acquire, develop, stimulate and keep outstanding workers will be both effective and efficient. On the other hand, those organizations that are ineffective or inefficient have 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. Human resource planning has thus become a crucial requirement in every organization. It involves predetermining the future path of action selected from a number of different courses of action to acquire, build up, administer and stimulate the human element of enterprise. It identifies a deliberate choice of patterns of the humanization of work milieu in an organization.

This unit explains the concept, characteristics, need of HR planning, including the process, factors, strategies, advantages and limitations and forecasting the demand for HR of it.

3.1.1. Definition of HR planning

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 Calhoun, ‘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 CHARACTERISTICS OF 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. It determines a conscious choice of staffing decisions in an organization.

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Characteristics 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 gather some general characteristics of human resource planning as follows:

1. Human resource planning must incorporate the human resource needs in the light of organizational goals.
2. A human resource plan must be directed towards well-defined objectives.
3. Human resource planning 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.
4. Human resource planning should pave the way for an effective motivational process.
5. A human resource plan 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.
6. Adequate flexibility must be maintained in human resource planning to suit the changing needs of the organization. The HR manager must follow a systematic process for HR planning as given in Figure 3.1.

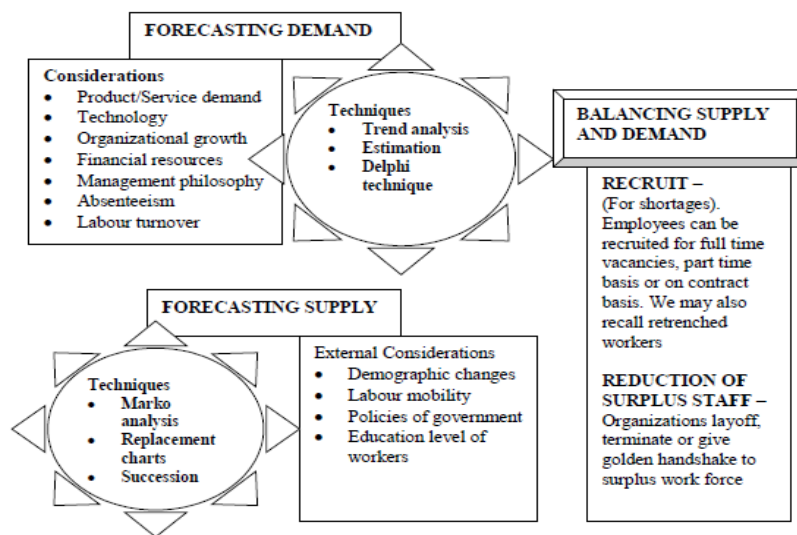


Fig. 3.1 Human Resource Planning Model

3.2.1. Objectives of human resource planning

From Figure 3.1, 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 keep in mind the timing and scheduling of 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 formulating and designing the training and development programmes for the employees because it takes into account the anticipated changes in the HR requirements of the organizations.

3.3 NEED FOR 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:

1. Planning defines future manpower needs and this becomes the basis of recruiting and developing personnel.
2. Employees can be trained, motivated and developed in advance and this helps in meeting future needs for high-quality employees.
3. 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.
4. Jobs are becoming more and more knowledge-oriented. This has resulted in a changed profile of HR. Because of increased emphasis on knowledge, recruitment costs have also increased. To avoid the high cost of recruitment, proper HR planning is necessary.

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5. The organization can have a reservoir of talent at any point. People with requisite skills are readily available to carry out the assigned tasks.
6. 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.
7. Systematic HR planning forces top management of an organization to participate actively in total HR management functions. When there is active involvement of top management, they will appreciate the real value of human resources in achieving organizational effectiveness.
8. Systematic HRP forces top management of an organization to participate actively in total HRM functions. When there is active involvement of top management, they will appreciate the real value of human resources in achieving organizational effectiveness

3.4 HUMAN RESOURCE PLANNING PROCESS

With the expansion of business, adoption of complex technology and professional management techniques, the process of HR planning has assumed greater significance. It consists of the following stages.

Analysing organizational plans and deciding on objectives

Before undertaking the HR planning of an organization the short-term and long-term objectives should be analyzed. The process of HR planning should start with analyzing the organizational plans and programmes. They help in forecasting the demand for human resources as it provides the quantum of future work activity

Analysing factors for manpower requirements

The existing job design and analysis may be reviewed thoroughly keeping in view the future capabilities, knowledge and skills of present employees. The job design and analysis should reflect the future human resources and organizational plans. The factor for manpower requirements can be analysed in two ways:

- a. **Demand forecasting:** Forecasting the overall HR requirements in accordance with the organizational plans.
- b. **Supply forecasting:** Obtaining the data and information about the present inventory of human resources and forecast the future changes in present human resource inventory..

Developing employment plans

After determining the number of personnel for each job in the organization, the HR department has to spell out the job description and job specification.

- a. **Job description:** A job description generally describes the work to be performed, the responsibilities involved, the skill or training required, conditions under which the job is done, relationships with other jobs and personal requirements on the job.
- b. **Job specification:** Job specification is an output of job description and states the minimum acceptable qualifications that the newcomer must possess to perform the job satisfactorily and successfully.

Developing human resource plans

Net HR requirements in terms of number and components are to be determined in relation to the overall HR requirement. After estimating the supply and demand of human resources, the management starts the adjustment. When the internal supply of employees is more than the demand, that is, there is a human resource surplus; then the external recruitment is stopped. If there is a human resource deficit, then the planners have to rely on external sources.

3.4.1. Advantages of HR planning programmes

As the manpower planning is concerned with optimum use of HR, it can be of great benefit to the organization in particular and to the nation in general. At the national level, it would be concerned with factors like population, economic development, educational facilities and labour mobility. At the level of the organization it is concerned with personnel requirements, sources of availability, the welfare of HR, etc. The advantages of HR planning are discussed below:

Improvement of labour productivity

Manpower or HR as a factor of production differs from other factors of production. As it is subject to its free will, the productivity of labour can be improved if the workers are kept satisfied. In other words, just as the satisfied workers can be productive, dissatisfied workers can even be destructive. Therefore, through proper HR planning we can improve the morale of the labour and thereby labour productivity.

Recruitment of qualified HR

Talented and skilled labour has become a scarce resource, especially in developing countries. Therefore, for the survival of the firm it is essential to recruit the best labour force through proper manpower planning.

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Adjusting with rapid technological changes

With the advancement in technology, job and job requirements are changing. Therefore, it is necessary to forecast and meet the changing manpower, which can withstand the challenges of the technological revolution. This can be done through effective manpower planning.

Reducing labour turnover

Labour turnover refers to the mobility of labour out of the organization due to various factors, such as dissatisfaction, retirement, death, etc. Due to labour turnover a firm loses experienced and skilled labour force. This loss can be minimized through efficient manpower planning.

Control over recruitment and training costs

Highly skilled personnel are in short supply and it is costly to hire, train, and maintain them. A company has to incur heavy costs in processing applications, conducting written tests, interviews, etc., and in the process providing adequate training facilities. In consideration of these costs it is essential to plan carefully vis-à-vis manpower so as to minimize costs.

Mobility of labour

Today, it is difficult to retain qualified personnel in an organization as they move from one job to another in search of better prospects. In a free society, people enjoy unrestricted mobility from one part of the country to the other. Therefore, in order to reduce the loss of experienced and skilled labour, every organization must have a sound system of manpower planning.

Facilitating expansion programmes

In these days of rapid industrial development every company goes for expansion of its activities. With the increase in company size, the demand for HR also increases. This necessitates proper manpower planning so as to ensure the continued supply of the required manpower for the firms' activities.

To treat manpower like real corporate assets

Today it is being increasingly felt by the practicing managers and psychologists that employees in an organization must be treated as the most significant assets. The productivity of a company can be improved only through manpower planning, recognizing the significance of the human factor in business. A proper manpower planning is based on the realization that satisfied workers can contribute to the overall profitability of the firm through improved productivity.

3.4.2. 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.

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.

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.

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.

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.

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.

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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.

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.

3.5 FACTORS INFLUENCING HUMAN RESOURCE PLAN

Human resource planning can be defined as the process of identifying the number of people required by an organization in terms of quantity and quality. All human resource management activities start with human resource planning. The most carefully laid human resource plans can be affected by internal and external change anytime, so forecasting and flexibility are essential for effective planning and adapting as required. In order to do this, HR managers must be aware of what's going on within the company, the industry and the wider market in relation to the factors that influence change

Some of the steps that may be taken to improve the effectiveness of HRP are as follows:

Objectives

The HR plan must fit in with the overall objectives of the organization. Important aspects, such as working conditions, human relationships, etc., must be kept in mind while developing the plan. The HR plan should be balanced with the corporate plan of the enterprise. The methods and techniques used should fit the objectives, strategies and environment of the particular organization.

Top management support

The plan must meet the changing needs of the organization and should enjoy consistent support from top management. Before starting the HRP process, the support and commitment of top management should be ensured. Moreover, the exercise should be carried out within the limits of the budget. There is no use formulating plans which cannot be implemented due to financial constraints.

Appropriate time horizon

The period of a HRP should be appropriate to the needs and circumstances of the specific enterprise. The size and structure of the

enterprise as well as the changing aspirations of the people should be taken into consideration. ·

Manpower inventory

The quantity and quality of human resources should be stressed in a balanced manner. The emphasis should be on filling future vacancies with the right people rather than merely matching existing people with existing jobs. The organization must have an up-to-date employee skills inventory showing previous jobs held, tenure on current job, educational and training qualifications, specific knowledge and skills, prior work performance, past and current compensation and mobility factors. The Markov analysis (an approach to forecast the internal supply of manpower tracking past patterns of personnel movements) may be pressed into service while preparing the manpower inventory. Upward mobility of existing staff needs to be considered carefully.

Human resource information system

An adequate database should be developed for human resources to facilitate HRP. To manage employee skills inventories, organizations should maintain computerized human resource information systems containing data on: individuals, demographics, career progression, appraisals and skills.

Legal and Regulatory Changes

Employment law is the most significant sector of the legal system that affects human resource planning, and it changes all the time. In most cases, there is plenty of time to implement changes to policy, as the law can take awhile to take effect. Keep yourself up to date, and have an employment law specialist available to consult if necessary. Employment law changes must be reflected in company policy and implemented on the ground by supervisors and managers, so you may need to incorporate another training need into the human resources plan.

3.6 LIMITATIONS OF HUMAN RESOURCE PLANNING

The Human Resource Planning is concerned with maintaining and recruiting the human resources with the requisite quantity and the quality, to fulfill the demand and supply arising in the near future. In spite of its benefit of keeping the organization's manpower position balanced, there are a few limitations of Human Resource Planning, which are discussed below.

Inaccuracy

HR planning involves forecasting the demand for and supply of HR. Projecting manpower needs over a period of time is a risky task. It

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is not possible to track the current and future trends correctly and convert the same into meaningful action guidelines. Longer the time taken, greater is the possibility of inaccuracy. Inaccuracy increases when departmental forecasts are merely aggregated without critical review. Factors such as absenteeism, labour turnover, seasonal trends in demand, competitive pressures, technological changes etc., may reduce the rest of manpower plans as fashionable, decorative pieces.

Uncertainties

Technological changes and market fluctuations are uncertainties, which serve as constraints to HR planning. It is risky to depend upon general estimates of manpower in the face of rapid changes in environment.

Lack of support

Support from management is lacking. The latter is unwilling to commit funds for building an appropriate HR Information System. The time and effort involved with no tangible and immediate gains often force them to look the 'other way'.

- HR planning grows slowly and gradually. In some cases, sophisticated technologies are forcefully introduced just because competitors have adopted them. These may not yield fruit unless matched with the needs and environment of the particular enterprise.
- Planning is generally undertaken to improve overall efficiency. In the name of cost cutting it also helps management weed out unwanted labour at various levels. The few efficient ones that survive such frequent onslaughts complain about increased workload.

Support from management is lacking. The latter is unwilling to commit funds for building an appropriate HR information system. The time and effort involved – with no tangible, immediate gains often force them to look the 'other way'. HR planning grows slowly and gradually. In some cases, sophisticated technologies are forcefully introduced just because competitors have adopted them. These may not yield fruit unless matched with the needs and environment of the particular enterprise.

Numbers' game

In some companies, HR planning is used as a numbers' game. The focus is on the quantitative aspect to ensure the flow of people in and out of the organization. Such an exclusive focus overlooks the more important dimension, i.e. the quality of human resources. HR planning, in the long run, may suffer due to an excessive focus on the quantitative aspects. Aspects such as employee motivation, morale, career prospects, training avenues, etc may be totally discounted.

Employees' resistance

Employees and trade unions feel that due to widespread unemployment people will be available for jobs as and when required. Moreover they feel that HR planning increases their workload and regulates them through productivity bargaining.

Employers' resistance

Employers may also resist HR planning on the ground that it increases the cost of manpower.

Lack of purpose

Managers and HR specialists do not fully understand the human planning process and lack a strong sense of purpose.

Time and expense

Manpower planning is a time-consuming and expensive exercise. A good deal of time and costs are involved in data collection and forecasting.

Inefficient information system

In most of the organizations, human resource information system has not been fully developed. In the absence of reliable data, it is not possible to develop effective

3.7 FORECASTING THE DEMAND FOR HR

Forecasting human resource demand is the process of estimating the future human resource requirement of right quality and right number. As discussed earlier, potential human resource requirement is to be estimated keeping in view the organisation's plans over a given period of time. Analysis of employment trends; replacement needs of employees due to death, resignations, retirement termination; productivity of employees; growth and expansion of organisation; absenteeism and labour turnover are the relevant factors for human resourced forecasting. Demand forecasting is affected by a number of external and internal factors.

Job analysis and forecasting about the quality of potential human resource facilitates demand forecasting. So, existing job design must be thoroughly evaluated taking into consideration the future capabilities of the present employees.

Human Resource Demand Forecasting depends on several factors, some of which are given below.

- ❖ Employment trends;
- ❖ Replacement needs;
- ❖ Productivity;
- ❖ Absenteeism; and

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❖ Expansion and growth.

There are number of techniques of estimating/forecasting human resources demand:

- a. Managerial Judgement
- b. Work Study Technique
- c. Ratio-trend Analysis
- d. Econometric Models
- e. Delphi Model
- f. Other Techniques

Managerial Judgement

Managerial judgement technique is very common technique of demand forecasting. This approach is applied by small as well as large scale organisations. This technique involves two types of approaches i.e. 'bottom-up approach' and 'top-down approach'. Under the 'bottom-up approach', line managers send their departmental requirement of human resources to top management. Top management ultimately forecasts the human resource requirement for the overall organisation on the basis of proposals of departmental heads. Under the 'Top-down approach', top management forecasts the human resource requirement for the entire organisation and various departments.

This information is supplied to various departmental heads for their review and approval. However, a combination of both the approaches i.e. 'Participative Approach' should be applied for demand forecasting. Under this approach, top management and departmental heads meet and decide about the future human resource requirement. So, demand of human resources can be forecasted with unanimity under this approach.

Work-Study Technique

This technique is also known as 'work-load analysis'. This technique is suitable where the estimated work-load is easily measurable. Under this method, estimated total production and activities for a specific future period are predicted. This information is translated into number of man-hours required to produce per units taking into consideration the capability of the workforce. Past-experience of the management can help in translating the work-loads into number of man-hours required. Thus, demand of human resources is forecasted on the basis of estimated total production and contribution of each employee in producing each unit items. The following example gives clear idea about this technique.

Let us assume that the estimated production of an organisation is 3,00,000 units. The standard man-hours required to produce each unit are 2 hours. The past experiences show that the work ability of each

employee in man-hours is 1500 hours per annum. The work-load and demand of human resources can be calculated as under:

- Estimated total annual production = 300000 units
- Standard man-hours needed to produce each unit = 2 hrs
- Estimated man-hours needed to meet estimated annual production (i x ii) = 600000 hrs
- Work ability/contribution per employee in terms of man-hour = 1500 units
- Estimated no. of workers needed (iii / iv) = $600000/1500 = 400$ units

The above example clearly shows that 400 workers are needed for the year. Further, absenteeism rate, rate of labour turnover, resignations, deaths, machine break-down, strikes, power-failure etc. should also be taken into consideration while estimating future demand of human resources/ manpower.

Ratio-Trend Analysis

Demand for manpower/human resources is also estimated on the basis of ratio of production level and number of workers available. This ratio will be used to estimate demand of human resources. The following example will help in clearly understanding this technique.

Estimated production for next year = 1,40,000 units

Estimated no. of workers needed (on the basis of ratio-trend of 1: 200) will be = 700

Econometrics Models

These models are based on mathematical and statistical techniques for estimating future demand. Under these models relationship is established between the dependent variable to be predicted (e.g. manpower/human resources) and the independent variables (e.g., sales, total production, work-load, etc.). Using these models, estimated demand of human resources can be predicted.

Delphi Technique

Delphi technique is also very important technique used for estimating demand of human resources. This technique takes into consideration human resources requirements given by a group of experts i.e. managers. The human resource experts collect the manpower needs, summarizes the various responses and prepare a report. This process is continued until all experts agree on estimated human resources requirement.

Other Techniques

- The other techniques of Human Resources demand forecasting are specified as under: Following the techniques

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of demand forecasting of human resources used by other similar organisations

- Organisation-cum-succession-charts
- Estimation based on techniques of production
- Estimates based on historical records
- Statistical techniques e.g. co-relation and regression analysis.

Check your Progress

10. Define HR Planning
11. List out any two advantages of HRP
12. What are the role of HR manager
13. What do you mean by Delphi Technique

3.8 ANSWER TO CHECK YOUR PROGRESS QUESTIONS

1. 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’.
2. **Recruitment of qualified HR:** Talented and skilled labour has become a scarce resource, especially in developing countries. Therefore, for the survival of the firm it is essential to recruit the best labour force through proper manpower planning.
Adjusting with rapid technological changes: With the advancement in technology, job and job requirements are changing. Therefore, it is necessary to forecast and meet the changing manpower, which can withstand the challenges of the technological revolution. This can be done through effective manpower planning
3. 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.
4. Delphi technique is also very important technique used for estimating demand of human resources. This technique takes into consideration human resources requirements given by a group of experts i.e. managers. The human resource experts collect the manpower needs, summarizes the various responses and prepare a report. This process is continued until all experts agree on estimated human resources requirement.
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3.9 SUMMARY

In this unit, you have learnt about the characteristics, need for planning, process, factors influencing human resource plan, limitations of HRP and forecasting the demand for HR.

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.

HR planning is a systematic and continuous process of identifying current and future human resource requirements of an organization. It aims to bridge the gap between current human resource availability and future demand.

3.10 KEY WORDS

- **Employee:** It refers to a person employed for wages or salary, especially at non-executive level.
 - **Manpower:** It is the number of people working or available for work or service.
 - **Compensation:** It refers to something, typically money, awarded to someone in recognition of loss, suffering, or injury.
 - **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 workerrelated.
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3.12 SELF-ASSESSMENT QUESTIONS AND EXERCISES

Short Questions

1. Define HRP
2. What is HRP? Write a short note on HRP or Manpower
3. State the characteristics and objectives of HR planning.
4. Why is HR planning important?
5. Discuss the limitations of HR planning.
6. Who is responsible for HR planning?

Long Questions

1. Discuss the process of HR planning in detail. What are the advantages of HR planning programmes?
2. Discuss some of the steps that may be taken to improve the effectiveness of HRP
3. Specify the advantages of human resource planning
4. What are the techniques used for forecasting demand for human resources

UNIT-IV ORGANIZING THE HUMAN RESOURCE

Structure

- 4.1. Introduction
 - 4.1.1. Organizing the human resource
 - 4.1.2. HRM: Features, scope and development
- 4.2. Definitions
 - 4.2.1. Objectives of HRM
- 4.3. Process of organization
- 4.4. Importance of organization
- 4.5. Organization structure
 - 4.5.1. Function of HR department
 - 4.5.2. ChallengesHR professionals
- 4.6. Principles of organization
 - 4.6.1. Nature of HRM
- 4.7. Theories of organization
 - 4.7.1. Key people in human resources theories
- 4.8. Answer to check your progress Questions
- 4.9. Summary
- 4.10. Key Words
- 4.11. Further Readings
- 4.12. Self-Assessment Questions and Exercises

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4.1 INTRODUCTION

Human Resource Management. Human Resource Management (HRM) is the term used to describe formal systems devised for the management of people within an organization. The responsibilities of a human resource manager fall into three major areas: staffing, employee compensation and benefits, and defining/designing work.

Human resource management (HRM) is the management of an organization's workforce or human resources. It is responsible for the selection, training, assessment, rewarding and retaining of employees. It is also responsible for overseeing organizational leadership and culture, and ensuring compliance with employment and labour laws. In this unit, you will study the organizing the Human Resources in organizations. Human resource definition, process, importance of

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Human Resource, organization structure of Human Resource , Human Resource Principles of organization and HR theories of organization. Integration of the interests of both the employer and the employees is important in order to attain these objectives. Furthermore, you will learn that the basic functions of HRM involve operative and managerial functions, each of which cannot function without the other. The unit will also discuss the role and structure of HRM in organizations. The role of personnel managers is influenced by factors such as size, nature and location of the business or industry. In terms of the changing environment, some of the important roles of HR managers are:

- Reactive / proactive roles
- Business partner role
- Strategist's role
- Interventionist's role
- Innovation role
- Internal consultancy role
- Monitoring role

You will also learn that the organizational structure of the Human Resources Department (HRD) has a pyramid-like shape with the HRD Manager or HRD Director at the head. Right below the HRD Manager, there is another level with personnel officers who report directly to the HRD Manager. The unit will also explain the challenges in HRM, some of which are managing globalization, developing leadership skills, developing work ethics, retaining talent, managing workforce stress and employment relations, managing workforce diversity, etc. The unit will conclude by discussing the approaches to HRM, with a focus on the significance of HRM.

4.1.1. Organizing the human resource

HR management as an organizational function traditionally was viewed as a staff function. Staff functions provide advisory, control, or support services to the line functions. Line functions are those portions of the organization directly concerned with operations resulting in products or services. Line authority gives people the right to make decisions regarding their part of the workflow; however, traditional staff authority only gives people the right to advise the line managers who will make the decisions.

Two different organizational arrangements that include an HR department are common. In one structure the HR function reports directly to the CEO, which is likely to result in greater status and access to the strategy-making process in organizations. Another structure that is still frequently found has the head of the HR unit reporting to the Vice President of Finance/Administration. This

structure often leads to HR being focused more on operational and administrative issues.

Within the HR unit, it is common to structure jobs around the major HR activities. A wide variety of jobs can be performed in HR departments. As a firm grows large enough to need someone to focus primarily on HR activities, the role of the HR generalist emerges that is, a person who has responsibility for performing a variety of HR activities. Further growth leads to adding HR specialists who have in-depth knowledge and expertise in a limited area. Intensive knowledge of an activity such as benefits, testing, training, or affirmative action compliance typifies the work of HR specialists.

HR Management Costs

As an organization grows, so does the need for a separate HR department, especially in today's climate of increasing emphasis on human resources. As might be expected, the number of HR-unit employees needed to serve 800 employees is not significantly different from the number needed to serve 2,800 employees. The same activities simply must be provided for more people. Consequently, the cost per employee of having an HR department is greater in organizations with fewer than 250 employees.

Two HR management trends are evident today in a growing number of organizations. One is the decentralization of HR activities and the other is outsourcing of HR activities.

Decentralizing HR Activities

How HR activities are coordinated and structured varies considerably from organization to organization. Many organizations have centralized HR departments, whereas these departments are decentralized throughout other organizations.

Centralization and decentralization are the end points on a continuum. Organizations are seldom totally centralized or decentralized. The degree to which authority to make HR decisions is concentrated or dispersed determines the amount of decentralization that exists. With centralization, HR decision-making authority/responsibility is concentrated upward in the organization; whereas with decentralization HR decision-making authority/responsibility is distributed downward throughout the organization. How large an HR staff is or should be, or the extent of centralized or decentralized HR decision-making in organizations, is determined by many factors: culture of the organization, management style of the executives, geographic location, industry patterns, extent of unionization, and others.

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What is occurring in some organizations is that HR activities are being aligned more with the specific business needs of individual operating entities and subsidiaries.

The result is the shrinking of the staff in a centralized HR department for an entire organization. For instance, a financial services company has six different subsidiaries. Each subsidiary has its own HR director and HR staff; and compensation, training, and employment are all handled by the HR professionals in each of the strategic business units. The only centralized HR activities are benefits design and administration, human resource information systems design and administration, and equal employment compliance reporting and monitoring. In this way the HR central and administrative functions can be centralized for efficiency, while also allowing each business unit to develop and tailor its HR practices to its own needs.

Even smaller organizations are decentralizing HR activities. In one hospital with about 800 employees, four HR representatives are designated for different sections of the hospital. These individuals are the primary contact for all HR needs of managers and employees in the various hospital departments. The only centralized HR functions are those mentioned earlier. The Vice President of Human Resources serves primarily as a strategist with the CEO and other senior-level managers. As a result of this shift, the hospital has had to train the HR professionals who specialized in an HR function such as employment to become HR generalists. In this way the HR “partnership” with operating managers has become stronger.

Outsourcing HR Activities

In a growing number of organizations, various HR activities are being outsourced to outside providers and consultants. The HR Perspective discusses research done on HR outsourcing. Outsourcing some HR activities can be beneficial for organizations for several reasons. First, the contractor is likely to maintain more current systems and processes, so that the employer does not have to keep buying new items, such as computer software, programs, and hardware. Also, many contractors have special expertise that is unavailable to HR managers in smaller organizations, whose time and experience both may be limited. A major benefit is to reduce HR payroll costs and shift activities to the outsourcing contractor. This shift means that the HR department has fewer people and more flexibility in changing its structure and operations as organizational changes require.

But outsourcing HR activities has some disadvantages also. First, the success of outsourcing rests in the competence of the outside vendor. Having a contract that identifies what will be done and what continuing support will be provided is crucial. Obviously, selecting an outsider who fails to provide good services or results reflects

negatively on the HR staff in the organization. Second, some concerns exist about “losing control” by utilizing outsourcing. When data are available from and services are provided by an outsider, the HR staff may feel less important and more anxious because they do not have as much access and control. This concern can be partially addressed by clearly identifying the outsourcing relationship. In addition, sometimes outsourcing may cost more than providing some HR activities in-house, particularly if the contract is not clear on a variety of factors. In summary, there definitely are risks associated with outsourcing, but there are distinct advantages as well. Detailed analyses should be done by HR managers before outsourcing occurs, followed by periodic evaluations.

4.1.2. HRM: Features, scope and development

Different experts in the field have defined it differently. It is a task that facilitates the most effective use of people to achieve organizational and individual goals. Human Resource Management (HRM) seeks to bring together and develop an effective organization enabling the employees to do their best both as an individual and as a member of a working group. The scope of HRM, on the other hand, is vast. It embraces a wide range of activities. The importance of HRM lies in the fact that along with financial and material resources, it contributes to the production of goods and services in an organization. The functions of human resource management include operative and managerial functions, personnel management policies and strategic challenges for HR.

4.2 DEFINITION

According to **Ivancevich and Gluck**, ‘Human resource management 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: ‘Human resource management 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 seeks 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.’

In the words of **Michael J. Jucious**, human resource management ‘may be defined as that field of management which has

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to do with planning, organizing and controlling the functions of procuring, developing, maintaining and utilizing a labour force, such that the (i) objectives for which the company is established are attained economically and effectively, (ii) objectives of all levels of personnel are served to the highest possible degree; (iii) objectives of society are duly considered and served.'

4.2.1. Objectives of HRM

Objectives are preset goals towards which all individuals or groups direct their activities in an organization. The objectives of HRM are affected by not only organizational objectives but also individual and social goals. Every organization has certain objectives and each part of it make some contribution, whether direct or indirect, to achieve these predetermined objectives. The character of an organization can be judged by its objectives. These objectives form the basis for voluntary cooperation and coordination among all employees. Objectives also form the bases for deciding benchmarks or standards for performance evaluation. The primary aim of HRM is the promotion of effectiveness of the employees in performance of the duties assigned to them. This can be done by substituting cooperation instead of the hostility characteristic employer-employee relations. 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 men and women who make up an enterprise to make their 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 of human resource management are derived from the basic objectives of an organization. In order to achieve organizational objectives, integration of the employer's and employees' interests is necessary. The objectives of human resource management may be summarized as follows:

1. To improve the services rendered by the enterprise by building better employee morale which leads to more efficient individual and group performance. Thus, HRM seeks to manage change to the mutual advantage of individuals, groups, organization and society.
2. To establish in the minds of those associated with the enterprise employees, shareholders, creditors, customers and the public at large the fact that the enterprise is rendering the best service it is capable of and distributing the benefits derived from the fairly and contributing success of the enterprise.
3. To create and utilize an able and motivated workforce for accomplishing the basic organizational goals.

4. To understand and satisfy individual and group needs by providing adequate and equitable wages, employee benefits, status, social security, incentives, prestige, recognition, challenging work and security. Thus, an organization can look into and realize the individual and group goals by offering appropriate monetary and non-monetary incentives.
5. To employ the skills and knowledge of employees efficiently and effectively, i.e., to utilize human resources effectively in achieving the organizational goals.
6. To fortify and acknowledge the human assets continuously by providing training and developmental programmes. These programmes help the organization in attaining its goals by providing well-trained and well motivated employees.
7. To keep the moral of the employees high and maintain sound human relations by sustaining and improving the various conditions and facilities.
8. To increase job satisfaction and self-actualization of employees by encouraging and assisting every employee to realize his full potential.
9. To make available good facilities and working environment and generate a favourable atmosphere for maintaining the stability of employment.
10. To identify and satisfy individual needs and group goals by offering appropriate monetary and non-monetary incentives.
11. To create and enforce a quality of work life (QWL) that makes employment in organization comfortable. Maximum development of individual, good working relationship and optimum utilization of human resources are the primary aims of HRM. Management has to create a comfortable and suitable environment and provide necessary preconditions for the attainment of the objectives

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4.3 PROCESS OF ORGANIZATION

Each organization works towards the realization of one vision. The same is achieved by formulation of certain strategies and execution of the same, which is done by the HR department. At the base of this strategy formulation lie various processes and the effectiveness of the former lies in the meticulous design of these processes. But what exactly are and entails these processes? Let's read further and explore.

The following are the various HR processes:

- Human resource planning (Recruitment, Selecting, Hiring, Training, Induction, Orientation, Evaluation, Promotion and Layoff).
- Employee remuneration and Benefits Administration

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- Performance Management.
- Employee Relations.

The efficient designing of these processes apart from other things depends upon the degree of correspondence of each of these. This means that each process is subservient to other. You start from Human resource Planning and there is a continual value addition at each step. To exemplify, the PMS (performance Management System) of an organization like Infosys would differ from an organization like Walmart. Let's study each process separately.

Human Resource Planning

Generally, we consider Human Resource Planning as the process of people forecasting. Right but incomplete. It also involves the processes of Evaluation, Promotion and Layoff.

Recruitment

It aims at attracting applicants that match a certain Job criteria.

Selection

The next level of filtration. Aims at short listing candidates who are the nearest match in terms of qualifications, expertise and potential for a certain job.

Hiring

Deciding upon the final candidate who gets the job.

Training and Development

Those processes that work on an employee onboard for his skills and abilities upgradation.

Employee Remuneration and Benefits Administration

The process involves deciding upon salaries and wages, Incentives, Fringe Benefits and Perquisites etc. Money is the prime motivator in any job and therefore the importance of this process. Performing employees seek raises, better salaries and bonuses.

Performance Management

It is meant to help the organization train, motivate and reward workers. It is also meant to ensure that the organizational goals are met with efficiency. The process not only includes the employees but can also be for a department, product, service or customer process; all towards enhancing or adding value to them.

Nowadays there is an automated performance management system (PMS) that carries all the information to help managers evaluate the performance of the employees and assess them accordingly on their training and development needs.

Employee Relations

Employee retention is a nuisance with organizations especially in industries that are hugely competitive in nature. Though there are myriad factors that motivate an individual to stick to or leave an organization, but certainly few are under our control.

Employee relations include Labor Law and Relations, Working Environment, Employee health and safety, Employee- Employee conflict management, Employee- Employee Conflict Management, Quality of Work Life, Workers Compensation, Employee Wellness and assistance programs, Counseling for occupational stress. All these are critical to employee retention apart from the money which is only a hygiene factor.

All processes are integral to the survival and success of HR strategies and no single process can work in isolation; there has to be a high level of conformity and cohesiveness between the same

4.4 IMPORTANCE OF ORGANIZATION

Human resources is important to organizations in myriad areas, ranging from strategic planning to company image. HR practitioners in a small business who have well-rounded expertise provide a number of services to employees. The areas in which HR maintains control can enhance an employees' experience throughout the workforce while strengthening business operations

It is possible to find a human resource department in almost all the organizations out there in the world. In fact, the human resource department has the potential to manage the most important and valuable resources of an organization. Without a proper functioning human resource department, a company would fail to achieve a high level of efficiency and workforce management.

The role played by human resources within an organization

Strategic Management

HR improves the company's bottom line with its knowledge of how human capital affects organizational success. Leaders with expertise in HR strategic management participate in corporate decision-making that underlies current staffing assessments and projections for future workforce needs based on business demand.

Wages and Salaries

HR compensation specialists develop realistic compensation structures that set company wages competitive with other businesses in the area, in the same industry or companies competing for employees with similar skills. They conduct extensive wage and salary surveys to

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maintain compensation costs in line with the organization's current financial status and projected revenue

Analyzing Benefits

Benefits specialists can reduce the company's costs associated with turnover, attrition and hiring replacement workers. They are important to the organization because they have the skills and expertise necessary to negotiate group benefit packages for employees, within the organization's budget and consistent with economic conditions. They also are familiar with employee benefits most likely to attract and retain workers. This can reduce the company's costs associated with turnover, attrition and hiring replacement workers.

Safety and Risk Management

Employers have an obligation to provide safe working conditions. Workplace safety and risk management specialists from the HR area manage compliance with U.S. Occupational Safety and Health Administration regulations through maintaining accurate work logs and records, and developing programs that reduce the number of workplace injuries and fatalities. Workplace safety specialists also engage employees in promoting awareness and safe handling of dangerous equipment and hazardous chemicals.

Minimizing Liability Issues

HR employee relations specialists minimize the organization's exposure and liability related to allegations of unfair employment practices. They identify, investigate and resolve workplace issues that, left unattended, could spiral out of control and embroil the organization in legal matters pertaining to federal and state anti-discrimination and harassment laws.

Training and Development

HR training and development specialists coordinate new employee orientation, an essential step in forging a strong employer-employee relationship. The training and development area of HR also provides training that supports the company's fair employment practices and employee development to prepare aspiring leaders for supervisory and management roles.

Employee Satisfaction

Employee relations specialists in HR help the organization achieve high performance, morale and satisfaction levels throughout the workforce, by creating ways to strengthen the employer-employee relationship. They administer employee opinion surveys, conduct focus groups and seek employee input regarding job satisfaction and ways the employer can sustain good working relationships.

Recruitment and Onboarding

HR recruiters manage the employment process from screening resumes to scheduling interviews to processing new employees. Typically, they determine the most effective methods for recruiting applicants, including assessing which applicant tracking systems are best suited for the organization's needs.

Hiring Processes

HR professionals work closely with hiring managers to effect good hiring decisions, according to the organization's workforce needs. They provide guidance to managers who aren't familiar with HR or standard hiring processes to ensure that the company extends offers to suitable candidates.

Maintaining Compliance

HR workers ensure that the organization complies with federal state employment laws. They complete paperwork necessary for documenting that the company's employees are eligible to work in the U.S. They also monitor compliance with applicable laws for organizations that receive federal or state government contracts, through maintaining applicant flow logs, written affirmative action plans and disparate impact analyses

4.5 ORGANIZATION STRUCTURE

The organization structure of HR is somewhat standardized in all parts of the world. However, the HR department is divided into several layers in bigger organizations, such as the HR back office, HR front office and HR Centers of Excellence. The entire department is controlled by the HR manager. In large organizations, there can be more than one manager. The responsibility of the top management is to execute HR strategy along with business strategy. In addition, the management demands perfect deployment of the HR processes.

The organizational structure of HR needs to be flat as possible. Moreover, lowest levels of the department should be given with decision making responsibility. That's because the HR professionals should directly contribute towards the development of the entire organization. If there are too many managers, the decision making process would get delayed and the organization would fail to execute planned strategies on time. On the other hand, the organizational structure of HR should be flexible as well. Then the HR professionals would be able to adapt quickly according to specific requirements of the organization. If they can adapt, the other divisions of the organization would not find it as a difficult task to adapt within a short period of time. Last but not least, the organization structure of HR should provide an excellent support to career development.

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The types of positions in human resources

HR Manager

When it comes to the organizational structure of HR, the HR managers are at the top most level. It is up to the HR managers to direct the HR department in the correct track and help them deploy HR strategy, which could create an impact on the entire organization.

Generalist

The role of generalists is to work together with top level management of the organization and delivers appropriate business strategy. The generalists will also have to work along with employees and find solutions to all the small issues that arise in day to day work. The HR Generalist job role can be divided into many different categories as well. They include HR business partner, HR advisor, HR assistance and HR apprentice.

Recruitment manager

This can be considered as one of the most important roles in the HR department. It is up to the recruitment manager to analyze whether a specific applicant fits well to the organizational culture or not. They can also play the role of mentors in some cases.

Learning and development manager

As mentioned earlier, HR professionals are responsible for employee training. The learning and development manager analyzes whether information is passed among employees within the organization in a proper manner.

4.5.1. Function of HR department

The main function of HR department is to oversee department functions and manage employees by planning, implementing, and evaluating human resources policies, principles, and programs. Basically, it involves functional activities including hiring qualified employees, establishing compensation structure, training staffs, addressing employee relations matters, and maintaining workplace safety.

Function Units

- Recruitment
- Compensation and Benefits
- Employee Relations
- Training and Development
- Workforce Safety

An HR organizational chart example:

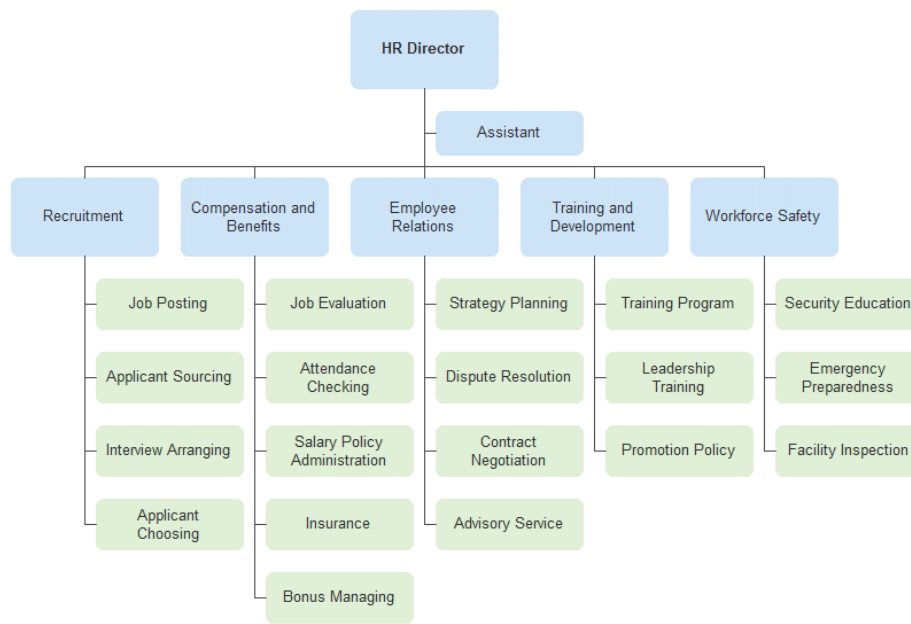


Fig .4.1.Function HR Department

Recruitment

Recruitment is a vital task for HR department because it determines what kind of people will work for the company – whether they have the right knowledge and skills, and whether they are suitable for the position or not. To accomplish this mission, they HR department need to develop and execute quality recruitment strategies to ensure that recruitment meets all affirmative action commitments.

Compensation and Benefits

HR manager needs to establish strategic compensation plans, ensuring wages and reward programs are administrated equally throughout the workforce. They need to provide employees with benefit options, including health insurance, retirement planning, life insurance, etc. What’s more, they are responsible for authorizing salary changes, position changing an election.

Employee Relations

HR department is also responsible for investigating and solving employee complaints, conflicts and concerns. Many possible issues might arise in a company. For example, an employee is not satisfied with his performance assessment result and seeks for revision. If this kind of circumstance happens, the HR department needs to research on this issue, and solve the problem by negotiating with his superior.

Training and Development

Through effective training, employees could enhance their knowledge, skills and work abilities, so that they can improve their job performance. Human resource department conduct needs analysis to

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decide what training is necessary to improve performance and productivity.

Workforce Safety

HR department needs to ensure every staff working in a safe environment. It's their obligation to research and develop safety policies for the company that is in compliance with state and federal laws and regulation. They need to identify unsafe conditions and make clear notice on potential dangerous matters such as dangerous equipment, chemical drugs, radioactive substances, etc.

4.5.2. Challenges HR professionals

Retaining unique talent

Retaining unique talent is a challenge that is faced by all organizations out there in the world. It is the HR professionals who have to deal with this challenge. The HR professionals spend a considerable amount of time when interviewing, recruiting and training the employees and if they fail to retain the talent they hire, they would be putting all the efforts in vain.

Ensuring workplace culture

The workplace culture should be challenging as well as enjoyable. It is up to the HR professionals in order to create that culture. The workplace culture should cater to all the employees within the organization in a consistent manner as well.

Make sure new employees fit to the organization

HR professionals can't do any mistakes when they are recruiting new talent. Therefore, the HR professionals should make sure that the employees they hire fit perfectly well to the organization culture or not.

Juggling diversity

All the organizations out there in the world focus on creating a diverse structure as well. Therefore, HR professionals will have to deal with juggling diversity.

4.6 PRINCIPLES OF ORGANIZATION

Human Resource Management is an organizational function which concentrates on staffing/recruiting, managing and directing the people who work for a company. Human Resource (HR) Department deals with issues related to employee benefits, compensation, performance and reward management, wellness, safety, organizational development, employee relations, and motivation, etc. HRD plays a significant and strategic role in managing people as well as workplace culture. It can hugely contribute to a company's growth and stability if implemented effectively. It is said to be a process of bringing

organizations and people altogether in order to meet the goals of both. In this topic, we are going to learn about the Principles of Human Resource Management.

Human Resource Management is an umbrella term which is being used to describe the management as well as the development of the employees in an organization. It designs various management systems in order to ensure that employee talent is used efficiently and effectively to accomplish the organizational goals.

The most important resource of a company has is the manpower (people who work for the company). The biggest task is to manage people effectively. This is considered to be the key to organizational success.

Human Resource Development is the backbone of the organization as it deals with each and every aspect of the employees. It is multidisciplinary i.e. it applies most of the disciplines of Law, Psychology, Sociology, and Economics.

Commitment

This specifies that how committed an employee is towards his job. Job Security is something that demonstrates their commitment to their jobs and job duties. By ensuring that staffing levels are consistent with the business needs Human Resource Management fulfills the needs. Human Resource Management works in such a way that the employees can reasonably expect that they are going to be the long term employees. The organization always invests for the betterment of its employees in order to make sure that they are committed towards their respective jobs. This may include training programs, goal-setting activities, performance evaluations, etc.

Competence

This principle is in the support of Business Development. It also affects a factor in employees' job satisfaction and also, how society gets affected by the organization. Successful businesses always rely on competent and committed employees who understand the performance expectations of their respective employers. Human Resource Management provides training and orientation sessions in order to improve the skills and knowledge of the employees. By doing this, they make sure that the workforce is sustained. Production of reliable products and services is the impact that competence has on society. If competence is not sufficiently taken into consideration, the organizations may end up exposing themselves to the legal claims which would be against the products which they are selling or the services that they are providing or rendering.

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Cost Effectiveness

Sometimes, a company's budget may become a barrier in order to support the activities of the Human Resource Department. Budgets may be insufficient to support activities like recruitment of new people, training & development of the existing employees and the employee relations. As we all know that the Human Resource Department is not a revenue-generating department, due to this, the budgets might be the first cut when it comes to investing in the HR Department. So, it is necessary to make sure that the costs are effectively utilized in the company. This would ensure a smooth process and companies may be able to invest more in the HR related activities.

Congruence

Along with the overall goals of the business, the attainable workforce management goals must be very much congruent. Goals such as becoming the leader or the head of a particular industry require the focus of HR so that the talented and capable workers are being recruited. This would lead to the overall growth of the organization as well as the employee. The employer affects society as it provides various career options/opportunities for the labor market (surrounding) and also the high-quality standards for their valuable customers.

Human Resource Principles are a fundamental truth established by research, investigation, and analysis. The following can also be considered as the principles of Human Resource Management:

Principle of Individual Development

To offer an equal opportunity to every employee so as to realize his/her potential and capability.

Principle of the Scientific Selection

To place the right individual in the right job.

Principle of the Free Flow of Communication

To open & encourage upward, downward, formal as well as informal communication.

Principle of the Participation

To associate with employees at each and every level of decision making.

Principle of a Fair Remuneration

To pay fair and equitable wages & salaries to talented employees.

Principle of an Incentive

To review the performances of the employees and rewarding them accordingly.

Principle of the Dignity of Labor

To treat each and every employee with respect and dignity.

Principle of Labor-Management co-operation

To promote industrial relations and labor laws.

Principle of Team Spirit

To ensure co-operation & teamwork amongst the employees.

Principle of Contribution to National Prosperity

To provide a higher work purpose to all the employees and to contribute to the national prosperity and integrity.

4.6.1. Nature of HRM

- ❖ Human Resource Management is pervasive in nature because it is there in all enterprises.
- ❖ It focuses on the results rather focusing on the rules and regulations.
- ❖ It helps the employees in order to develop them in a full-fledged way.
- ❖ It makes sure that the employees work hard towards their goals.

Though there are many principles of Human Resources, few of them are described here to understand and tips to actively apply the same in an appropriate way. These principles are very much useful for HR practitioners and professionals to determine how strategic Human Resource Management affects three stakeholders: individual employees, the society and the organization itself.

4.7 THEORIES OF ORGANIZATION

Organizational behavior refers to how individuals and groups behave within an organizational setting. Human resource theories help explain how management behaviors and structures can positively or negatively influence employee behavior. By having and acting on a basic understanding of organizational behavior and HR theories, small business owners can maximize employee productivity and creativity and minimize employee turnover.

Factors in Employee Behavior

Several factors are involved in employee behavior. According to What Is Organizational Behavior, these include organizational mechanisms (such as culture and structure) and group mechanisms

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(such as leadership behavior and functioning of teams). They also include individual characteristics (such as personality, values and ability) and individual mechanisms such as job satisfaction, stress, motivation, ethics, and learning and decision making.

Synthesis of Sciences

Thus, organizational behavior and human resource theories are derived from a synthesis of several sciences, including psychology, sociology, anthropology, economics, political science, engineering and medicine. For example, anthropology contributes toward understanding how culture affects behavior. Medicine, on the other hand, can contribute information on how long-term stress affects employee health. Economic studies can help us understand how poor employee health affects productivity and, ultimately, profits.

Theories of Performance

HR theories aim to achieve two primary outcomes: more efficient and effective job performance and increased worker motivation or commitment. One efficiency theorist, Henri Fayol, argued that workers function more efficiently when management is more efficient. From this theory emerged the four functions of management: planning, organizing, leading and controlling. Another efficiency expert was Frederick Taylor, whose theory resulted in jobs being designed to require fewer movements and a piece-rate pay system for factory workers.

Motivational Theories

Abraham Maslow developed one of the first theories on what motivates individuals. According to Maslow, human beings have needs that are organized into a hierarchy, illustrated by a pyramid. Those basic needs at the bottom of the pyramid, such as food and shelter, must be met first. Once these basic needs are accomplished, employees seek to feel safe (such as job security), be loved (friendships and relationships), have a sense of accomplishment (such as through recognition or a job well done) and finally, for self-actualization (work that is personally fulfilling).

Needs must be met at each level before employees can move higher along the triangle. Therefore, an employee who fears for his job, or is often concerned about making ends meet, can't focus on high-performance goals. Over time, this can depress performance and may affect office morale. This can result in the most competent employees leaving an unhappy workplace, leaving the less competent behind. Human resource policies that value workers can be seen as investments in the business itself.

4.7.1. Key people in human resources theories

These differences can be broken down into two basic categories: motivation and decision making. The rest of this section is going to both of these areas and the key people who researched these phenomena.

I. Motivation Theories

a. Abraham Maslow's Hierarchy of Needs

In order to get employees to work, he tried to understand what motivates people. He came up with five needs that need to be satisfied at one stage before moving on to another stage. Maslow felt that needs vary from person to person and that individuals want their needs fulfilled.

b. Frederick Herzberg's Motivation-Hygiene Theory

In Herzberg's worldview, motivation on the job should lead to satisfied workers, but he theorized that satisfaction and dissatisfaction were not opposite ends of one continuum. Instead, he predicted that the factors that lead to positive job attitudes (and thus motivation) were different from the factors that lead to negative job attitudes (and thus demotivation). For the purposes of his theory, he called the factors that led to positive job attitudes motivators and those factors that led to negative job attitudes hygiene factors.

II. Decision Making

a. Douglas McGregor's Theory X and Theory Y

McGregor defined a Theory X manager who believes that most people do not like work. Workers are not smart or creative. People do not care about the organization, and will adequately work when there are promises for rewards and potential punishments. Moreover, Theory X manager believes that people want to have direction in order to evade responsibility.

b. Rensis Likert's Participative Decision Making Theory

McGraw-Hill. Likert's ideas were based in the notion that supervisors with strong worker productivity tended to focus on the human aspects of subordinate problems while creating teams that emphasized high achievement. In other words, these supervisors were employee centered and believed that effective management required treating employees as humans and not just worker bees. Likert further noted that these highly productive leaders also tended to involve subordinates in the decision making process. Out of this basic understanding of productive versus unproductive management, Likert created a series of four distinct management styles.

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Check your Progress

14. Define HRM
15. What do you mean by Strategic Management
16. What do you mean by Training and development
17. What are the nature of HRM

4.8 ANSWER TO CHECK YOUR PROGRESS QUESTIONS

6. According to **Ivancevich and Gluck**, 'Human resource management is the function performed in organizations that facilitates the most effective use of people (employees) to achieve organizational and individual goals.'
7. HR improves the company's bottom line with its knowledge of how human capital affects organizational success. Leaders with expertise in HR strategic management participate in corporate decision-making that underlies current staffing assessments and projections for future workforce needs based on business demand.
8. HR training and development specialists coordinate new employee orientation, an essential step in forging a strong employer-employee relationship. The training and development area of HR also provides training that supports the company's fair employment practices and employee development to prepare aspiring leaders for supervisory and management roles.
Those processes that work on an employee onboard for his skills and abilities upgradation.
9. Human Resource Management is pervasive in nature because it is there in all enterprises. It focuses on the results rather focusing on the rules and regulations.

4.9 SUMMARY

In this unit, you have learnt about the organizing the human resource, definition, process, importance, structure, principles and theories of organization. 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.

4.10 KEY WORDS

- **Management:** It refers to the process of dealing with or controlling things or people.
- **Corporate:** It means relating to a large company or group.
- **Organization:** An organization or organization is an entity comprising multiple people, such as an institution or an association that has a collective goal and is linked to an external environment.
- **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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4.11 FURTHER READINGS

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4.12 SELF-ASSESSMENT QUESTIONS AND EXERCISES

Short Questions

7. Briefly explain the scope of HRM.
8. Why is HRM important? Discuss its significance at various levels.
9. Write a short note on personnel management policies.
10. Briefly describe human resource practices.
11. Define HRM
12. What do you mean by Strategic Management
13. What do you mean by Training and development
14. What are the nature of HRM

Long Questions

1. Discuss the meaning, purpose and objectives of human resource management.
2. Explain the operative and managerial functions of HRM in detail.
3. Organizations face several challenges in human resource management. Critically comment.
4. Discuss the stages that are involved in the evolution of HRM.
5. Explain the structure of HRM.
6. What are the major challenges in human resource management? Discuss.

UNIT-V RECRUITMENT

Structure

- 5.1. Introduction
 - 5.1.1. Meaning and Definitions
 - 5.1.2. Recruitment and Selection
 - 5.1.3. Types and Processes of Recruitment
 - 5.1.4 Recruitment Policy
 - 5.1.5 Conditions Necessary for a Good Recruitment Policy
- 5.2. Selection Process
 - 5.2.1 Concept of selection: process and selection tests
 - 5.2.2. Selection Tests
 - 5.2.3 Objectives of Selection
 - 5.2.4 Methods of Selection
 - 5.2.5 Barriers in selection
- 5.3. Placement and induction
 - 5.3.1 Meaning, definition and need for induction
 - 5.3.2 Types of Induction Programmes
 - 5.3.3 Problems faced during induction
- 5.4. Training and development
- 5.5. Need for Training
- 5.6. Importance of training
- 5.7. Essentials of good training programme
- 5.8. Promotion
- 5.9. Demotions
- 5.10. Transfers
- 5.11. Separation
- 5.12. Answer to check your progress Questions
- 5.13. Summary
- 5.14. Key Words
- 5.15. Further Readings
- 5.16. Self-Assessment Questions and Exercises

5.1 INTRODUCTION

In this unit, you will learn about the recruitment techniques. 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

Recruitment

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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.

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 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 and training process.

5.1.1 Meaning and Definitions

Recruitment is a process designed to attract a qualified pool of job applicants to the organization. It is important to ensure that there is compatibility between the job and the applicant. Before the recruitment efforts begin, the requirements for the jobs to be filled must be clearly specified. These requirements can be established by job analysis, job descriptions and job specifications.

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’.

5.1.2 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.

5.1.3 Types and Processes of Recruitment

Basically, the sources of recruitment are of two types: internal and external.

Internal Sources

Internal sources include personnel already on the pay roll of an organization. Filling a vacancy from internal sources by promoting people has the advantages of increasing the general level of morale of

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existing employees and of providing to the company more reliable information about the candidate. Internal sources include promotions, transfers, and response of employees to notified vacancy. Employee referrals and former employees also constitute the internal sources of recruitment. Let us discuss these five types of sources.

Promotions

Promotions from among present employees can be a good source of recruitment. To be effective, promotion requires using job posting, personnel records and skill banks. Job posting means notifying vacant positions by announcing at staff meetings, posting notices and inviting employees to apply to notified vacancies. Examining personnel records may help in identifying talented employees for higher positions. Skill banks are a list of employees who have specific skills. Promotions have several advantages for Recruitment the organization as well as its employees, such as:

- It builds morale among employees as organizations consider them for higher positions.
- It is cheaper than going for outside sources.
- Internal employees are familiar with the organizations.
- Promotion when carefully planned acts as a training device for developing employees for higher level jobs.
- It improves the probability of a good selection since the person is already known to the organization.
- It encourages competent individuals who are ambitious.

Here it should be noted that promotions can be dysfunctional to organizations as the advantage of hiring outsiders who may be better qualified and skilled is denied. Promotion also results in inbreeding and discourages new blood from entering the organization which is not good for it.

Transfers

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 as '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 are often important in providing employees with a broad-based view of the organization.

Response of employees to notified vacancies

Employees who are qualified but are doing jobs below their educational qualifications or skill level may respond to notified vacancies. This practice is not followed for senior positions which are generally filled with people hired from outside. When employees

respond to notified vacancies, examining personnel records is desirable. It helps to track persons who have the potential for further training or those who have the right background for the vacant positions.

Employee referrals

Employee referrals can also be treated as a good source of internal recruitment. This source is usually one of the most effective methods of recruiting because many qualified people are reached at a very low cost to the company. Therefore, when vacancies are notified it is also necessary to bring this information to the employees by posting notices, circulating publications or announcing job vacancies at staff meetings. In an organization with large number of employees, this approach can provide quite a large pool of potential organization members.

Former employees

Former employees can include those who have worked on part-time basis and now desire to work on a full-time employment, retired employees or those who have left the company for some reason but are now willing to come back and work. Former employees are a good internal source of recruitment. They have the advantage of knowing the organization, which, in turn, know the performance of these people.

Merits of internal sources of recruitment

The merits of internal sources of recruitment are as follows:

- They absorb people already acquainted with the company culture.
- They provide tried and tested people on whom the company can depend.
- They are a useful signal to employees that assures them that their services are recognized, which helps in maintaining their motivation and morale.
- They reduce labour turnover as it gives employees a sense of job security and opportunity for advancement.
- They minimize job training.
- They are less costly than the other sources of recruitment.

Demerits of internal sources of recruitment

Internal sources of recruitment suffer from certain constraints that are as follows:

- They limit the choice to a few employees only.
- The likes and dislikes of the superiors play an important role in the selection of an employee.

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- They create frustration among the unselected employees.

External Sources

External sources lie outside the organization. There are seven external sources of recruitment, which are discussed as follows:

Advertisements

Advertising in newspapers, trade journals and magazines is the most frequently used method. In order to be successful, an advertisement should be carefully written. If it is not properly written, it may not draw the right type of applicants or it may attract too many applicants who are not qualified for the job.

Employment exchanges

An employment exchange is an office set up for bringing together as quickly as possible candidates searching for employment and employees looking for prospective employees. The main functions of employment exchanges are registering job seekers and their placement in notified vacancies.

Campus recruitment

Sometimes, recruiters are sent to educational institutions where they meet the placement officer or the faculty members who recommend suitable candidates. This system is prevalent in USA where campus recruitment is a major source. However, today the idea of campus recruitment has slowly caught up the fancy of Indian employers too.

Unsolicited applicants

Unsolicited applicants are another source. Some candidates send in their applications without any invitation from the organization.

Labourcontractors

Many organizations employ labour contractors to hire workers. This method is usually resorted to when the work is of a temporary nature.

Employee referrals

Friends and relatives of present employees are also a good source from which employees may be drawn.

Field trips

An interviewing team makes trips to towns and cities, which are known to contain the kinds of employees required. In this method of recruitment, carefully prepared brochures describing the organization and the job it offers are distributed to the candidates before the interviewer arrives. The arrival dates and the time and venue of interview are given to the candidates in advance.

Web recruitment

In accordance with the research by the Society for Human Resource Management, the Internet is used by 96 per cent of all job seekers. This makes it the most commonly used mode of searching. On the other hand, 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 suit 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:** This proves to be valuable when meeting short-term fluctuations in the need for human resource management. Temporary employees prove to be specifically. Though they are traditional in their way of handling office administration, yet temporary staffing services have expanded to a broad range of skills. It is possible to hire temporary computer programmers, accountants, technicians, administrative assistants, etc.
- **Leased employees:** Leased employees tend to be with a firm for a long time. They work and 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

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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 Recruitment 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.

Employment exchange

Employment exchange is also an important external source of recruitment.

The Employment Exchanges (Compulsory Notification of Vacancies) Act was enacted in 1959 to provide for compulsory notification of vacancies to the Employment Exchanges and for the rendition of returns relating to Employment situation by the employers. This act came into force with effect from 1st May 1960.

All Establishments in public sector and such establishments in private sector excluding agriculture, where ordinarily 25 or more persons are employed come within the purview of the Act. These establishments are required to notify all vacancies (other than those exempted) to the appropriate Employment Exchange as notified in the official Gazette by the State Government in the prescribed format.

This Act will not apply to vacancies in any employment in agriculture (including horticulture), domestic service, unskilled office work, employment connected with the staff of parliament, and if the total duration of the vacancies are less than three months.

The establishments are also required to render quarterly employment return in Form ERI for every quarter ending 31st March, 30th June, 30th September and 31st December and biennial occupational return in Form ER-II once in two years viz., by private sector in odd years and by public sector in even years.

As per the provisions of this Act, persons authorized by the Government shall have access to any relevant records of the employer.

They are also empowered to inspect or take copies of relevant records or document. Penal provision of imposition of fine for any offence has been made for violation for various provisions of this act.

Merits of external sources of recruitment

The merits of the recruitments using external sources are as follows:

- Fresh talent and skill come into the organization.
- New employees may try to change old habits.
- New employees may be selected at the latest terms and conditions of the organization.
- Highly qualified and experienced employees may help the organization to boost performance.
- Since persons are recruited from a large market, the best selection can be made. In other words, the recruiter has a wide range of candidates to choose from.
- They provide the requisite type of personnel having the required skill and standard.

Demerits of external sources of recruitment

The constraints of recruitments using external sources are as follows:

- They reduce the morale of existing employees because outsiders are preferred to fill up superior vacancies.
- They deny carrier advancement for existing employees.
- Proper evaluation may not be possible due to the time constraint resulting in faulty selection.
- Outsiders not being acquainted with the policies and procedures of the organization need training, before they can deliver.

From all this, we can conclude that there is no hard and fast rule whether the recruitment must be internally or externally or exclusive to each other. The best management policy regarding recruitment must be to first look within the organization and if no able talent is available, external sources may be looked at. To use the words of Koontz and O'Donnell 'The (recruitment) policy should be to 'raise' talent rather than 'raid' for it'.

Constraints

Some constraints might crop up while placing an employee on a job. These problems could include:

- Employee's expectations from the job are not matching with reality.

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- Expectation from the employers are more than the employee's ability or skills.
- Technological changes might result in mismatch between the job and the employee.
- Change in the organizational structure may result in changes in the job. These changes result in a misfit between the employee and the job.

5.1.4 Recruitment Policy

A policy is a directive providing a continuous framework for executive actions on recurrent managerial problems. A policy assists decisionmaking. However, deviations may be needed, as exceptions and under some extraordinary circumstances. Such a policy asserts the objectives of the recruitment and provides a framework of implementation of the recruitment programme in the form of procedures.

The essentials of policy formation may be listed as follows:

- It should be definite, positive and clear. Everyone in the organization should understand it.
- It should be translatable into practice.
- It should be flexible and at the same time should have a high degree of permanency.
- It should be formulated to care all reasonable anticipated conditions.
- It should be founded upon facts and sound judgements.
- It should conform to economic principles, statutes and regulations.
- It should be a general statement of the established rules

Therefore, a well-considered and pre-planned recruitment policy, based on corporate goals and needs, may avoid hasty decisions and help the organization to appoint the right type of personnel.

According to Yoder, 'A recruitment policy may involve a commitment to broad principles such as filling vacancies with the best-qualified individuals. It may also involve the organization system to the developed for implementing recruitment programme and procedures to the employed'. Therefore, a recruitment policy involves a commitment by the organization to principles, such as:

- To find and employ the best qualified persons for each job
- To retain the best talent by offering life-time carriers
- To facilitate personal growth on the job

5.1.5 Conditions Necessary for a Good Recruitment Policy

A good recruitment policy must satisfy the following conditions:

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- a) **Organization’s objectives:** A good recruitment policy should be in conformity with the organization’s objectives. It must take into consideration the basic parameters for recruitment decisions.
- b) **Identification of recruitment needs:** A good recruitment policy should be flexible enough to meet the changing needs of an organization. The recruiters should prepare profiles for each category of workers and accordingly work out the employees’ specifications.
- c) **Ensuring long term employment opportunities for its employees:** A good recruitment policy should be so designed by the organization as to ensure career growth for its employees on a long-term basis. It should help in developing the potentialities of employees.
- d) **Preferred sources of recruitment:** A good recruitment policy should match the qualities of employees with the requirements of the work for which they are employed. The preferred sources of recruitment, which would be tapped by the organization for skilled or semi-skilled workers could be internal sources or employment exchanges, whereas for highly specialized managerial personnel, external sources could be preferred.

5.2 SELECTION PROCESS

If an organization fails to procure the services of persons with required qualifications, skill and calibre continuously, a time may come ultimately when all the qualified persons retire and then the organization is bound to suffer. Therefore, the importance of recruitment and selection of the right type of persons at the right time is indispensable to the organization.

5.2.1 Concept of selection: process and selection tests

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-nogo’ gauges. Candidates are screened by the employer and the short-listed applicants go on to the next hurdle, while the unqualified ones are eliminated”.

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Steps in Selection Procedure

There is no shortcut to an accurate evaluation of a candidate. A variety of methods are used to select personnel. The selection pattern, however, is not common for all organizations. It varies from one to another, depending on the situation and needs of the organization. Therefore, there is no standard selection procedure followed by all. However, according to Yoder the steps commonly followed are as under:

Application Blank

In a sense the application blank is a highly structured interview in which the questions are standardized and determined in advance. An application blank, is a traditional, widely accepted device for getting information from a prospective applicant. The application blank provides preliminary information as well as aids in the interview by indicating areas of interest that may be useful for discussion.

Initial Interview of the Candidate

Those who are selected for interviews on the basis of particulars furnished in the application blank are called for initial interview by the organizations. This is meant to evaluate the appearance of the candidate and to establish a friendly relationship between the candidate and the company and for obtaining additional information or clarification on the information already on the application bank. Preliminary interview becomes a necessity, when a large number of candidates apply for a job.

5.2.2. Selection Tests

For further assessment of a candidate's nature and abilities, some tests are used in the selection procedure. If tests are properly conducted, they can reduce the selection cost by reducing the large number of applicants to manageable levels. The different types of tests are:

Aptitude Test

Aptitude or potential ability tests are widely used to measure the talent and ability of a candidate to learn a new job or skill. Aptitude tests measure ability and skills. They enable us to find out whether a candidate would be suitable for the job.

Interest Test

Interest test finds out the type of work in which the candidate has an interest. An interest test only indicates the interest of a candidate for a particular job. It does not reveal his ability to do it.

NOTES**Intelligence Test**

This test is used to find out the candidate's intelligence. It reveals the candidate's mental alertness, reasoning ability, power of understanding etc. The scores on intelligence tests are usually expressed as Intelligence Quotient (IQ), which is calculated as follows:

$$\text{IQ} = \frac{\text{Mental Age}}{\text{Actual Age}} \times 100$$

Performance or Achievement Test

This test is used to measure the candidate's level of knowledge and skill in a particular trade or occupation. Achievement test measures the skill or knowledge which is acquired as a result of previous experience or training obtained by a candidate.

Personality Test

Personality test is used to measure the characteristics that constitute personality.

Interviews

Candidates are called for an interview after they have cleared all other tests. The interview consists of interaction between the interviewer and the applicant. If handled properly, it can be a powerful technique in achieving accurate information and getting access to material otherwise unavailable. If the interview is not handled carefully, it can be a source of bias, restricting or distorting the flow of communication. An interview is thus an attempt to secure maximum amount of information from the candidate concerning his suitability for the job under consideration.

Checking References

The reference provided by the applicant has to be checked. This is to find out from the past records of the candidate. Reference checking requires the same use of skills as required by the interviewer and some amount of diplomacy. The main difficulty is ascertaining the accuracy of information given. Besides inaccurate facts, the referees' inability to assess and describe the applicant and his limited knowledge about the candidate also pose problem. In spite of its difficulties, it is necessary to carry out reference checks. In many organizations, reference checking is taken as a matter of routine and treated casually or omitted entirely. **Physical or Medical Examination**

The next step is getting the candidates medically examined if there is a need. Quite often the candidates are told to get medically examined before reporting for duty. In Government and other quasi-government organizations getting medically examined is a must before reporting for duty or at the time of reporting for duty. Medical

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examination is a part of the selection process for all suitable candidates in many organizations.

Final Interview and Induction

After the candidate is finally selected the management will have to explain the job to him. He should be told as to what his duties are, what is required of him and what are his future prospects in the organization. Normally this information is given to the candidate at the time of final selection interview. This is the way how the candidate is inducted into the job. He is formally appointed by issuing him an appointment letter or by concluding with him a service agreement. The appointment letter contains the terms and conditions of the employment, pay scale and other benefits associated with the job.

The interviewer can describe the company and its policies, the duties and responsibilities of the applicant as well as the opportunities available to him for future promotion. The interviewer should, in fact highlight the favourable aspects of the job. This process is explained in great detail in the subsequent sections.

5.2.3 Objectives of Selection

As Blum and Naylor observe, the purpose of the selection process is to make effective use of individual differences with a view to select individuals who possess the greatest degree of qualities required for an effective job performance. Indeed, individual differences provide the basis for the selection and placement processes. It has been found that differences between the most efficient and the least efficient workers for certain jobs, such as spoon polishing, are five times. This indicates advantages of developing selection methods to reject individuals with relatively less efficiency. It may be noted, as the psychology of individual differences reveals, that personal qualities of people are normally distributed in the population. Thus, some individuals will have a high amount of a certain quality and some will have a low amount, while most of the individuals will have a moderate amount of that quality.

5.2.4 Methods of Selection

Earlier on you studied that 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. Let us now study these in detail.

I. Preliminary Screening and Review of Application Blank

Preliminary Screening

It is highly non-economical to administer the entire series of tests of selection process to all the applicants. It is advantageous to sort out unsuitable applicants before using the selection battery. For this purpose, usually preliminary interviews, application blank check-lists and short tests can be used. As regards screening interviews, they should be conducted by skilled and trained interviewers instead of some lower cadre clerk in the personnel department. The rejection standards for applications should be well defined. Further, application blank check-lists can also be used to sort out applicants. However, the list should be determined through research, and a suitable standard for rejection should be worked out. Suppose, the minimum standard for typing is 40 words per minute; the check-list should include this information. All applicants with a typing speed below 40 can be straightaway rejected. Sometimes, oral trade tests or aptitude tests are also used for screening purposes.

Review of Application Blank

Personal History Data. Application blanks are frequently used as selection devices. These blanks vary from small one-page sheet to several folders consisting of hundreds of items regarding the applicant's history. The application forms usually involve items such as name, address, age, marital status and dependents, schooling, experience and reference. There may be several other items depending upon the specific requirements of the organization and the job. As Harrell observes, these blanks provide preliminary information as well as help in the interview by indicating the areas of interest and discussion. If the application blanks consist of the proper items, the personal history items can be effectively used. Usually, the past provides indications regarding the future. The most effective predictor of job success is one's demonstrated ability to perform effectively in a similar job

II. Reference Checking and Physical Examinations

Reference Checking

Applicants should be requested to give character and general references in the application blanks. The previous employers and schools can provide useful information. Attempts may be made to make personal visits and telephone calls to procure objective responses. Usually, correspondence is made to verify work history information including dates of employment, duties performed, and

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wages and salaries received. It is an effective practice to send a brief questionnaire involving checking of answers instead of a great deal of writing. The enquiries should be as specific and precise as possible.

Physical Examinations

Physical examinations are frequently conducted and used for differential placement purposes rather than rejection of applicants. Large organizations have their own medical clinics while the smaller ones refer to private clinics. Medical examinations have assumed significance in view of increasing fringe and welfare programmes. As Yoder observes, physical examinations form a positive rather than a negative selection device. This helps in effective manpower utilization by stressing differential placement, involving assessment of an individual's capacities and matching them with several job possibilities in the organizational setting. Attempts should be made to conduct physical demands analysis related to physical and environmental job requirements and conditions, and physical capacities analysis related to the determination of how extensively a person can indulge in physical activities. The physical demands of the jobs should be matched and compared with the physical capacities of applicants. Everyone is handicapped physically at some job or the other. Therefore, physical examination is of utmost significance in selective or differential placement.

III. Psychological Testing

General Principles

Psychological 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, 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 helps 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.

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

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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.

Testing the Tests

The tests should be tested before they are actually conducted.

Validity of Tests. Explicitly, the tests should have adequate validity. The term 'validity' means that a test measures what it purports to measure. There are several methods of validating the tests. The present employee method and the follow-up method are largely used. The present employee method involves testing of present employees and correlating their test scores with a suitable criterion of job performance. The follow-up method involves assessing new employees at the time of recruitment, filing the test scores and subsequently determining the relationship between the test scores and the performance of employees on the job after a period of time.

Although these methods have several advantages and disadvantages, the testing programme should make use of both methods to have maximum effectiveness. There are four types of validity related to several purposes of testing. These are content validity, predictive validity, concurrent validity and construct validity. Content validity is assessed by indicating how effectively the content of a test represents the subject matter or types of situations which the test purports to measure. Predictive validity (exemplified by the follow-up method) is assessed by indicating how effectively predictions made by the test have been confirmed subsequently. Concurrent validity (exemplified by the present employee method) is assessed by indicating how effectively the test is related to some present criterion of performance. Construct validity is assessed by determining what psychological characteristics a test usually measures. This is accomplished by correlating a test with another which measures the same characteristics. Factor analysis can also be used for this purpose.

Using the Tests

A significant issue is how to use the tests for employment purposes. The selection standard (critical score) on the test should vary with the market conditions. If the market conditions are tight, the critical score should be low and if loose, the selection standard should

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be high. Another point is that several tests should be combined into a battery.

IV. Psychological Tests in Selection and Placement

Tiffin and McCormick describe several types of tests used for selection and placement under three categories including aptitude tests, personality and interest tests, and achievement tests.

Aptitude Tests

Aptitudes have been grouped into five categories including mental abilities, mechanical and related abilities, psychomotor abilities, visual skills and a class of other specific aptitudes.

Mental Ability

The term mental ability has been used interchangeably with intelligence. There are several kinds of mental abilities such as verbal comprehension, word fluency, memory, inductive reasoning, number facility, speed of perception and spatial visualization. Most of these tests used for selection and placement purposes are group tests. The tests that are used most frequently in industry include the Adaptability Test, Otis Self-Administering Tests of Mental Ability, Wonderlic Personnel Test, The Purdue Non-Language Personnel Test, etc. These tests have been effectively used for clerical and supervisory jobs and found useful in the selection of newspaper writers, teletype operator trainees, etc. However, these tests have negative relationships with performance in routine jobs such as assembly workers.

Mechanical Ability

The term mechanical ability refers to the ability involved in the working of mechanical parts and equipment. This ability has two aspects mental and motor or physical. The mental aspect relates to mechanical comprehension and the understanding of the mechanical principles, while the motor or physical aspect relates to skills such as muscular coordination and dexterity. Mechanical ability has been used in its restricted sense involving a complex of intellectual abilities. There may be a general mental ability as well as specific abilities such as visualization of spatial relations. The most frequently used group tests for mechanical ability include Flanagan Aptitude Classification Tests, Bennett Test of Mechanical Comprehension, Purdue Mechanical Adaptability Test, Revised Minnesota Paper Form Board, etc.

There is also some individual test, such as Minnesota Mechanical Assembly Test, Purdue Mechanical Performance Test, etc. These tests have been found effective especially for apprentices, craftsmen, mechanics and repairmen, draftsmen and engineers.

Psychomotor Tests

These tests measure dexterity, manipulative ability, motor ability, eye-hand coordination and allied sensory and muscular abilities. Specifically, these tests involve several factors such as control precision, multilimb coordination, response orientation, reaction time, speed of arm movement rate control, manual dexterity, finger dexterity, wristfinger speed and aiming. .

Personality and Interest Tests

It has been recognised that an employee may have adequate aptitude for a required job, but he is still likely to fail if he possesses a personality which would cause adjustment difficulties in work settings. This necessitates identification of desirable and undesirable personality traits among job applicants. Several attempts have been made to devise tests for measuring personality and interest traits.

Achievement Tests

In industry, achievement tests are used for recruitment of individuals for jobs demanding experience, transfer and promotion of existing employees and training purposes. Achievement tests measure the actual job proficiency of the testees.

V. Interview Process

Since the interview is one of the most commonly used personal contact methods, it has to be conducted with great care. Generally, the following steps are followed in an interview process. They are: 1. Reviewing background information 2. Preparing a question plan 3. Creating a helpful sitting 4. Conducting the interview. 5. Checking references. 6. Physical or medical examination. 7. Final interview and induction.

5.2.5 Barriers in selection

The main objective of selection is to hire people that are competent and committed to work and deliver results. However, this objective is sometimes defeated because of certain barriers. The impediments which check effectiveness of selection are perception, fairness, validity, reliability and pressure. This are discussed in detail as follows:

Perception

Our inability to understand what others say accurately is possibly the most fundamental barrier to selecting the right candidate. Selection demands an individual or a group of people to assess and compare the respective competencies of others, with the aim of choosing the right persons for the jobs. However, it is quite notable

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that our views and opinions are highly personalized. As no two people are the same, different people have different perceptions. This limited perceptual ability is definitely a stumbling block to the objective and rational selection of people and needs to be addressed.

Fairness

Fairness in selection requires that no individual should be discriminated against on the basis of religion, region, race or gender. However, the existing employment data points in the other direction. The low numbers of women and other less-privileged selections of the society in middle and senior management positions and open discrimination on the basis of age in job advertisements and in the selection process, would suggest that all the efforts to minimize inequity have not been very effective.

Validity

Validity is a test that helps predict job performance of an incumbent. A test that has been validated can differentiate between the employees who can perform well and those who cannot. However, a validated test is not completely reliable and does not predict job success accurately. It can only increase possibility of success accurately and can only increase possibility of success.

Reliability

A reliable method is one which will produce consistent results when repeated in similar situations. Like a validated test, a reliable test may fail to predict job performance with accuracy.

Pressure

This is another major barrier to selection. Many a times, pressure is brought on the selectors by politicians, bureaucrats, relatives, friends and peers to select particular candidates. Candidates selected because of compulsions are obviously not the right ones as more often than not they are not competent enough.

5.3 PLACEMENT AND INDUCTION

The employee to the job is known as induction. It is the process by which new employees are introduced to the practices, policies and purposes of the organization. It is basically a welcoming process. Induction follows placement and consists of the task of orienting or introducing the employee to the company. Instead of leaving him to stumble through the organization, it is better to systematically introduce him to the company, its policy and its position in the economy. Considering the fact that a number of workers, newly recruited, either come from rural surroundings or have secured appointments in an industrial unit for the first time, it is imperative to have a thorough induction programme to ease the strain effected by the

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change in social environment. It is regrettable that very little of this is done in India. No personnel function is more neglected in Indian industries than induction. A new employee is expected to learn about the company through a process of trial and error. The employee invariably falls in the hands of those who are anxious to assume leadership. Quite often the employee acquires a wrong version of the company's policy from such leaders. In these cases, the employer has only himself to blame, for he had the first opportunity to put the right ideas into the mind of the new employee, but he had not availed himself of the same.

5.3.1 Meaning, definition and need for induction

According to **R.P Billimoria**, induction or orientation is “a technique by which a new employee is rehabilitated into the changed surroundings and introduced to the practices, policies and purposes 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 which could lead to tension and stress in him. This in turn can reduce his effectiveness.

Need for Orientation

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

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

5.3.2 Types of Induction Programmes

Let us discuss different types of induction programmes.

General Induction Programme

Once an offer of employment has been extended and accepted, the final stage in procurement function is concluded. The individual has then to be oriented towards the job and the organization. This is formally done through a process known as induction or orientation. Induction is a welcoming process—the idea is to welcome the

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candidate, make him feel at home in the changed surroundings and to introduce him to the practices, policies and purposes of the organization. The necessity of an induction programme is that when a person joins an organization, he may feel strange, shy, insecure and/or nervous. Induction leads to reduction of such anxieties.

Specific Orientation Programme

Specific orientation is conducted by the foreman. Induction is specific and requires skill on the part of the foreman. A new employee must be provided operational knowledge that is specific to the position and location. The immediate boss (foreman) is responsible for such induction and training. Every new employee should know

- (i) the people he/she works with
- (ii) the work he is responsible for
- (iii) the result to be accomplished
- (iv) the current status of the work
- (v) his relationships in the organization
- (vi) reports and records he must understand and maintain
- (vii) operating policies, procedures and rules
- (viii) service group available to help him

The purpose of specific induction is to enable an employee to adjust himself to his work environment.

Follow-up Induction Programme

The purpose of the follow-up induction programme is to find out whether the employee is reasonably satisfied with the job. It is usually conducted by the foreman or by a specialist from the personnel department. Through guidance and counselling, efforts are made to remove the difficulties experienced by the newcomer. Usually, follow up induction takes place after about one or two months from the time of appointment.

5.3.3 Problems faced during induction

In every organization, new employees often go through an orientation program which familiarizes them with the work culture of their new company. The induction of the employees is a vital component in the development of a dedicated and focused workforce. Orientation enables new employees to socialize and know their employer better. Unfortunately, not paying much attention to its planning and implementation results in an under-proficient work force. The factors resulting in this are very minor and if rectified, would benefit both the employee and the company.

Some of the problems faced during induction are as follows:

No Planning

Often companies do not invest enough time and money in their orientation program and overlooks its impact in the long run. A lot of research and planning is required before conducting an induction. A valuable program is well-researched, made interesting and carefully organized, taking into consideration the goals of both the employer and the employees.

Management Involvement

Usually, the top management excludes itself from induction programmes and leaves it completely to the human resource department. Mostly, the communication about the induction is delayed. Just the appearance of managers can result in a positive atmosphere. They need to consider this as an opportunity to effectively communicate company goals to new employees.

Ineffective Handouts

Another important thing that gets overlooked during induction are handouts. They do not receive much attention. Handouts are like an itinerary containing the content of presentations for the day. These can be used as a reference by any employee later. Further, all the information can be placed on record at the company website.

No Follow-Up

Companies treat induction as the final step. Majority of the companies do not have follow-up sessions after an orientation program. It becomes difficult to measure the impact of induction and to know whether the new employees are comfortable with company policies. Periodic follow-up sessions are ways of finding out how the employees perceived their workplace.

5.4 TRAINING AND DEVELOPMENT

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 is very important for an organization. Training is a method of acquiring a succession of planned behaviour. It attempts to improve employees' performance on the current job or prepare them for an intended job. Among other benefits, training instructs the workers towards better job adjustment and reduces the rate of labour turnover and absenteeism.

According to Yoder, although the terms 'training' and 'development' appear synonymous, there is a recognized difference between these concepts. Earlier, training programmes stressed preparation for an improved performance in largely specific rank-and-file jobs. With the growth of organizations, several problems developed specifically at the supervisory level. Accordingly, supervisory training programmes were launched enabling them to deal

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with distinctive problems. During the training of the supervisors, the need to train their bosses appeared significant. Therefore, special developmental programmes for middle managers were organized. Later on, the development programmes were started for the top management as well. These programmes indicated the significance of the concept of development, and thus training appeared to be an improper designation for learning a wide variety of complex, difficult and intangible functions of managerial personnel.

5.5 NEED FOR TRAINING

The needs and objectives are as follows:

Evaluating gap by skills analysis

As Price observes, a training need exists when there is a gap between the present performance of an employee or group of employees and the desired performance. The existence of this gap can be determined on the basis of a 'skills analysis' involving the following five steps: (1) Analysis and determination of the major requirements of the specific job, (2) Identification of the tasks needed to be accomplished to meet the job requirements, (3) Understanding of the procedures needed to accomplish each of the job tasks, (4) Analysis of the knowledge and skills needed to accomplish the procedures, (5) Identification of any special problem of the job and analysis of any particular skill needed to meet the problem. **Training as a preventive tool to specific problems**

Training needs should be determined from the standpoint of a specific problem for which training is the most effective solution. The problem may be actual or potential. There may be numerous problems for which training forms a preventive tool. It may solve several problems of excessive number of accidents, lack of ambition among employees, excessive buck passing, poor cooperation, absence of job pride, excessive spoilage of material, frequent changes in procedures, lack of understanding of responsibilities, lack of effective teamwork, excessive number of transfers or request for transfers, higher turnover, etc. The objective of training in these situations is to prevent the occurrence of such specific problems. As indicated, specific training needs can be determined by deducting the existing amount of employee skills from the job requirements.

Training as a tool to achieve organizational goals

As Bernardin points out, an organization should provide resources to training programmes if they facilitate in the attainment of organizational goals. For this purpose, needs analysis must be conducted to collect the best possible data for justifying the use of training programmes. Organizations which implement training programmes without such assessments are likely to make pitfalls and waste money. For example, the research may reveal the need for job redesign rather than training. This analysis must be conducted in the

context of strategic plans of any type of strength, weakness, opportunity and threat analysis. According to Bernardin, needs assessment can be considered as a systematic, objective determinant for training needs which involves conducting three primary types of analysis: organizational analysis, job analysis, and person analysis. These types of analysis can help in determining the objectives for the training programmes.

Significance and Benefits of Training

Training is a process of learning a sequence of programmed behaviour. It is application of knowledge. It gives people an awareness of the rules and procedures to guide their behaviour. It attempts to improve their performance on the current job or prepare them for an intended job. 'According to Edwin D Flippo, the purpose of training is to achieve a change in the behaviour of those trained and to enable them to perform better.' In order to achieve this objective, any training programme should try to bring positive changes in:

- **Knowledge:** It helps a trainee to know facts, policies, procedures and rules pertaining to his job.
- **Skills:** It helps him to increase his technical and manual efficiency necessary to do the job.
- **Attitude:** It moulds his behaviour towards his co-workers and supervisors and creates a sense of responsibility in him

5.6 IMPORTANCE OF TRAINING

- a) It equips the management to face the pressures of changing environment.
- b) It usually results in the increase of quantity and quality of output.
- c) It leads to job satisfaction and higher morale of the employees.
- d) Trained workers need lesser supervision.
- e) Trained workers enable the enterprise to face competition from rival organizations.
- f) It enables employees to develop and rise within the organization and increase their earning capacity.
- g) It moulds the employees' attitudes and helps them to achieve better cooperation with in the organization.
- h) Trained employees make better economic use of materials and equipment resulting in reduction of wastage and spoilage.
- i) Training instructs the workers toward better job adjustment and reduces the rate of labour turnover and absenteeism.

5.7 ESSENTIALS OF GOOD TRAINING PROGRAMME

A programme of training becomes essential for the purpose of meeting specific problems of a particular organization arising out of the introduction of new lines of production, changes in design,

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demands of competition, and so on. The major benefits of training to an organization are:

- (i) **Higher productivity:** Training can help employees to increase their level of performance on their present assignment. It enhances skills. Increased performance and productivity are most evident on the part of new employees who are not yet fully aware of the most efficient and effective ways of performing their jobs. Enhanced skill usually helps to increase both quantity and quality of output.
- (ii) **Better organizational climate:** An endless chain of positive reactions results from a well-planned training programme. Increased morale, less supervisory pressures, improved product quality, increased financial incentives, internal promotions, and so on result in a better organizational climate.
- (iii) **Less supervision:** Training does not eliminate the need for supervision; it reduces the need for constant supervision
- (iv) **Prevents manpower obsolescence:** Manpower obsolescence is prevented by training as it fosters initiative and creativity of employees. An employee is able to adapt himself to technological changes.
- (v) **Economical operations:** Trained personnel will make economical use of materials and equipment. This reduces wastage in materials and damage to machinery and equipment.
- (vi) **Prevents industrial accidents:** Proper training can help to prevent industrial accidents.
- (vii) **Improves quality:** Trained employees are less likely to make operational mistakes thereby increasing the quality of the company's products.
- (viii) **Greater loyalty:** A common objective of training programme will mould employees' attitudes to achieve support for organizational activities and to obtain better cooperation and greater loyalty. Thus, training helps in building an efficient and loyal workforce.
- (ix) **To fulfil organization's future personnel needs:** When the need arises, organizational vacancies can be staffed from internal sources, if an organization initiates and maintains an adequate training programme.
- (x) **Standardization of procedures:** Trained employees will work intelligently and make fewer mistakes when they possess the required know-how and understand their jobs.
- (xi) **Personal growth:** Employees on a personal basis gain individually from training. They secure wider awareness, enlarged skill and enhanced personal growth.

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- (xii) Development of new skills: Training improves the performance of the employees and makes them more useful and productive. The skills developed through training serve as a valuable personal asset to the employee. It remains permanently with the employee.
- (xiii) Higher earning capacity: By imparting skills, training facilitates higher remuneration and other monetary benefits to the employee. Thus, training helps each employee to utilize and develop his full potential.
- (xiv) Helps adjust with changing technology: Old employees need refresher training to enable them to keep abreast of the changing methods, techniques and use of sophisticated tools and equipment.
- (xv) Increased safety: Proper training can help prevent industrial accidents. Trained workers handle the machines safely. Thus, they are less prone to industrial accidents. A safe work environment also leads to a more stable mental attitude on the part of the employees.
- (xvi) Confidence: Training creates a feeling of confidence in the minds of employees. It gives safety and security to them in the organization

5.8 PROMOTION

Promotions from among present employees can be a good source of recruitment. To be effective, promotion requires using job posting, personnel records and skill banks. Job posting means notifying vacant positions by announcing at staff meetings, posting notices and inviting employees to apply to notified vacancies. Examining personnel records may help in identifying talented employees for higher positions. Skill banks are a list of employees who have specific skills. Promotions have several advantages for Recruitment the organization as well as its employees, such as:

- It builds morale among employees as organizations consider them for higher positions.
- It is cheaper than going for outside sources.
- Internal employees are familiar with the organizations.
- Promotion when carefully planned acts as a training device for developing employees for higher level jobs.
- It improves the probability of a good selection since the person is already known to the organization.
- It encourages competent individuals who are ambitious.

Here it should be noted that promotions can be dysfunctional to organizations as the advantage of hiring outsiders who may be better qualified and skilled is denied. Promotion also results in inbreeding and discourages new blood from entering the organization which is not good for it.

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5.9 DEMOTIONS

Demotion is just opposite to promotion. In demotion, the employee is shifted to a job lower in status, grade and responsibilities. “Demotion refers to the lowering down of the status, salary and responsibilities of an employee.”

In the words of Dale Yoder, “Demotion is a shift to a position in which responsibilities are decreased. Promotion is, in a sense, an increase in rank and demotion is decrease in rank.”

5.10 TRANSFERS

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 as ‘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 are often important in providing employees with a broad-based view of the organization.

5.11 SEPARATION

Employee separation is a sensitive issue for any organization. Usually, an employee leaves the organization after several years of service. Thus, the permanent separation of employees from an organization requires discretion, empathy and a great deal of planning. An employee may be separated as a consequence of resignation, removal, death, permanent incapacity, discharge or retirement. The employee may also be separated due to the expiration of an employment contract or as part of downsizing of the workforce. Organizations should never harass the employees, especially in the case of resignation, just because they are quitting the organization. In fact, a quitting employee of the organization must be seen as a potential candidate of the future for the organization and also the brand ambassador of its HR policies and practices. However, many organizations are still treating their employees as "expendable resources" and discharging them in an unplanned manner whenever they choose to do so. Each organization must have comprehensive separation policies and procedures to treat the departing employees equitably and ensure smooth transition for them. Further, each employee can provide a wealth of information to the organization at the time of separation. Exit interviews can be conducted by the HR department to ascertain the views of the leaving employees about different aspects of the organization, including the efficacy of its HR policies.

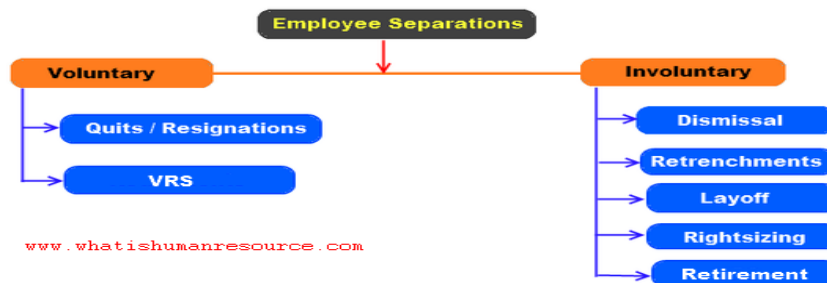
A severance agreement is a contract, or legal agreement, between an employer and an employee that specifies the terms of an

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employment termination, such as a layoff. Sometimes this agreement is called a "separation" or "termination" agreement or "separation agreement general release and covenant not to sue." Like any contract, a severance agreement must be supported by "consideration." Consideration is something of value to which a person is not already entitled that is given in exchange for an agreement to do, or refrain from doing, something.

Reasons for Separation of Employees

Employee separation constitutes the final stage in the staffing process of an organization. An employee can leave the organization for any reason which he deems fit for seeking separation. However, separation is classified basically into two types. These are: voluntary separation and involuntary separation. Voluntary separation refers to the separation of employees on their own request, while involuntary separation means the separation of employees for organizational reasons which are beyond the control of the employees. We shall now discuss the causes of these separations in detail.



Voluntary Separation: Voluntary separation, which normally begins after a request is placed in this regard by the employee, can happen due to two reasons: professional reason and personal reason. We shall now discuss these reasons in detail.

Professional reasons: Employees may seek separation when they decide to seek better positions, responsibilities and status outside the present organization. Efficient employees would seek to expand their realm of knowledge and skills continuously by working in different capacities/positions in various organizations. In their quest for greater responsibility, power and status, they may seek separation from the organization.

Personal reasons: The important personal reasons for voluntary separation are relocation for family reasons like marriage of the employees and health crisis of family members, maternity and child-rearing. For instance, when working women get married, they often prefer to settle in the partners place of occupation. Similarly, an employee may seek voluntary separation to look after the child or parent. **Involuntary Separation:** As mentioned earlier, an involuntary separation is caused by the factors which remain beyond the purview of the employees. However, these factors may be classified broadly into

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health problems, behavioural problems and organizational problems. We shall now discuss these factors in detail

Health problems: Major health problems crippling the employees may make them invalid or unfit to continue in the profession. For instance, accidents causing permanent disabilities and illness of the employees like brain stroke and other terminal illnesses can lead to their involuntary separation. Death of employees is another factor which results in their involuntary separation.

Behavioural problems: An employee's objectionable and unruly behaviour within the organization may also lead to his involuntary separation from the organization. When the employees behaviour is unethical or violates the code of conduct in force, the organization may initiate disciplinary actions, which may eventually result in his termination. This may constitute an act of involuntary separation. Consistent failure to reach performance goals by an employee can also result in his involuntary separation.

Organizational problems: Organizational problems are another important factor that contributes to the involuntary separation of employees. The poor financial performance of an organization may cause it to terminate the services of some of its employees as part of cost control measure. Such terminations are also classified as involuntary separation. Similarly, automation, organizational restructuring and rationalization can also result in employee termination, discharge or layoff, broadly called involuntary separation.

Check your Progress

18. What is recruitment?
19. What is required to make promotions effective?
20. What is a transfer?
21. What do you understand by employment exchange?
22. Define what constitutes a good recruitment policy
23. What is the purpose of problem solving training?
24. Define induction.
25. State the primary aim of employee selection

5.12 ANSWER TO CHECK YOUR PROGRESS QUESTIONS

1. Recruitment is a process designed to attract a qualified pool of job applicants to the organization.
2. To be effective, promotion requires using job posting, personnel records and skill banks. Job posting means notifying vacant positions by announcing at staff meetings, posting notices and inviting employees to apply to notified vacancies.
3. A movement of an employee between equivalent positions at periodical intervals is calls as 'transfer'.

4. An employment exchange is an office set up for bringing together as quickly as possible candidates searching for employment and employees looking for prospective employees.
5. A good recruitment policy should be in conformity with the organization's objectives. It must take into consideration the basic parameters for recruitment decisions.
6. The purpose of problem solving training is to help participants understand the various models of problem solving, discover specific techniques for analysing problems, and use a variety of tools for solving problems on the job.
7. Induction or orientation is "a technique by which a new employee is rehabilitated into the changed surroundings and introduced to the practices, policies and purposes of the organization".
8. 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.

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5.13 SUMMARY

In this unit, you have learnt about the recruitment of employees, selection process, placement and induction, training and development, need for training, importance of training, essential of good training programme, promotion, demotions, transfers and separation of organization. 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. The primary aim of employee selection is to choose those persons who are most likely to perform their jobs with maximum effectiveness and remain with the company. In an organization, orientation is required for overcoming employee anxiety, reality shocks and for accommodating employees. Training is undertaken by organizations to improve the performance, quality, skill and knowledge of their employees.

5.14 KEY WORDS

- **Skill:** It is the ability and capacity acquired through deliberate, systematic, and sustained effort to smoothly and adaptively carryout complex activities or job functions
- **Applicant:** It refers to a person who makes a formal application for something, especially a job.
- **Barrier:** It refers to a circumstance or obstacle that keeps people or things apart or prevents communication or progress.
- **Appraisal:** It is a formal assessment, typically in an interview, of the performance of an employee over a particular period.
- **Discrimination:** It is the unjust or prejudicial treatment of different categories of people, especially on the grounds of race, age, or sex.

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- **Induction:** It is an occasion when someone is formally introduced into a new job or organization, especially through a special ceremony.
- **Acquaintance:** It refers to a person one knows slightly, but who is not a close friend.
- **Implementation:** It is the process of putting a decision or plan into effect; execution.
- **Training:** It is the process of learning the skills that you need for a particular job or activity.
- **Development:** It is the process in which someone or something grows or changes and becomes more advanced.
- **Employee Retention:** It refers to the ability of an organization to retain its employees.

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5.16 SELF-ASSESSMENT QUESTIONS AND EXERCISES

Short Questions

1. Discuss the meaning of recruitment by means of various definitions given in the unit.
2. What are the merits and demerits of internal sources of recruitment?
3. Write a short note on employment exchange.

4. Describe the conditions necessary for a good recruitment policy
5. What are the steps followed in a selection procedure?
6. Write a note explaining the types of employment tests.
7. Discuss the objectives of selection.
8. Briefly describe the interview process.
9. Why is orientation needed?
10. What forms the content of an induction programme?
11. Briefly describe a general induction programme.
12. Should senior management be involved in induction programmes?
13. Write a short note on induction programme planning and discuss the steps involved in planning.
14. Differentiate between training and development.
15. Discuss the significance and benefits of training.
16. Why is training important?

Long Questions

1. Discuss the specifications required to define the characteristics of the individuals who should be hired for a job.
2. What are the various types of sources of recruitment? Discuss each in detail.
3. What is a recruitment policy? What are the essentials of policy formation?
4. Give a descriptive explanation of the methods of selection in detail.
5. The tests should be tested before they are actually conducted. Critically comment.
6. How are the tests for employment purposes used? Discuss.
7. Elaborate on the barriers faced during selection.
8. Elaborate and analyse the various types of induction programmes.
9. Assess the problems faced during an induction and measure their impact in the short and long run.
10. Explain the concept of training in detail. Discuss its features, objectives and need.

Recruitment

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BLOCK -II MEASURING AND MAINTAINING THE PERSONAL

UNIT-VI PERFORMANCE APPRAISAL

Structure

- 6.1. Introduction
- 6.2. Meaning
 - 6.2.1. Objectives of Performance Appraisal
 - 6.2.2. Uses of Performance Appraisal
 - 6.2.3 Determination of Performance Appraisal
 - 6.2.4. Need of Performance Appraisal
 - 6.2.5. Process of Performance Appraisal
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6.1 INTRODUCTION

Performance appraisal is regarded as the key to good human resource management. It is the formal, systematic assessment of how well employees are performing their jobs in relation to the established standards, and the communication of that assessment to the employees. This unit explains the purpose of performance appraisal and the process involved. It will further familiarize you with the various techniques of performance appraisal and how to evaluate them.

6.2 MEANING

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.

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.

6.2.1. 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

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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:

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.

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.

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.

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.

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.

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.

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.

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.

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6.2.2. 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)
- (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

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- 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, provides the rational foundation for incentives, bonus, etc. The estimates of the relative contributions of employees help 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.

6.2.3 Determination of Performance Appraisal

Organizations use performance appraisals for three purposes:

- **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.
- **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.
- **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.

6.2.4. 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:

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

6.2.5. Process of Performance Appraisal

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

❖ 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.

❖ 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.

❖ Communicating Performance Standards to Employees

Performance appraisal involves at least two parties; the appraiser who does the appraisal and the appraisee whose

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performance is being evaluated. 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 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.'

❖ **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.

❖ **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 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 is 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.

❖ **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.

6.3 FEATURES OF PERFORMANCE APPRAISAL

A sound appraisal system should comply with the following:

Reliability and Validity

The system should be both valid and reliable. The validity of ratings is the degree to which they are truly indicative of the intrinsic merit of the employees. The reliability of ratings is the consistency with which the ratings are made, either by different raters, or by one rater at different times. Both validity and reliability result from objective database. Appraisal system should provide consistent,

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reliable and valid information and data which can be used to defend the organization even in legal challenges.

Job Relatedness

The evaluators should focus on job-related behaviour and performance of the employees. In order to focus attention on behaviour under the employee's control, raters must become familiar with the observed behaviour. It is also necessary to prepare a checklist so as to obtain and review job performance related information. Ratings should be tied up with actual performance of units under the rater's control. The information generated through evaluators should be tailored to the needs of the organization, performance requirements and norms of behaviour. Multiple criteria should be used for appraisal, and Performance Appraisal it should be done periodically rather than once a year.

Standardization

Well-defined performance factors and criteria should be developed. Appraisal forms, procedures, administration of techniques, ratings, and so on, should be standardized as appraisal decisions affect all employees of the group. It will help to ensure uniformity and comparison of ratings. The appraisal techniques should measure what they are supposed to measure. They should also be easy to administer and economical to use.

Practical Viability

The techniques should be practically viable to administer, possible to implement and economical to undertake continuously. It must have the support of all line people who administer it. If the line people think it is too theoretical, too ambitious, too unrealistic, or that ivory-tower staff consultants who have no comprehension of the demands on time of the line operators have foisted it on them, they will resent it.

Training to Appraisers

The evaluators or appraiser should be provided adequate training in evaluating the performance of the employees without any bias. Evaluators should also be given training in philosophy and techniques of appraisal. They should be provided with knowledge and skills in documenting appraisals, conducting post appraisal interviews, rating errors, and so on. Familiarity with rating errors can improve the rater's performance and this may inject the needed confidence in appraisers to look into performance ratings more objectively.

Open Communication

The system should be open and participative. Not only should it provide feedback to the employees on their performance, it should

also involve them in the goal setting process. This helps in planning performance better. The employees should actively participate in managing performance and in the ongoing process of evaluation. The superior should play the role of coach and counsellor. The overall purpose of appraisals should be developmental rather than judgemental.

Employee Access to Results

Employees should receive adequate feedback on their performance. If performance appraisals were meant for improving employee performance, then withholding appraisal result would not serve any purpose. If the result of appraisal is negative and goes against the employee, it should be immediately communicated to him so that he may improve his performance, or he may go for appeal before the appropriate authority in case he is not satisfied. Such provisions should be made. This will enable the management to gain the confidence of the employees.

Clear Objectives

The appraisal system should be objective oriented. It should fulfil the desired objectives like determining the potential for higher jobs or for sanction on annual increment in the salary or for granting promotion or for transfer or to know the requirements for training. The objectives should be relevant, timely and open. The appraisal system should be fair so that it is beneficial to both the individual employee and the organization. The system should be adequately and appropriately linked with other subsystems of human resource management.

Post Appraisal Interview

After appraisal, an interview with the employee should be arranged. It is necessary to supply feedback, to know the difficulties under which the employees work and to identify their training needs. The appraiser should adopt a problem solving approach in the interview and should provide counselling for improving performance.

Periodic Review

The system should be periodically evaluated to be sure that it is meeting its goals. Not only is there the danger that subjective criteria may become more salient than the objective standards originally established, there is the further danger that the system may become rigid in a tangle of rules and procedures, many of which are no longer useful.

Not Vindictive in Nature

It should be noted by the executives at the helm of affairs of the organizations that the aim of performance appraisal or any system

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for that matter is to improve performance, organizational effectiveness and to accomplish organizational objectives and not to harass the employees and workers of the organizations who are the vital human resource.

6.4 METHODS OF PERFORMANCE APPRAISAL

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:

$$\frac{N(N+1)}{N}$$

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

(v) Grading Method

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.

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(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 following are some of the sample questions in the checklist.

- Is the employee regular on the job? Yes/No
- Is the employee respected by his subordinates? Yes/No
- Is the employee always willing to help his peers? Yes/No
- Does the employee follow instructions properly? Yes/No
- Does the employee keep the equipment in order? Yes/No
- 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.

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.

(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

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improvements. The rater can fully defend his ratings on the basis of his record.

(xii) Field Review Method

In this method, an 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

(xiii) Confidential Report

A confidential report by the immediate supervisor is still a major determinant of the subordinate's promotion or transfer. This is a traditional form of appraisal used in most government organizations. It is a descriptive report prepared, generally at the end of every year, by the employee's immediate superior. The report highlights the strengths and weaknesses of the subordinate. The disadvantages of this method are as under:

- (i) It involves a lot of subjectivity because appraisal is based on impressions rather than on data.
- (ii) No feedback is provided to the employee being appraised and, therefore, its credibility is very low.
- (iii) The method focuses on evaluating rather than developing the employee. The employee who is appraised never knows his weaknesses and the opportunities available for overcoming them.

In recent years, due to pressure from courts and trade unions, the details of a negative confidential report are given to the appraisee.

(xiv) Forced Distribution Method

One of the errors in rating is leniency; of clustering a large number of employees around a high point on a rating scale. The forced distribution method seeks to overcome this problem by compelling the rater to distribute the rates on all points on the rating scale. 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. The forced distribution method operates under the assumption that the

employee performance level conforms to a normal statistical distribution. Generally, it is assumed that employee performance levels conform to a bell-shaped curve.

The major weaknesses of the forced distribution method are as follows:

- (a) The assumption that employee performance levels always conform to a normal distribution.
- (b) Forced distribution method is not acceptable to raters and ratees, especially when members are all of high ability.
- (c) The results of the forced choice method may not be useful for training employees because the rater himself does not know how he is evaluating the worker.

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.

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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 attained. 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 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 centers.
- (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

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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.

The various techniques under human resource accounting methods are: ·

- Probationary reviews
- Informal one-to-one review discussions
- Counselling meetings
- Observation on the job
- Skill- or job-related tests
- Assignment or task followed by review, including secondments (temporary job cover or transfer)
- Survey of opinion of others who have dealings with the individual
- Graphology (handwriting analysis)

All these techniques are related to each other. A manager must keep a written record of all these for future reference.

(v) Psychological Appraisals

Psychological appraisals are conducted to assess the employee potential. Large organizations recruit full-time psychologist to assess the future performance of the employees. Psychological appraisals include in-depth interviews, psychological test, and discussions with supervisors. Psychological appraisals are conducted to assess the following features of the employees: ·

- Intellectual abilities
- Emotional stability
- Reasoning and analytical abilities
- Sociability
- Interpretation and judgement skills
- Motivational responses
- Ability to foresee the future

Psychological evaluation can be done either to evaluate the performance of employees for a particular job opening or to assess the

future potential of all employees globally. Psychological appraisal results are useful for decisionmaking about employee placement, career planning and development and training.

(vi) 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.

Post-appraisal Analysis

Performance appraisal system should be effective as a number of crucial decisions are made on the basis of score or ratings given by the appraiser. All organizations use performance appraisal for purposes such as salary increase, determining training needs, motivating employees or establishing a basis for future personnel decisions. The ideal approach to performance evaluation is that in which the evaluator is free from personal biases and prejudices. This is because when an evaluator is objective, it minimizes the potential dysfunctional behaviour of the evaluator which will be detrimental to the achievement of the organizational goals. Given that all appraisals entail judgements and given that judgements, may not always be fair, a variety of techniques to make appraisal more objective have been introduced. An appraisal system to be effective should possess the following essential characteristics:

(i) Reliability and Validity

Appraisal system should provide consistent reliable and valid information and data which can be used to defend the organization even in legal challenges. However, a single foolproof evaluation

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method is not available. Inequities in evaluation often destroy the usefulness of the performance system resulting in inaccurate, invalid appraisals, which are unfair too. If two appraisers are equally qualified and competent to appraise an employee with the help of same appraisal techniques, their ratings should agree with each other. Then the technique satisfies the conditions of inter-rater reliability.

(ii) Confidence and Trust

The existence of an atmosphere of confidence and trust is necessary to discuss matters frankly and offer suggestions for the improvement of the employee so that the organization as well as employee stands to benefit.

(iii) Immediate Superior as Appraiser

The immediate superior of the ratees must make the ratings, but the personnel department can assume the responsibility of monitoring the system. The superior should analyse the strengths and weaknesses of an employee and advice him on correcting the weaknesses.

(iv) Swift and Economical

The appraisal programme should be less time consuming and economical. Appraisal forms, procedures, administration of techniques, ratings, and so on, should be standardized. An appraisal programme should bring maximum benefit.

(v) Open Communication

The results of the appraisal, particularly when they are negative, should be immediately communicated to the employees, so that they may try to improve their performance. A good appraisal system provides the needed feedback on a continuing basis. The appraisal interviews should permit both parties to learn about the gaps and prepare themselves for future.

(vi) Post-appraisal Interview

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.

(vii) Job Relatedness

Suggestions for improvement should be directed towards the objective facts of the job. Plans for the future must be developed

alongside in consultation with subordinates. The individual as a person should never be criticized.

6.4.1. Problems of Performance Appraisal

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:

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(i) Rating Biases

Most appraisal methods involve judgements. The performance appraisal process and techniques rely 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 rater's 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.

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(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.

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(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.

6.4.2. Ways for Improving Performance Appraisals

(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

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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.

6.5 HUMAN RELATIONS

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.

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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.

6.6. APPROACHES TO GOOD HUMAN RELATIONS

What came to be called the human relations' movement has been a major influence on modern personnel management. This movement is characterized by its focus on group behaviour and workers' feelings as they relate to productivity and morale. Experiments were conducted by Elton Mayo and Co. of the Harvard Graduate School of Business Administration at the Hawthorne plant of the Western Electric Company. The important features of the Hawthorne experiment are:

- A business organization is primarily a social system. It is not just a techno-economic system.
- An employee can be motivated by psychological and social wants because his behaviour is also influenced by feelings, emotions and attitudes. Thus, economic incentives are not the only method to motivate people.
- Management should not just depend on command; it should develop cooperative attitudes.
- Participation becomes an important instrument in human relations' movement. In order to achieve participation, an effective two-way communication network is essential.
- Productivity is linked with employee satisfaction in business organizations. Therefore, management must take greater interest in employee satisfaction.
- Group psychology plays an important role in any business organization. We must therefore rely more on informal group effort.
- The industrial psychological era emphasises that man is a living machine and he is far more important than the inanimate machine. Hence, the key to higher productivity lies in employee morale. High morale results in higher output.

The findings of the Hawthorne Experiment put emphasis on the importance of understanding the needs of both the management and the workers. The basic conclusion was that sociological and psychological phenomena often exerted even greater influences on

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output than the physical conditions of work. Therefore, management must be mainly concerned with the informal and spontaneous behaviour of work groups and the sentiments and attitudes of employees.

6.7 PUNISHMENT

It recent years, the service sector is witnessing high levels of attrition. As a result, it has become essential for organizations to have a structured process of separation for systematic exits of employees. Organizations should ensure that this process is dealt with in a professional and mature manner, especially without any bias.

Dismissal

Dismissal is the process of separating a worker where the employer asks the employee to leave, generally for the fault of the employee. The term is used in the colloquial sense as ‘getting fired’ in America and ‘getting sacked’ in Britain.

Lay-off

Lay-off means the inability or refusal of a company to provide job to an employee on the grounds of shortage of coal, power, or raw materials, or the breakdown of machinery. A laid-off employee is not retrenched. In a lay-off, the name of the employee must be in the muster rolls on the date they have been laid off.

Retrenchment

Retrenchment means the termination of service of an employee for any reason; but it certainly isn’t a punishment imposed as a disciplinary action. The job can be either terminated due to economy, installation of laboursaving 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 or even retirement. The company may offer several ways to make payment, such as cash, or stock options.

Check your Progress

26. Who all are involved in performance appraisals?
27. What are objective performance measures?
28. What is unstructured method of appraisal?
29. When Assessment Centre Method was first applied?

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6.8 ANSWER TO CHECK YOUR PROGRESS QUESTIONS

10. Performance appraisal involves at least two parties; the appraiser who does the appraisal and the appraisee whose performance is being evaluated.
11. Objective performance measures are indications of job performance that can be verified by others and are usually quantitative.
12. Under the Unstructured Method of Appraisal, the appraiser has to describe his impressions about the employee under appraisal in an unstructured manner.
13. Assessment Centre Method of appraising was first applied in the German Army in 1930.

6.9 SUMMARY

In this unit, you have learnt about the employees performance appraisal, meaning, features, methods, human relations, approaches to good relations and punishment of organization. Job analysis helps in establishing clear-cut standards. This helps the employees as they can know what is expected of them. It also helps the managers to appraise the performance of their subordinates. 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.

6.10 KEY WORDS

- **Evaluation:** It is the process of judging something's quality, importance, or value, or a report that includes this information.
- **Promotion:** It is the advancement of an employee's position within the organization.
- **Compensation:** It is the total cash and non-cash payments given to an employee in exchange for the work they do for business. It is more than an employee's regular paid wages.
- **Administrative:** Pertaining to activities related to an organization's or business' administration and management.

6.11 FURTHER READINGS

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6.12 SELF-ASSESSMENT QUESTIONS AND EXERCISES

Short Questions

10. State the objectives of performance appraisal.
11. What are the uses of performance appraisal?
12. State the three purposes of performance appraisal.
13. Write short notes on:
 - (a) Paired Comparison Method
 - (b) Grading Method
 - (c) Forced Choice Method
 - (d) Behaviourally Anchored Rating Scales (BARS)
 - (e) Psychological Appraisals
14. What is human relations' movement?
15. What is Voluntary Retirement Scheme

Long Questions

1. What are the steps involved in the process of performance appraisal? Discuss.
2. Describe the essentials of a good appraisal system.
3. Draw a comparative study between the traditional methods and modern methods of performance appraisal.
4. Discuss post-appraisal analysis in detail.
5. Assess the ways to improve performance appraisals.

UNIT-VII WAGE AND SALARY ADMINISTRATION

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Structure

- 7.1. Introduction
 - 7.1.1 Wage and salary administration
 - 7.1.2. Nature and Significance of Wage and Salary Administration
- 7.2. Factors
- 7.3. Principles
 - 7.3.1. Theories of Wages
- 7.4. Compensation plan
- 7.5. Incentives individual and group
 - 7.5.1. Objectives of Wage Incentive Plans
 - 7.5.2. Methods of Wage Fixation
- 7.6. Bonus
- 7.7. Fringe benefits
 - 7.7.1. Principles of Fringe Benefits
 - 7.7.2. Important Fringe Benefits
- 7.8. Job evaluation systems
- 7.9. Wage and salary administration in relation to personal taxation
- 7.10. Answer to check your progress questions
- 7.11. Summary
- 7.12. Key Words
- 7.13. Further Readings
- 7.14. Self-Assessment Questions and Exercises

7.1 INTRODUCTION

In this unit, you will learn about and salary wage determination. Proper job evaluation is the foundation for developing a sound wage structure. While job evaluation is a formal and systematic comparison of jobs in order to determine the worth of one job in relation to another, it is logical and, to some extent, an objective method of ranking jobs relative to one another. 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.

7.1.1 Wage and salary administration

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

7.1.2. Nature and Significance 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:

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.

To employers

- They can systematically plan for and control their labour costs.

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- 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.

Wage Determination Process

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

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

Figure 7.1 illustrates the steps involved in the determination of wage rates

7.2 FACTORS

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

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

- The organization's ability to pay
- Supply and demand of labour
- The prevailing market rate
- The cost of living
- Living wage
- Productivity
- Trade union's bargaining power

- Job requirements
- Managerial attitudes
- Psychological and sociological factors

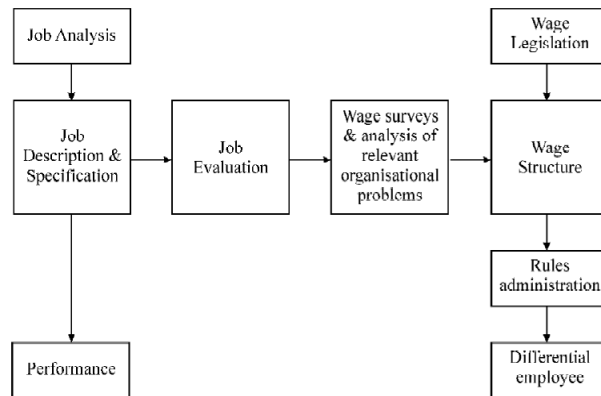


Fig. 7.1 Steps Involved in Determination of Wage Rate

7.3 PRINCIPLES

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

- There should be a definite plan to ensure that differences in pay for jobs are based upon variations in job requirements, such as skill, effort, responsibility of job or working conditions, and mental and physical requirements.
- The general level of wages and salaries should be reasonably in tune with that prevailing in the labour market. The labour market criterion is most commonly used.
- The plan should carefully distinguish between jobs and employees. A job carries a certain wage rate, and a person is assigned to fill it at that rate. Exceptions sometimes occur in very high-level jobs in which the job-holder may make the offer large or small, depending upon his ability and contributions.
- Equal pay for equal work, i.e., if two jobs have equal difficulty requirements, the pay should be the same, regardless of who fills them.
- 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
- 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.

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- 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.
- 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.
- The wage and salary structure should be flexible so that changing conditions can be easily met.
- Prompt and correct payments of the dues of the employees must be ensured and arrears of payment should not accumulate.
- For revision of wages, a wage committee should always be preferred to the individual judgement, however unbiased, or a manager.
- 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.

7.3.1. Theories of Wages

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

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

Subsistence Theory

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

Wages Fund Theory

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

The Surplus Value Theory of Wages

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

Residual Claimant Theory

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

Marginal Productivity Theory

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

The Bargaining Theory of Wages

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

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Behavioural Theories

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

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

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

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

7.4 COMPENSATION PLAN

For the higher management, salaries are influenced by the size of a company in a specific industry, and in part by the contribution of the incumbent to the process of decision-making. The bigger the firm, the greater is the compensation paid to the executives. The industries that are more highly constrained by governmental regulation (banks, life insurance, air transport, railroads, public utilities) pay relatively less than those that are more free to carry on their business (private firms).

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

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

- The amount paid is closely related to the level of individual performance.
- The amount paid after taxes represents a clearly noticeable rise above the base salary level.
- The amount paid is closely related to the level of company performance.
- 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.
- The amount paid is reduced drastically whenever an individual experiences a real and continuing decrease in performance effectiveness.
- 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.

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

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

7.5 INCENTIVES INDIVIDUAL AND GROUP

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

‘It is a term which refers to objectives in the external situation whose function is to increase or maintain some already initiated activity, either in duration or in intensity.’ According to Hummel and 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.’

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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.

7.5.1. Objectives of Wage Incentive Plans

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

- To improve the profit of a firm through a reduction in the unit costs of labour and materials or both.
- To avoid or minimize additional capital investment for the expansion of production capacity.
- To increase a worker’s earnings without dragging the firm in a higher wage rate structure regardless of productivity.
- 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.

- 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.
- 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.
- Labour and total costs per unit of output can be estimated more accurately in advance.
- Less direct supervision is needed to keep output up to a reasonable level.
- The conflicting interests of employers and employees are unified. Increased efficiency and smooth working can therefore be promoted and sustained.

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Demerits of Wage Incentive Plans

- Quality tends to deteriorate unless there is a stricter system of checking and inspection.
- 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.
- When paid by result, workers tend to regard their highest earnings as norms and, therefore, press for a considerable higher minimum wage.
- The amount and cost of clerical work increases.
- There is a danger of disregarding safety regulations and thereby increasing the rate of accidents.
- Some workers tend to overwork and thus undermine their health.
- 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.
- 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

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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.

7.5.2. Methods of Wage Fixation

Wage incentive plans may be discussed as follows:

- Plans for blue-collar workers
- Plans for white-collar workers
- Plans for managerial personnel

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

Incentive Plans for Blue-Collar Workers: For Individuals:

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

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 Percent Premium Plan
- (v) Bedeaux Point Plan
- (vi) Taylor's Differential Piece Rate Plan
- (vii) Merric's Multiple Piece Rate Plan
- (viii) Gnatt Task and Bonus Plan
- (ix) Emerson Efficiency Plan
- (x) Co-Partnership System
- (xi) Accelerating Premium Systems
- (xii) Profit Sharing Schemes

The group incentive plans are usually the following:

Scanlan Plan

- (i) Halsey Premium Plan

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

$$\text{Formula: Bonus} = \frac{1}{2} \text{ of } \frac{\text{Time saved} \times \text{Daily wage}}{\text{Time taken}}$$

Merits

The merits of this plan are as follows:

- It guarantees a fixed time wage to slow workers and, at the same time, offers extra pay to efficient workers.
- The cost of labour is reduced because of the percentage premium system; the piece rate of pay gradually decreases with increased production.
- The plan is simple in design and easy to introduce.
- As the wages are guaranteed, it does not create any heartburning among such workers as are unable to reach the standard.

Demerits

The disadvantages of the plan are as follows:

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- It depends upon past performance instead of making new standards.
- The workers can beat the game by spurring on certain jobs to capture a premium and soldiering on other jobs to rest under the protection of the guarantee of day wages.
- From the point of view of the administration, the policy is one of drift, for, in this plan, the worker is left alone to decide whether or not to produce more after the standard has been reached.

(ii) Halsey-Weir Premium Plan

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

Formula: Bonus = $\frac{1}{2} \times \text{Time Saved} \times \text{Hourly Rate}$

(iii) Rowan Premium Plan

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

Formula: Bonus = $\frac{\text{Time saved}}{\text{Time taken}} \times \text{Time Taken} \times \text{Hourly Rate}$

(iv) 100 Percent Premium Plan

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

(v) Bedeaux Point Plan

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

(vi) Taylor's Differential Piece Rate Plan

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

(vii) Merric's Multiple Piece Rate Plan

This plan, too, is based on the principle of a low piece rate for a slow worker and a higher piece rate for higher production; but the plan

differs from Taylor's plan in that it offers three graded piece rates instead of two. (i) Up to, say 83 per cent of standard output a piece-rate + 10 per cent of time rate as bonus; (ii) Above 83 per cent and up to 100 per cent of standard output same piece rate + 20 per cent of time rate; and (iii) Above 100 per cent of standard output same piece rate but no bonus.

(ix) Emerson Efficiency Plan

Under this system, a standard time is established for a standard task. The day wage is assured. There is no sudden rise in wages on achieving the standard of performance. The remuneration based on efficiency rises gradually. Efficiency is determined by the ratio between the standard time fixed for a performance and the time actually taken by a worker. Thus, if the period of 8 hours is the standard time for a task and if a worker performs it in 16 hours, his efficiency is 50 per cent. A worker who finishes the task in 8 hours has 100 per cent efficiency. No bonus is paid to a worker unless he attains $66\frac{2}{3}$ per cent efficiency, at which stage he receives a nominal bonus. This bonus goes on increasing till, he achieves 100 per cent efficiency. The bonus is 20 per cent of the guaranteed wage. At 120 per cent efficiency, a worker receives a bonus of 40 per cent and at 140 per cent efficiency the bonus is 60 per cent of the day wage.

(x) Co-Partnership System

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

- The payment of the existing standard wages of labour.
- The payment of a fixed rate of interest on capital.
- The division of the surplus profit between capital and labour in an agreed proportion.
- The payment for a part of the worker's labour by the allotment of a share in the capital.
- The sharing in the control of the business by the representatives of labour.

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

(xi) Accelerating Premium Systems

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

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(xii) Profit Sharing Scheme

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

Features of Profit Sharing

The main features of the profit sharing scheme are:

- The agreement is voluntary and based on joint consultation made freely between the employers and the employees.
- The payment may be in the form of cash, stock of future credits of some amount over and above the normal remuneration that would otherwise be paid to employees in a given situation.
- The employees should have some minimum qualifications, such as tenure, or satisfy some other condition of service which may be determined by the management.
- The agreement on profit sharing having been mutually accepted is binding and there is no room on the part of the employer to exercise discretion in a matter which is vital to the employees.
- The amount to be distributed among the participants is computed on the basis of some agreed formula, which is to be applied in all circumstances.
- The amount to be distributed depends on the profits earned by an enterprise.
- The proportion of the profits to be distributed among the employees is determined in advance.

7.6 BONUS

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

- (i) The amount paid is closely related to the level of individual performance.
- (ii) The amount paid after taxes represents a clearly noticeable rise above the base salary level.
- (iii) The amount paid is closely related to the level of company performance.
- (iv) The amount paid is tied into the base salary in such a way that the combined earnings are equitable both in relation to internal and external standards.
- (v) The amount paid is reduced drastically whenever an individual experiences a real and continuing decrease in performance effectiveness.

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

7.7 FRINGE BENEFITS

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Fringe benefits are the additional benefits and services that are provided by a company to its employees in addition to their direct salary. Therefore, fringe can be defined as the additional benefits and services that a company provides to its employees on the basis of their performance. Both the terms, benefits and services, are considered similar by most people but some believe that they are entirely different. According to them, benefits are applicable only for those items that can be associated with some monetary value whereas services is applicable for the items that cannot be associated with any direct money values. However, more or less, both the terms, benefits and services, mean the same in reference to fringe benefits.

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:

- Lessen fatigue
- Oppose labour unrest
- Satisfy employee objectives
- Promote recruitment
- Minimize turnover
- Reduce overtime costs

7.7.1. 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:

- 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.

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- The benefits that are provided to the employees should fulfil the real life requirements of the employees.
- The benefits and services should be cost effective.
- Fringe benefits should be monitored with proper planning.
- While determining the fringe benefits, the requirements of employees that are communicated by union representatives must be considered.
- The employees of a company should be well informed so that can make better utilization of fringe benefits.

7.7.2. 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:

- 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 to superannuation.

Monitoring Fringe Benefits

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

- Setting up benefit objectives
- Assessing environmental factors
- Determining competitiveness
- Conveying benefit information
- Controlling benefit costs and evaluation

Figure 11.1 shows the sequence of various steps involved in monitoring fringe benefits.

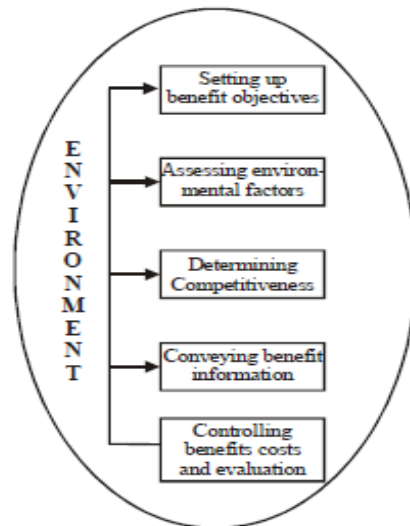


Fig. 7.2 Various steps of Monitoring Fringe Benefits

Setting up benefit objectives: To ensure the proper implementation of fringe benefits, a company needs to set up certain objectives for the benefit programmes. The following are the main objectives that must be accomplished while setting up fringe benefits:

- Encouraging external competitiveness
- Enhancing cost effectiveness
- Fulfilling the needs and preferences of each employee
- Adhering to the legal compulsion

Assessing environmental factors: While monitoring the fringe benefits, a company needs to identify various internal and external environmental factors that may affect the fringe benefits provided to the employees. External factors include government policies and

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regulations, unions and economic factors. Internal factors include the economic conditions. It means that if a company is well established, they can provide better fringe benefits to its employees than an emerging company.

Determining competitiveness: While monitoring the fringe benefits, a company also need to assess the fringe benefits provided by its competitors to their employees. To monitor the competitor's strategies of providing fringe benefits, the company needs to conduct surveys to obtain information about various benefits offered by their competitor.

Conveying benefit information: The employees of a company must be informed about the different types of benefit programmes through different communication media such as booklets, regular employee meetings, brochures and slide presentations. The most effective method of conveying the benefits information to the employees is through calendars, in which each month shows the benefits and services availed by the employees of the company every month.

Controlling benefit costs and evaluation: An important method of determining the usefulness of the fringe benefits is to ascertain that to which extent the non-monetary fringe benefits are helpful to the employees. To obtain the correct feedback about the non-monetary fringe benefits, the following questions should be answered:

- Have the earnings of the employees enhanced?
- Have the benefits provided by the company able to attract the employees?
- Has the confidence of the employees risen?
- Have the industrial relations of the company improved?

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

7.8 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. Nonanalytical system is usually of two types. These are as follows:

- **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.

- **Job classification or grading system:** Under this system, a number of pre-determined grades or classifications are first established and then the various jobs are assigned within each grade or class. Job classification system begins with an overall comparison of all jobs, on the basis of common sense and experience. For each class, a general specification is prepared indicating the nature of work and responsibility that are included. Each class is assigned a salary range with maximum and minimum limits. After that, actual jobs are fitted into these predetermined classes.

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:

- **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.
- **The factor comparison system:** This system is similar to the point rating system. The factor comparison system was developed by Eugene J. Bengel 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

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for the job. Thereafter, it is easy to assign money value to these jobs in some direct proportion to the points assigned under evaluation.

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7.9 WAGE AND SALARY ADMINISTRATION IN RELATION TO PERSONAL TAXATION

Wages and salaries are the remuneration paid or payable to employees for work performed on behalf of an employer or services provided. Normally, an employer is not permitted to withhold the wages or any part thereof, except as permitted or required by law. Employers are required by law to deduct from wages, commonly termed "withhold", income taxes, social contributions and for other purposes, which are then paid directly to tax authorities, social security authority, etc., on behalf of the employee. Garnishment is a court ordered withholding from wages to pay a debt. Wages and salaries are typically paid directly to an employee in the form of cash or in a cash equivalent, such as by cheque or by direct deposit into the employee's bank account or an account directed by the employee. Alternatively, all or a part may be paid in various other ways, such as payment in kind in the form of goods or services provided to the employee, such as food and board. For tax purposes, wages and salaries normally do not include other non-cash benefits received by an employee, such as flights, payment of school fees etc. These are usually referred to as fringe benefits. In the national accounts, in accordance with the System of National Accounts, wages and salaries are the sum of remuneration paid to employees, including the values of any social contributions, income taxes, etc., payable to employees. For administrative convenience, or due to a legal requirement or some other reason all or a part of such payments may actually be withheld by the employer and paid directly to tax authorities, etc., on behalf of the employee. However, labour-related expenses of a business, such as payroll taxes, pension fund contributions, social insurance schemes, workers' compensation insurance, etc., are not counted as wages and salaries for national accounts purposes. Similar concepts apply to general accounting treatment of labour expenses. Wages and salaries in cash consist of such amounts payable at regular intervals, such as weekly, monthly or other intervals, including payments by results and piecework payments; plus allowances, such as those for working overtime; plus amounts paid to employees away from work for short periods (e.g., on holiday, sick leave, etc.); plus ad hoc bonuses and similar payments; plus commissions, gratuities and tips received by employees. Wages and salaries in kind consist of remuneration in the form of goods or services that are not necessary for work and can be used by employees in their own time, and at their own discretion, for the satisfaction of their own needs or wants or those of other members of their households.

Check your Progress

30. What is the basic purpose of wage and salary administration?
31. What is a sound wage policy?
32. State the subsistence theory.
33. Who developed wage fund theory?
34. Define wages.
35. State one disadvantage of time wage system.
36. What is incentive compensation?
37. What are fringe benefits?

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7.10 ANSWER TO CHECK YOUR PROGRESS QUESTIONS

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. The subsistence theory (1817) states that ‘the labourers are paid to enable them to subsist and perpetuate the race without increase or diminution.’
4. This theory was developed by Adam Smith (1723–1790).
5. The Payment of Wages Act 1936, Sec 2 (vi) defines wages as, ‘any award of settlement and production bonus, if paid, constitutes wages.’
6. Time Wage System offers no incentive for the employees to put forth their best efforts. Efforts and reward have no direct positive correlation.
7. Incentive compensation, also called ‘payment by result’, is a method of sharing gains in productivity with workers by rewarding them financially for their increased rate of output.
8. Fringe benefits are the additional benefits and services that are provided by a company to its employees in addition to their direct salary.

7.11 SUMMARY

In this unit, you have learnt about the introduction of office work, measurement and standardization, unit of measurement, reasons for measuring office work, individual job and control, benefits of specialization, selection of employees, training and office personnel.

7.12 KEY WORDS

- **Wages:** It refers to the fixed regular payment earned for work or services, typically paid on a daily or weekly basis.

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- **Survey:** It means to ask (many people) a question or a series of questions in order to gather information about what most people do or think about something.
- **Union:** It is a society or association formed by people with a common interest or purpose.
- **Incentive:** It is a payment or concession to stimulate greater output or investment.
- **Insurance:** It is an arrangement by which a company undertakes to provide a guarantee of compensation for specified loss, damage, illness, or death in return for payment of a specified premium.
- **Pension:** It is an amount of money paid regularly by the government or a private company to a person who does not work anymore because they are too old or have become ill.

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7.14 SELF-ASSESSMENT QUESTIONS AND EXERCISES

Short Questions

17. Describe the nature and purpose of wage and salary administration.
18. Explain the wage determination process.
19. What factors influence the wage and salary structure and administration?
20. What are the commonly suggested principles governing fixation of wage and salary?
21. What is Halsey premium plan? Discuss its merits and demerits.
22. Discuss the features of profit sharing.
23. State the fundamental methods of compensating workers.
24. Write a short note on incentive wage plans.
25. What are the requisites for the success of an incentive plan?
26. How can we monitor fringe benefits?

Long Questions

11. Give a detailed explanation of the main elements in various theories of wages. Explain each theory in detail.
12. Discuss compensation plan.
13. What are wage incentives? Explain its objectives and merits and demerits in detail.
14. Describe the various types of wage incentive plans.
15. Discuss the types and importance of fringe benefits.

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UNIT-VIII MOTIVATION

Structure

- 8.1. Introduction
- 8.2. Definition
- 8.3. Characteristics of motivation
- 8.4. Importance of motivation
- 8.5. Process of motivation
- 8.6. Types of motivation
 - 8.6.1. Advantages of Motivation
- 8.7. Theories of motivation
 - 8.7.1. Ways to Improve Motivation of Workers
- 8.8. Answer to check your progress Questions
- 8.9. Summary
- 8.10. Key Words
- 8.11. Further Readings
- 8.12. Self-Assessment Questions and Exercises

8.1 INTRODUCTION

Motivation is one's direction to behaviour, or what causes a person to want to repeat a behaviour, a set of force that acts behind the motives. An individual's motivation may be inspired by others or events (extrinsic motivation) or it may come from within the individual (intrinsic motivation). Motivation is the word derived from the word 'motive' which means needs, desires, wants or drives within the individuals. It is the process of stimulating people to actions to accomplish the goals. In the work goal context the psychological factors stimulating the people's behaviour can be - desire for money success.

Motivation is an important factor which encourages persons to give their best performance and help in reaching enterprise goals. A strong positive motivation will enable the increased output of employees but a negative motivation will reduce their performance. A key element in personnel management is motivation. According to Likert, "It is the core of management which shows that every human being gives him a sense of worth in face-to face groups which are most important to him....A supervisor should strive to treat individuals with dignity and a recognition of their personal worth.

Motivation is the word derived from the word 'motive' which means needs, desires, wants or drives within the individuals. It is the process of stimulating people to actions to accomplish the goals. In the work goal context the psychological factors stimulating the people's behaviour can be - desire for money success recognition job-satisfaction team work, etc

One of the most important functions of management is to create willingness amongst the employees to perform in the best of their abilities. Therefore the role of a leader is to arouse interest in performance of employees in their jobs. The process of motivation consists of three stages:-

- A felt need or drive
- A stimulus in which needs have to be aroused
- When needs are satisfied, the satisfaction or accomplishment of goals.

Therefore, we can say that motivation is a psychological phenomenon which means needs and wants of the individuals have to be tackled by framing an incentive plan.

8.2 DEFINITION

“A motive is an inner state that energizes, activates, or moves and directs or channels behaviour goals.”-**Berelson and Steiner**

“It is the stimulation of any emotion or desire operating upon one's will and promoting or driving it to action.” -**Lillis**

“Motivation refers to degree of readiness of an organism to pursue some designated goal and implies the determination of the nature and locus of the forces, including the degree of readiness.”

-The Encyclopedia of Management

“Motivation is the complex of forces starting and keeping a person at work in an organization.” -**Dubin**

“Motivation implies any emotion or desire which so conditions one's will that the individual is properly led into action.”

-Vance

“Motivation represents an unsatisfied need which creates a state of tension or disequilibrium, causing the individual to make in a goal-directed pattern towards restoring a state of equilibrium by satisfying the need.” -**Vitales**

“A willingness to expend energy to achieve a goal or reward. It is a force that activates dormant energies and sets in motion the action of the people. It is the function that kindles a burning passion for action among the human beings of an organisation.”-**Memoria**

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8.3 CHARACTERISTICS OF MOTIVATION

Motivation is a process through which individually does something in order to satisfy some basic needs. It is a responsibility of a manager to motivate the employees towards the attainment of organizational goals through a higher level of performance. The motivation holds the following characteristics:

Motivation is Personal and Psychological Concept

Motivation is a personal as well as a psychological concept; hence, the managers have to study the mental and psychological aspects of the individual. Motivating factors are always unconscious but they are to be aroused by managerial action.

Motivation is a Process

Motivation is a process of inspiring, energizing, reducing and activating the employees to a higher level of performance. This process starts with unsatisfied needs, moves through tension, drives and goal achievement, finally, it ends with the reduction of tension aroused by unsatisfied needs.

Motivation is a Continuous Process

Motivation is a continuous on-going process rather than one shot affair. Because an individual has unlimited wants and needs. Motivation is an unending process. Wants are innumerable and cannot be satisfied at one time. As satisfaction of needs is an unending process, so the process of motivation is also unending. As soon as the existing need is fulfilled, another will appear. Hence, motivation should go continuously.

Motivation is a Complex Subject

Motivation is a complex subject in the sense that the individual's needs and wants may be unpredictable. The level of need of a person depends on his/her psychological and physiological aspects.

Motivation is Goal Oriented

Motivation should be directed towards the achievement of stated goals and objectives. Motivation causes goal-directed behavior, feeling of need by the person causes him to behave in such a way that he tries to satisfy himself. From the viewpoint of the organization, the goal is to achieve high productivity through better job performance.

Intrinsic and Extrinsic Motivation

As an individual can be motivated either by intrinsic factors or extrinsic factors. The intrinsic factors include recognition, social status, self-esteem and self-actualization needs which are related to inner aspects of an individual. On the other hand, the extrinsic factors are

physiological and social needs such as food, shelter, health, education, salary, and benefits etc.

Positive and Negative Motivation

By the term motivation, we mean positive motivation which is related to the process of stimulating employees for good performance. But it is not necessary that all the time motivation must be positive, rather sometimes it can be negative also. The negative motivation is also known as punishment which is not desired by the employees.

Motivation is Behavior-oriented

As motivation is person specific, it is related to the personal behavior of an employee. Behavior is a series of activities undertaken by an individual in the organizational workplace. The behavior is directed towards the attainment of goals and objectives.

8.4 IMPORTANCE OF MOTIVATION

Greater efficiency

Motivation enhances the efficiency of the employees and of organization. When employees are motivated, they can perform with commitment and dedication.

Reduction in absenteeism and labour turnover

Motivated employees may not remain absent or leave the organization. They develop a sense of belonging towards the organization and thus improve their overall performance.

Team spirit

Motivation improves team spirit of employees, and this improves the work environment and the overall performance of the employee and the organization.

Reduction in wastages and breakages

Motivated employees take great care in handling machines and other resources. This will reduce wastages and breakages, thus resulting in higher benefits to the organization.

Cordial relations

Motivation enables cordial and healthy relationship in the organization. Motivation helps reduce labour grievances and disputes. It ensures sound relations between the management and the labour. It improves the overall efficiency of the organization.

Promotion of innovation

Motivated employees use their initiative to find out innovative ways in the performance of their operations. Such employees are more creative and help the organization to gain the competitive advantage.

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Optimum use of resources

Motivation leads to greater employee involvement and lesser wast-ages. This leads to optimum utilization of resources.

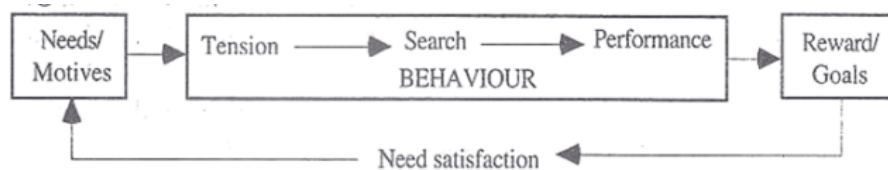
Corporate image:

Motivated employees are more loyal to the organization. They work with a sense of commitment and dedication. This improves the overall performance of the employee, which enables better results for the company. This results in better relations with all the stakeholders.

8.5 PROCESS OF MOTIVATION

The motivation process progresses through a series of discrete steps. Needs/motives are the starting point of motivation. An unsatisfied need creates tension that stimulates drives within the individual. The action taken by the individual will lead to the reward/goal which satisfies the need and reduces tension

The motivation process is presented in the following diagram;



Employee motivation is of crucial concern to management; mainly because of the role that employee motivation plays in performance.

Steps of Motivation Process

- Identify Unsatisfied Needs and Motives.
- Tension.
- Action to satisfy needs and motives.
- Goal accomplishment.
- Feedback.

Steps of motivation process explained below;

Identify Unsatisfied Needs and Motives

The first process of motivation involves unsatisfied needs and motives. Unsatisfied needs activated by internal stimuli such as hunger and thirst. They can also be activated by external stimuli such as advertisement and window display.

Tension

Unsatisfied needs create tension in the individual. Such tension can be physical, psychological, and sociological. In this situation, people try to develop objects that will satisfy their needs.

Action to satisfy needs and motives

Such tension creates a strong internal stimulus that calls for action. The individual engages in activities to satisfy needs and motives for tension reduction.

For this purpose, alternatives are searched and choice are made, the action can be hard work for earning more money.

Goal accomplishment

Action to satisfy needs and motives accomplishes goals. It can be achieved through reward and punishment. When actions are carried out as per the tensions, then people are rewarded others are punished. Ultimately goals are accomplished.

Feedback

Feedback provides information for revision or improvement or modification of needs as needed. Depending on how well the goal is accomplished their needs and motives are modified.

Drastic changes in environment necessitate the revision and modification of needs. Usually, performance is determined by; ability, environment and motivation.

If any of these three factors is missing or deficient, effective performance is impossible.

A manager may have the most highly qualified employees under him and provide them with the best possible environment, but effective performance will not result unless the subordinates are motivated to perform well. Therefore, management can do its job effectively only through motivating employees to work for the accomplishment of organizational objectives.

8.6 TYPES OF MOTIVATION

When a manager wants to get more work from his subordinates then he will have to motivate them for improving their performance. They will either be offered incentive for more work, or may be in the space of rewards, better reports, recognition etc., or he may instill fear in them or use force for getting desired work.

The following are the types of motivation:

Achievement Motivation: It is the drive to pursue and attain goals. An individual with achievement motivation wishes to achieve objectives and advance up on the ladder of success. Here, accomplishment is important for its own sake and not for the rewards that accompany it. It is similar to 'Kaizen' approach of Japanese Management.

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Affiliation Motivation: It is a drive to relate to people on a social basis. Persons with affiliation motivation perform work better when they are complimented for their favorable attitudes and co-operation.

Competence Motivation: It is the drive to be good at something, allowing the individual to perform high quality work. Competence motivated people seek job mastery, take pride in developing and using their problem-solving skills and strive to be creative when confronted with obstacles. They learn from their experience.

Power Motivation: It is the drive to influence people and change situations. Power motivated people wish to create an impact on their organization and are willing to take risks to do so.

Attitude Motivation: Attitude motivation is how people think and feel. It is their self-confidence, their belief in themselves, their attitude to life. It is how they feel about the future and how they react to the past.

Incentive Motivation: It is where a person or a team reaps a reward from an activity. It is “You do this and you get that”, attitude. It is the types of awards and prizes that drive people to work a little harder.

Fear Motivation: Fear motivation coercion’s a person to act against will. It is instantaneous and gets the job done quickly. It is helpful in the short run.

8.6.1. Advantages of Motivation

Advantages to Management or Organization

- Increase in the efficiency and productivity of employees. Motivation ensures a high level performance of employees.
- Better co-operation from employees and cordial labor-management relations.
- Reduction in the rate of labor absenteeism and turnover.
- Reduction in the wastage’s and industrial accidents.
- Improvement in the morale of employees.
- Quick achievement of business/corporate objectives and favorable corporate image.

Advantages to Employees or Workers

- Employees get various monetary and non-monetary facilities/benefits which provide better life and welfare to them.
- Security of employment and other benefits due to cordial relations with the management.
- Job attraction and job satisfaction.
- Higher status and opportunities of participation in management.
- Positive approach and outlook of employees towards company, management and superiors.

- Reduction in the rate of labour turnover which is harmful to employees and management.
- Better scope for improvement in knowledge and skills of employees.

8.7 THEORIES OF MOTIVATION

Further on the basis of further enquiries and experiments, It was concluded that Employees' team spirit and cooperative attitude had a great bearing on the productivity. There were several factors which determined the cooperation and enthusiasm of workers, such as supervisors' and experimenters' positive attitude towards workers, the avoidance of force and coercion against workers and the workers' participation in decision-making in areas affecting them.

Human relationists made very significant contribution to management thought by bringing into limelight human and social factors in organization. The behavioural science movement was a byproduct of the human relations studies. The behavioural science era extensively used data obtained from experiments, observations and surveys done in the various fields, such as sociology, anthropology and psychology. The various theories formulated in the behavioural science era are:

(i) Maslow's Need Hierarchy Theory or Deficit Theory of Motivation

According to Abraham Maslow, who propounded the need hierarchy theory, 'There is a series of needs some of which are lower in the scale or system of values, in individual or social context and some are higher. Higher needs cannot be satisfied or even felt if the lower needs remain unsatisfied. A satisfied need is not a motivator'.

The features of his theory are as follows:

- People have a variety of needs, which work as a strong motivation for them.
- There are five types of human needs: physical needs, safety or security needs, affiliation or social needs, esteem needs and self-actualization needs.
- It is not impossible to arrange human requirements into a hierarchy. In this hierarchy, the needs that are physical in nature occupy the base. Self-actualization needs, on the other hand, occupy the top.
- It is observed that people first satisfy their physical needs. When these needs are satisfied, they strive for the next higher level of needs.
- In order to realize the higher level of needs, it is essential that the lower level needs are satisfied.

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- People are not motivated by the satisfaction of a need; a satisfied need only generates the desire to fulfil the next higher level of needs.

Maslow's Hierarchy of Needs Theory



Fig.8.1 Maslow's Need Hierarchy Model

Abraham Maslow is well renowned for proposing the Hierarchy of Needs Theory in 1943. This theory is a classical depiction of human motivation. This theory is based on the assumption that there is a hierarchy of five needs within each individual. The urgency of these needs varies. These five needs are as follows-

Physiological needs- These are the basic needs of air, water, food, clothing and shelter. In other words, physiological needs are the needs for basic amenities of life.

Safety needs- Safety needs include physical, environmental and emotional safety and protection. For instance- Job security, financial security, protection from animals, family security, health security, etc.

Social needs- Social needs include the need for love, affection, care, belongingness, and friendship.

Esteem needs- Esteem needs are of two types: internal esteem needs (self- respect, confidence, competence, achievement and freedom) and external esteem needs (recognition, power, status, attention and admiration).

Self-actualization need- This include the urge to become what you are capable of becoming / what you have the potential to become. It includes the need for growth and self-contentment. It also includes desire for gaining more knowledge, social- service, creativity and being aesthetic. The self- actualization needs are never fully satiable. As an individual grows psychologically, opportunities keep cropping up to continue growing.

(ii) Herzberg's Two Factors Theory of Motivation

Herzberg propounded the two-factor theory of motivation. According to this theory, motivation and dissatisfaction of workers are the results of two separate sets of conditions. Satisfiers or motivational factors have a direct bearing on the job content itself. Motivational factors include achievement, recognition, the work itself, advancement, etc. The dissatisfiers, maintenance and hygiene factors do not provide motivation. They avoid unpleasantness and are necessary to maintain current status of satisfaction. Of all the maintenance factors identified by Herzberg, significant ones include the interpersonal relationship among the management, supervisors and subordinates; wage and security of job; status in the organization and working conditions.

(iii) McGregor's Theory X and Theory Y

McGregor propounded two management views with regard to the nature of man. These two views were of contrasting nature and were classified into hard and soft approaches. The hard approach is called McGregor's 'Theory X', while the soft or permissive approach is called McGregor 'Theory Y'.

Theory X

It is the traditional theory of human behaviour. According to McGregor's theory, management is accountable for organizing the elements of productive enterprises, such as money, material, equipment and people, to meet economic ends. Theory X makes certain assumptions about human nature, such as: ·

- With reference to people, management refers to a process of directing their efforts, motivating them, controlling their actions, modifying their behaviour in order to be in conformity with the needs of the organization.
- If there is no intervention by the management, people are bound to be passive. They can even be resistant or indifferent to organizational needs. Thus, the management needs to persuade, reward, punish (if necessary) and direct workers.
- The average human being dislikes work and tends to avoid it if he can.
- The average human being is not ambitious, dislikes responsibility and opts to be led.
- The average human being is inherently self-centered and is not interested in organizational needs.
- The average human being is by nature resistant to change.
- The average human being is innocent.

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Theory Y

According to McGregor, theory Y makes the following assumptions:

- ‘Work is as natural as play or rest if the conditions are favourable. It is not true that the average human being inherently dislikes work.
- External control and the threat of punishment are not the only tools for making people work towards organizational objectives. Man can exercise self-control and self-direction to meet the objectives he is committed to.
- The rewards associated with the achievement of objectives bring a sense of commitment among people. People set goals for themselves in the hope of some reward, material or even psychological.
- The average human beings, in favourable circumstances, accept responsibility and even look for it.
- The capacity to exercise a relatively high degree of imagination, ingenuity and creativity to solve organizational problems is universally distributed in the population.’

Theory X	Theory Y
1. Theory X assumes human beings to be inherently opposed to work.	1. Theory Y assumes that work is as natural as play or rest.
2. Theory X emphasizes that people do not have ambitions and they shirk responsibility.	2. Theory Y assumes just the reverse.
3. Theory X assumes that people in general have little capacity for creativity.	3. According to Theory Y, the capacity for creativity is widely distributed in the population.
4. While in Theory X, people lack self-motivation and need to be externally controlled and closely supervised in order to get maximum output.	4. According to Theory Y, people are self directed, creative and prefer self-control
5. Theory X emphasises upon the centralization of authority.	5. Theory Y emphasises decentralization and greater participation in decision making process.

Table 8.1 Comparison between Theory X and Theory Y

McGregor suggested advocating the carrot and stick approach to motivate people in the workplace.

8.7.1. Ways to Improve Motivation of Workers

Motivation is the desire that pushes an individual to work well. It is an influence that causes people to behave in a particular way. Organisations can motivate its production line workers through financial rewards such as an increase in wage rates or profit sharing,

and through non – financial rewards such as job enlargement and delegation along with the use of motivational theories such as McGregor’s Theory X and Y and Elton Mayo’s Hawthorne Effect.

Motivation

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The main reason for low motivation is the dissatisfaction with their wages for production line workers. They receive half as much as the quality control inspectors who do not participate in the production process. These workers receives a low weekly wage and a bonus for meeting output targets. This means that in case of power failures or machinery break down at the factory the workers would not be able to meet targets and wouldn’t receive the bonus.

This leaves a feeling of frustration as such problems are beyond the control of the workers and they feel that they have been treated unfairly. Thus firstly he pay of the workers should be increased. After all according to Taylor’s Scientific Management worker want the money. Also according to Maslows Need Hierarchy, the most basic needs are the psychological needs of hunger, thirst and shelter which are gotten by the wages. These wages, if not at par should be close to that of the quarterly inspectors because the inspectors do not contribute to the output of a company. Organisation would by this definitely face rising costs of labor but if by higher wages the workers are given an incentive to work hard then the productivity i.e. output per worker would increase.

This may then off set the increase in costs and lead to an increase in production of goods.

Nevertheless, it would be the non-financial rewards that would play an important role in maintaining the high motivation levels that are initiated by the financial rewards. Profit sharing is also a financial reward would help worker feel more part of the business of in years of high profits they are given a percentage of profits. They would then wish to contribute to wards the maintaining of this profitability. Job enlargement (including job enrichment and job rotation), team working, quality circles, target setting, delegation and appreciation and recognition by the organisation (awards) are all methods that organisations can use to motivate employees.

Job enlargement increases the scope of the job so as to provide broader and deeper tasks. This would involve job rotation where the workers could switch jobs after a certain time that allows them to handle a variety of Jobs and job enrichment that organizes work in such a way that employees are able to use their fullest abilities and do work with lesser supervision.

Delegation should also be undertaken which is the passing to subordinates. This would mean telling the workers take certain decisions as to he performing of tasks. Empowerment would go a step

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further and give them control on how to perform their tasks by employing efficient methods.

Job enlargement, delegation and empowerment are all in accordance with McGregors Theory Y according to which workers like to work and seek responsibility. These methods help workers to feel a greater part of the process and business as they carry but more than one task and are encouraged to become more efficient. Since they are given responsibility, they feel trusted and feel more loyalty to the firm. As they carry out tasks related to the entire process they derive greater satisfaction of having seen the end result. They increase their skills gain more experience and open more opportunities for their future. The only danger is that some workers may be afraid of performing additional tasks as they are afraid of failure and thus losing jobs.

Then team working and quality circles would also be made. According to this the workers should be divided into groups and given an area on the production time of which they are responsible both for production as well as for quality of products. In this way, the quality inspectors could be removed and the major reason of demotivation among employees would end. The teams would meet regularly to deal with the quality of the products its improvements as well as any problems in organisation's production line. They would then present their researches and results to the management who could then implement the best result on the production line as well as give rewards to the group that came up with the best idea. Quality circles allow the successful participation of the entire staff in the decision making. The workers feel a greater part of organization and feel a greater sense of achieving the targets that they themselves have helped to decide. Workers have hands on experience and are in the best position to understand the problems, more than any hired quality control officials. Workers are best able to provide solutions to exactly meet the situation and thus greatly improve their own productivity as well as the efficiency of the organisation as a whole.

Since their social and self-esteem needs as according to Maslow's Need Hierarchy Model are met through team working (interaction) and appreciation from the management (rewards) they are highly motivated.

Organisations should make full use of the motivational theories as well as the methods discussed above. It is true that Quality Circles are informal and may lead to certain time wastes in meeting but these can be avoided by rewarding participation after office hours. Also the fear of competition amongst different circles shouldn't stop managers from employing these methods as healthy competition encourages progress and development of innovative ideas that lead to higher motivation, greater productivity and improved profitability.

Check your Progress

38. Define motivation
39. Define Hierarchy Theory
40. What are the elements of sound motivation

Motivation

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8.8 ANSWER TO CHECK YOUR PROGRESS QUESTIONS

1. According to Memoria “A willingness to expend energy to achieve a goal or reward. It is a force that activates dormant energies and sets in motion the action of the people. It is the function that kindles a burning passion for action among the human beings of an organisation.”
2. According to Abraham Maslow, who propounded the need hierarchy theory, ‘There is a series of needs some of which are lower in the scale or system of values, in individual or social context and some are higher. Higher needs cannot be satisfied or even felt if the lower needs remain unsatisfied. A satisfied need is not a motivator’.
3. The motivation process progresses through a series of discrete steps. Needs/motives are the starting point of motivation. An unsatisfied need creates tension that stimulates drives within the individual. The action taken by the individual will lead to the reward/goal which satisfies the need and reduces tension

8.9 SUMMARY

In this unit, you have learnt about the introduction of motivation, definition, characteristics, importance, process, types and theories of motivation. Organizations should make full use of the motivational theories as well as the methods discussed above. It is true that Quality Circles are informal and may lead to certain time wastes in meeting but these can be avoided by rewarding participation after office hours. Also the fear of competition amongst different circles shouldn't stop managers from employing these methods as healthy competition encourages progress and development of innovative ideas that lead to higher motivation, greater productivity and improved profitability.

8.10 KEY WORDS

- **Personnel:** It refers to the people employed in an organization.
- **Administration:** It is the process or activity of running a business, organization, etc.
- **Compliance:** It is the process of defining both individual and group behaviors to ensure the organization's applicable laws and policies are followed.

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- **Decentralize:** It means to move departments (of a large organization) away from a single administrative centre to other locations.

8.11 FURTHER READINGS

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8.12 SELF-ASSESSMENT QUESTIONS AND EXERCISES

Motivation

Short Questions

5. Define motivation. What is its importance for a business
6. Define Hierarchy Theory
7. What are the elements of sound motivation
8. Explain the various methods

Long Questions

16. What is need hierarchy theory
17. Bring out the importance of motivation
18. Explain the different methods of motivation
19. Explain Maslow need Theory
20. Describe McGregor's theory of X and Y

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UNIT-IX LEADERSHIP

Structure

- 9.1. Introduction
- 9.2. Meaning
- 9.3. Need and characteristic of leadership
- 9.4. Importance of leadership
- 9.5. Qualities of a leader
 - 9.5.1. Role of a Leader
- 9.6. Different kinds of leadership styles
- 9.7. Theories of leadership
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9.1 INTRODUCTION

Leadership is both a research area and a practical skill encompassing the ability of an individual or organization to "lead" or guide other individuals, teams, or entire organizations.

Leadership is a process by which an executive can direct, guide and influence the behavior and work of others towards accomplishment of specific goals in a given situation. Leadership is the ability of a manager to induce the subordinates to work with confidence and zeal. Leadership is the potential to influence behaviour of others. It is also defined as the capacity to influence a group towards the realization of a goal. Leaders are required to develop future visions, and to motivate the organizational members to want to achieve the visions.

According to **Keith Davis**, "Leadership is the ability to persuade others to seek defined objectives enthusiastically. It is the human factor which binds a group together and motivates it towards goals."

Koontz and O'Donnell, Leadership is the ability of a manager to induce subordinates to work with confidence and zeal.

Dubin, R. Leadership is the exercise of authority and making of decisions.

Allford and Beaty, Leadership is the ability to secure desirable actions from a group of followers voluntarily, without the use of coercion.

George R. Terry, Leadership is the activity of influencing people to strive willingly for group objectives.

Hemphill, J.K., Leadership is the initiation of acts which result in a consistent pattern of group interaction directed towards the solution of a mutual problem.

Jame J.Cribbin, Leadership is a process of influence on a group in a particular situation at a given point of time, and in a specific set of circumstances that stimulates people to strive willingly to attain organisational objectives and satisfaction with the type of leadership provided.

Peter Drucker, Leadership is not making friends and influencing people, i.e., salesmanship it is the lifting of man's visions to higher sights, the raising of man's personality beyond its normal limitations.

In the various definitions of leadership the emphasis is on the capacity of an individual to influence and direct group effort towards the achievement of organizational goals. Thus, we can say that leadership is the practice of influence that stimulates subordinates or followers to do their best towards the achievement of desired goals.

9.2 MEANING

Leadership is an important element of the directing function of management. Wherever, there is an organized group of people working towards a common goal, some type of leadership becomes essential. "The power of leadership is the power of integrating. The leader stimulates what is best in us he unites and concentrates what we feel only gropingly and shatteringly. He is a person who gives form to the uncoarctate energy in every man. The person who influences me most is not he who does great Deeds, but he who makes me feel that I can do great deeds." Marry Parker Follet.

Leadership is the ability to build up confidence and zeal among people and to create an urge in them to be led. To be a successful leader, a manager must possess the qualities of foresight, drive, initiative, self-confidence and personal integrity. Different situations may demand different types of leadership.

9.3 NEED AND CHARACTERISTIC OF LEADERSHIP

An analysis of the definitions cited above reveals the following important characteristics of leadership:

- Leadership is a personal quality.

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- It exists only with followers. If there are no followers, there is no leadership?
- It is the willingness of people to follow that makes person a leader.
- Leadership is a process of influence. A leader must be able to influence the behaviour, attitude and beliefs of his subordinates.
- It exists only for the realization of common goals.
- It involves readiness to accept complete responsibility in all situations.
- Leadership is the function of stimulating the followers to strive willingly to attain organizational objectives.
- Leadership styles do change under different circumstances.
- Leadership is neither bossism nor synonymous with; management.

9.4 IMPORTANCE OF LEADERSHIP

Leadership is an important function of management which helps to maximize efficiency and to achieve organizational goals. The following points justify the importance of leadership in a concern.

- **Initiates action:** Leader is a person who starts the work by communicating the policies and plans to the subordinates from where the work actually starts.
- **Motivation:** A leader proves to be playing an incentive role in the concern's working. He motivates the employees with economic and non-economic rewards and thereby gets the work from the subordinates.
- **Providing guidance:** A leader has to not only supervise but also play a guiding role for the subordinates. Guidance here means instructing the subordinates the way they have to perform their work effectively and efficiently.
- **Creating confidence:** Confidence is an important factor which can be achieved through expressing the work efforts to the subordinates, explaining them clearly their role and giving them guidelines to achieve the goals effectively. It is also important to hear the employees with regards to their complaints and problems.
- **Building morale:** Morale denotes willing co-operation of the employees towards their work and getting them into confidence and winning their trust. A leader can be a morale booster by achieving full co-operation so that they perform with best of their abilities as they work to achieve goals.
- **Builds work environment:** Management is getting things done from people. An efficient work environment helps in sound and stable growth. Therefore, human relations should be kept into mind by a leader. He should have personal contacts with

employees and should listen to their problems and solve them. He should treat employees on humanitarian terms.

- **Co-ordination:** Co-ordination can be achieved through reconciling personal interests with organizational goals. This synchronization can be achieved through proper and effective co-ordination which should be primary motive of a leader.

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9.5 QUALITIES OF A LEADER

A leader has got multidimensional traits in him which makes him appealing and effective in behavior. The following are the requisites to be present in a good leader:

- **Physical appearance:** A leader must have a pleasing appearance. Physique and health are very important for a good leader.
- **Vision and foresight:** A leader cannot maintain influence unless he exhibits that he is forward looking. He has to visualize situations and thereby has to frame logical programmes.
- **Intelligence:** A leader should be intelligent enough to examine problems and difficult situations. He should be analytical who weighs pros and cons and then summarizes the situation. Therefore, a positive bent of mind and mature outlook is very important.
- **Communicative skills:** A leader must be able to communicate the policies and procedures clearly, precisely and effectively. This can be helpful in persuasion and stimulation.
- **Objective:** A leader has to be having a fair outlook which is free from bias and which does not reflect his willingness towards a particular individual. He should develop his own opinion and should base his judgement on facts and logic.
- **Knowledge of work:** A leader should be very precisely knowing the nature of work of his subordinates because it is then he can win the trust and confidence of his subordinates.
- **Sense of responsibility:** Responsibility and accountability towards an individual's work is very important to bring a sense of influence. A leader must have a sense of responsibility towards organizational goals because only then he can get maximum of capabilities exploited in a real sense. For this, he has to motivate himself and arouse and urge to give best of his abilities. Only then he can motivate the subordinates to the best.
- **Self-confidence and will-power:** Confidence in himself is important to earn the confidence of the subordinates. He should be trustworthy and should handle the situations with full will power.
- **Humanist:** This trait to be present in a leader is essential because he deals with human beings and is in personal contact

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with them. He has to handle the personal problems of his subordinates with great care and attention. Therefore, treating the human beings on humanitarian grounds is essential for building a congenial environment.

- **Empathy:** It is an old adage “Stepping into the shoes of others”. This is very important because fair judgement and objectivity comes only then. A leader should understand the problems and complaints of employees and should also have a complete view of the needs and aspirations of the employees. This helps in improving human relations and personal contacts with the employees.

From the above qualities present in a leader, one can understand the scope of leadership and its importance for scope of business. A leader cannot have all traits at one time. But a few of them helps in achieving effective results.

9.5.1. Role of a Leader

Following are the main roles of a leader in an organization:

- **Required at all levels:** Leadership is a function which is important at all levels of management. In the top level, it is important for getting co-operation in formulation of plans and policies. In the middle and lower level, it is required for interpretation and execution of plans and programmes framed by the top management. Leadership can be exercised through guidance and counseling of the subordinates at the time of execution of plans.
- **Representative of the organization:** A leader, i.e., a manager is said to be the representative of the enterprise. He has to represent the concern at seminars, conferences, general meetings, etc. His role is to communicate the rationale of the enterprise to outside public. He is also representative of the own department which he leads.
- **Integrates and reconciles the personal goals with organizational goals:** A leader through leadership traits helps in reconciling/ integrating the personal goals of the employees with the organizational goals. He is trying to co-ordinate the efforts of people towards a common purpose and thereby achieves objectives. This can be done only if he can influence and get willing co-operation and urge to accomplish the objectives.
- **He solicits support:** A leader is a manager and besides that he is a person who entertains and invites support and co-operation of subordinates. This he can do by his personality, intelligence, maturity and experience which can provide him positive result. In this regard, a leader has to invite suggestions and if possible

implement them into plans and programmes of enterprise. This way, he can solicit full support of employees which results in willingness to work and thereby effectiveness in running of a concern.

- **As a friend, philosopher and guide:** A leader must possess the three dimensional traits in him. He can be a friend by sharing the feelings, opinions and desires with the employees. He can be a philosopher by utilizing his intelligence and experience and thereby guiding the employees as and when time requires. He can be a guide by supervising and communicating the employees the plans and policies of top management and secure their co-operation to achieve the goals of a concern. At times he can also play the role of a counselor by counseling and a problem-solving approach. He can listen to the problems of the employees and try to solve them

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9.6 DIFFERENT KINDS OF LEADERSHIP STYLES

There are the different types of leadership styles that exist in work environments and advantages and disadvantages exist in each leadership style. Some companies offer same leadership style while others follow different leadership styles depending upon what task to perform. It's only the culture and goals of an organization that determines which type of leadership suits to the firm.

Authentic Leadership

The recent authentic Leadership approach seems to have evolved in the light of major scams and scandals, a blind race for profits and personal gains and short term prospective, involving the CEO's of top organizations. It focuses on the charter of the leader as the driver of positive interrelationships. Authenticity is about being genuine and not attempting to play a role; not acting in a manipulative way.

Autocratic Leadership

Autocratic leadership allows autocratic leader to take the ultimate control of taking decisions without consulting others. An autocratic leader possess high level of power and authority and imposes its will on its employees. This type of leadership proves to be useful where close level of supervision is required. Creative employees morale goes down because their output is not given importance and is often detest by employees. Since they are unable to take any part in decision making, this results in job satisfaction and staff turnover.

Laissez-Faire

Leadership Under this type of leadership, a laissez-faire leader do not exercise control on its employees directly. Since employees are highly experienced and need little supervision, a laissez-faire leader

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fails to provide continuous feedback to employees under his or her supervision. This type of leadership is also associated with leaders that do not supervise their team members, failed to provide continuous feedback resulting in high costs, bad service, failure to meet deadlines, lack of control and poor production.

Transnational Leadership

The Informational leadership highlights a leader as a facilitator of change occurring, when one or more persons engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality. The process of transformational leadership aims at influencing changes in attitudes and assumptions held by organizational members and building commitment for organizational goals and objectives. High level of communication exists between managers and employees and it is under the guidance of leaders that employees meet their goals and enhance productivity and efficiency.

Transnational Leadership

Transnational Leadership contrast, involves management –by-exception, intervention, and punishing those who made errors. This can lead to negative emotions and performance on the part of the subordinates. This approach would also require close monitoring of the subordinates, who would surely not like it, and if they felt constrained, their performance might not be best.

Additionally, some of their voluntary behaviors, like citizenship behaviors would be reduced. A manager lead a group of highly motivated individuals who follow his leadership and achieve their goals. Employees are trained or rewarded such as bonuses depending upon their performance.

Bureaucratic Leadership

Under bureaucratic leadership, a leader believes in structured procedures and ensure that his or her employees follow procedures exactly. This type of leadership leaves no space to explore new ways to solve issues and in fact work by book. This type of leadership is normally followed in hospitals, universities, banks (where large amount of money is involved) and government organizations to reduce corruption and increase security. Self motivated individuals who are highly energetic often feel frustrated due to because of organization inability to adapt to changing environment.

Charismatic Leadership

The charismatic leader is visionary and works by infusing high amount of energy and enthusiasm in his team. He sets as role model for his team and drive others to show high level of performance. This type of leader is committed to the organization and believes more in him

rather than his team. The presence of charismatic leader works as a boost for rest of the employees and therefore such type of leader should be committed to the organization for the long run.

A charismatic leadership may pose as a risk to the company if he decided to leave to explore new opportunities and it might take lot of time and hard work by the company to win the confidence of its employees.

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Participative Leadership

Also known as democratic leadership style, participative leadership consults employees and seriously considers their ideas when making decisions. When a company makes changes within the organization, the participative leadership style helps employees accept changes easily because they had given a big role in the process. Participative Leadership may be required for tasks that are non routine or unstructured, where relationships are non-authoritarian and the subordinate's locus of control is internal.

Directive Leadership

Directive Leadership provides guidance about what should be done and how to do it, scheduling work, and maintaining standards of performance. Thus, it may be inferred that directive leadership is effective as the subordinator has an external locus of Control, lacks experience, has a high need for clarity or a low need of achievement. Also, when the task is unstructured, or there is conflict between work groups, a more directive style would be useful.

Supportive Leadership

Supportive Leadership show concern for the needs of the employees, leader is friendly and approachable. Supportive Leadership would be more suitable for highly structured tasks, under bureaucratic and formal authority relationship. In supportive Leadership, leader support to their subordinates officially and some time personally also. Leader always try to fulfill their requirements, it boost employees moral also.

AchievementOriented Leadership

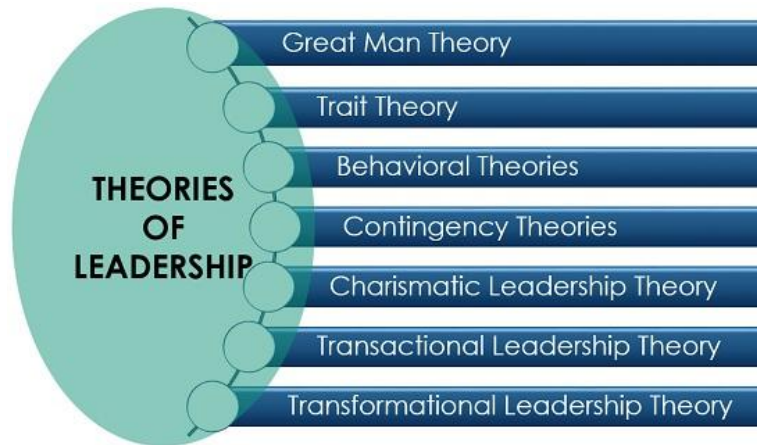
Achievement oriented Leadership encourage employees to perform at their highest level by setting challenging goals, emphasizing excellence and demonstrating confidence in employees abilities. Achievement Oriented Leadership is largely suitable for unstructured tasks, where the subordinate need for achievement is high.

9.7 THEORIES OF LEADERSHIP

Over the decades, many great scholars, researchers and academicians have conducted various research and studies to discover

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the factors that contribute to effective leadership. In this process, the following theories of leadership have evolved:



The Great Man Theory

Thomas Carlyle proposed the Great Man Theory in the 1840s, and it merely believes that leadership is an inherent trait of a person who is destined to become a great leader by birth and they prove themselves when the great need arises. In other words, some people are born to become leaders and leadership is a heroic act.

Criticism

This theory was criticised or questioned due to the following reasons:

- It was a male-centric approach when women have proved to be great leaders too.
- This theory explains that leadership cannot be learned or taught it's an inherent trait.
- There is no scientific validation to support this theory.
- It neglected the environmental and situational factors which affect the leadership process.

The Trait Theory

Ralph M. Stogdill proposed the trait theory of leadership in the late 1940s; he explained that an individual must possess the key personality traits and characteristics to be an effective leader and these traits are inherent by birth. Some of the core leadership traits based on this theory can be categorised as follows:

- Physiological traits: Height, weight, structure, colour, appearance and so forth.
- Socioeconomic characteristics: Gender, religion, marital status, age, occupation, literacy and earnings.
- Personality traits: Extraversion, self-confidence, patience, agreeable, reliable, honesty and leadership motivation.

- Intellectual traits: Decisiveness, intelligence, judgemental ability, knowledge and emotional attribute.
- Task-related traits: Attainment drive, dedication, initiative, determination and business expertise.
- Social characteristics: Socially active, cordiality and cooperation.
- Some of the other traits being charisma, adaptiveness, creativity, uniqueness.

This theory was criticised since it neglected the environmental factors which may not always remain the same. The list of traits is quite vast and keeps on changing from time to time. It was unable to explain failures despite possessing the certain traits specified in the theory. Moreover, of the identified traits can be acquired through learning and training.

Behavioural Theory

The behavioural theory of leadership evolved in the 1950s. After understanding that the personal traits of a leader are essential for effective leadership, the researchers were now keen to know that what leaders do to become effective leaders

Thus, they now focussed on the leader's behaviour rather than traits. To study the behaviour of leaders, two major research programs were started by two different universities namely, the Ohio State Leadership Studies and the University of Michigan Studies.

- **The Ohio State University Studies:** A group of researchers at Ohio State University prepared a questionnaire to be surveyed in military and industrial setups, to determine the perception of the subordinates for the actual behaviour of their leaders. From their findings, the researchers identified two major categories of leader behaviour:
- **Consideration:** The leaders are attentive towards their subordinates and build up an excellent inter-personnel relationship with them. They are very supportive and friendly. This was termed as 'people-oriented behaviour'.
- **Initiating structure:** The leaders are majorly concerned about the achievement of goals and schedule and structure work accordingly. For such leaders, subordinates are just resources, and they have to make the optimal utilisation of them. This was termed as 'task-oriented behaviour'.
- **The University of Michigan Studies:** This study is based on how the leader's behaviour is related to group performance. Researchers made a comparison of effective managers with the ineffective ones and found that the two can be discriminated on the basis of their behaviour, i.e. job-centric behaviour and organisational-member centric behaviour.

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The study further resulted in the identification of four additional behaviours essential for effective leadership which are:

- ✓ Support
- ✓ Goal emphasis
- ✓ Work facilitation
- ✓ Interaction facilitation

Blake and Mouton's Leadership Grid

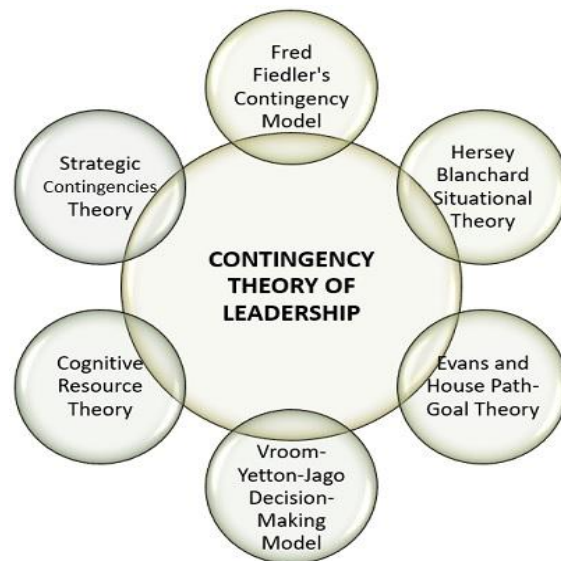
Robert R. Blake and Jane S. Mouton gave the Leadership/Managerial Grid Theory and discovered the five different styles of leadership by categorising the managers into 81 possible ways arising out of the combination of rating depending on two variables, concern for people and concern for results. Following are the various styles of Leadership according to this model:



- **Indifferent:** Neither the attention is paid towards the work, nor towards the employees, it is the most ineffective style of leadership.
- **Controlling or the country club:** All that matters is the well-being of the staff.
- **Accommodating or task oriented:** All that matters is production and output.
- **Status Quo or balance:** Moderate and equal importance and attention are given to work as well as employee welfare.
- **Sound:** A high level of concern is shown towards both, the output as well as the employees, it is the most effective style of leadership.

Contingency Theory: Contingency theories of leadership state that effective leadership comprises of all the three factors, i.e. traits,

behaviour and situation. A leader's behaviour varies as per the situation. To support this theory of leadership various models were developed, and multiple studies were conducted in this direction.



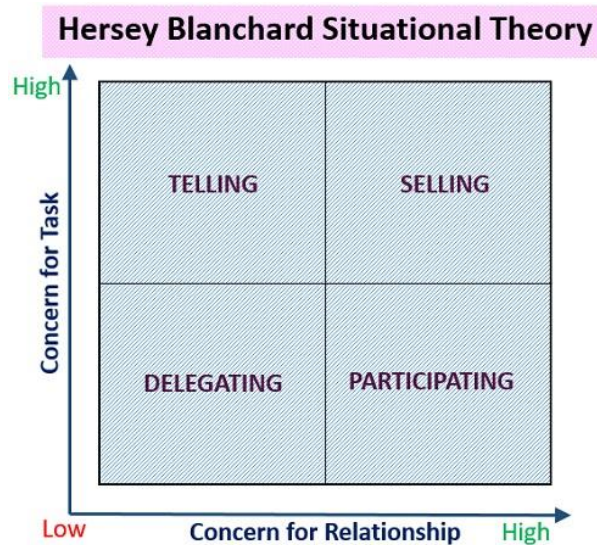
Following are the models of contingency theory:

- **Fred Fiedler's Contingency Model:** Dr Fred E. Fiedler tried to explain that the performance of a group or team is banked on the pleasant and unpleasant situations and style of leadership. Leadership style can be assessed with the help of Least Preferred Co-worker (LPC) scale. It is a technique in which a leader is asked to think of a person whom they least like to work with and score them on different bipolar scales. For instance: Friendly-unfriendly, Efficient-inefficient, Cooperative-uncooperative, etc
- **Fiedler's findings:** Leader's Traits: On the basis of the LPC Scale, a leader's style of leadership can be determined. If a leader scores high on the LPC scale, that means he is highly relationship-oriented and treats even the least preferred co-worker generously. If he scores low on the LPC scale, he is a task-oriented leader prioritising the work and performance.
- **Situational factor:** Leaders manage to perform effectively in the favourable situations. They feel that they have control and command over the group of employees in such situations.
- **Situation Matches:** Fiedler gave a Contingency Model named Leader Situation Matches in which he explained that leadership style could be either task-oriented or people-oriented, based on the favourableness of the situation.
- **Hersey Blanchard Situational Theory:** The Hersey-Blanchard Situational Theory states that the style of leadership depends

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upon the maturity of the subordinates; accordingly the following four styles were developed:



- **Telling:** When a new person enters the organisation, he has to be told everything, i.e. he is given training and orientation to make him understand the task to be performed.
- **Selling:** The leader leads by providing social and emotional support to the subordinates and convincing the groups to give maximum output.
- **Delegating:** The leaders are least concerned about and hardly interferes with the execution of the tasks. They are not even concerned about the subordinates and their issues.
- **Participating:** It is a democratic style where subordinates are allowed to participate in the decision-making process. Here, the leader is less focussed on the achievement of objectives.

Evans and House Path-Goal Theory: The Path-Goal Theory was proposed by Robert J. House and Martin Evans in 1970s.

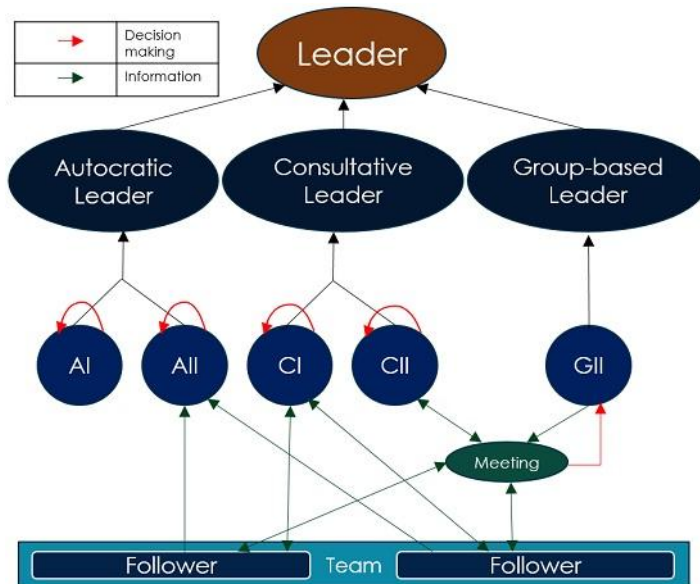
This theory pro-founded that leader’s noticeable behaviour, and the situation in which he is placed are inter-connected. To increase the organisation’s effectiveness, the managers should either match the situation with the leader’s behaviour or change his behaviour according to the situation in which he is placed. This theory focused on the need for flexibility while adopting different leadership styles in different situations.

The situational factors involved are Subordinate characteristics and Organisational environment. This model emphasised four different behaviours of a leader:

- Directive
- Supportive

- Participative
- Achievement-Oriented

Vroom-Yetton-Jago Decision-Making Model: This model suggested that leadership style varies on the basis of the decision-making ability of the leaders in different situations. Leadership style was merely based on the degree of employee's contribution and activeness in the decision-making process. The various aspects taken into consideration were decision timeliness, decision acceptance and the decision quality. Following are the Leadership Styles derived out of this model:



- **Autocratic (AI):** The leader solely decides with the available information.
- **Autocratic(AII):** This is stringic autocratic leadership style where the leader takes the opinion of group members to gather more information but may or may not share the final decision with the group members.
- **Consultative (CI):** The leaders consult with the group members to explore opinions but solely takes the decision.
- **Consultative (CII):** The leaders consult with the group members to explore opinions and also invites suggestions but solely takes the decision.
- **Collaborative (GII):** The leader allows the group to take their own decisions collectively and plays a supportive role in the process.

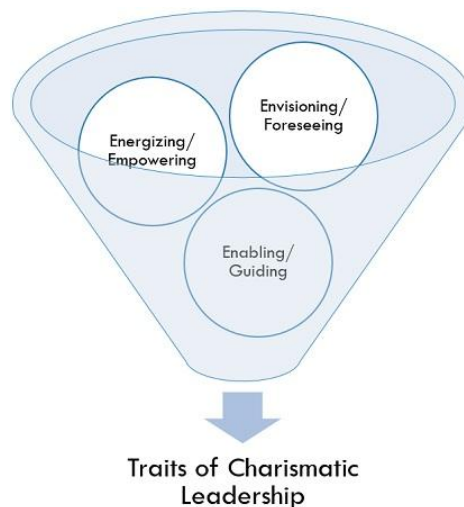
Cognitive Resource Theory: This theory explains that if the leader is experienced he will be able to perform effectively even under the stressful situations whereas an intelligent leader performs well in less stressful situations.

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Strategic Contingencies Theory: This theory says that the effectiveness of a leader depends upon his problem-solving skills and ability to handle critical situations and make decisions wisely. A person with better problem-solving skills can secure his position and cannot be easily replaced.

Charismatic Leadership Theory: This theory believes that a leader must possess some extraordinary and exceptional qualities to become an effective leader. Such leaders lead by their key traits i.e.



- **Envisioning/Foreseeing:** Leaders foresees future possibilities and create a vision accordingly, usually having high expectations and dreams.
- **Energizing/Empowering:** Leaders are highly enthusiastic, proactive, energetic and confidently aiming towards success.
- **Enabling/Guiding:** Leaders provide complete support and guidance and show compassion and trust in followers. Such leaders are highly focussed and committed towards their goal accomplishment.

Transactional Leadership Theory: Transactional Leadership Theory emphasises the realisation of a desired outcome and result. The leaders motivate the followers by way of a reward system, i.e. rewarding the performers and punishing the non-performers. The theory emphasises maintaining a cordial relationship with the followers, leaders and followers must work mutually to meet organisational goals.

Transformational Leadership Theory: The transformational theory states that a leader is effective only if he can transform or change the perceptions, behaviour and expectations of the followers and direct them towards a common goal which will lead to the accomplishment of the leader's vision. Such leaders have a charismatic and influential personality. Following are the key factors behind Transformational Leadership:

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- Psychological transformation: Bring about a change in the perception and mindset of the follower.
- Influential: Creates a strong impact on the followers.
- Motivational: Generates positive energy within followers.
- Inspirational: Encourages them to achieve something.
- Individual impact: Creates a powerful effect on the behaviour and perception of the followers.

From the above description, we can conclude that a leader needs to follow different leadership theories based on the situation and circumstances.

Check your Progress

41. Define leadership
42. What do you mean by Authentic Leadership
43. Explain Vroom theory

9.8 ANSWER TO CHECK YOUR PROGRESS QUESTIONS

4. **Koontz and O'Donnell**, Leadership is the ability of a manager to induce subordinates to work with confidence and zeal.
5. The recent authentic Leadership approach seems to have evolved in the light of major scams and scandals, a blind race for profits and personal gains and short term prospective, involving the CEO's of top organizations.
6. This model suggested that leadership style varies on the basis of the decision-making ability of the leaders in different situations. Leadership style was merely based on the degree of employee's contribution and activeness in the decision-making process.

9.9 SUMMARY

In this unit, you have learnt about the introduction of leadership, meaning, need and characteristic of leadership, importance, qualities of a leader, different kinds of leadership styles and theories of leadership. Leadership is a process by which an executive can direct, guide and influence the behavior and work of others towards accomplishment of specific goals in a given situation. Leadership is the ability of a manager to induce the subordinates to work with confidence and zeal. Leadership is the potential to influence behaviour of others. It is also defined as the capacity to influence a group towards the realization of a goal. Leaders are required to develop future visions, and to motivate the organizational members to want to achieve the visions.

9.10 KEY WORDS

- **Motivation:** A leader proves to be playing an incentive role in the concern's working.

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- **Morale:** Morale denotes willing co-operation of the employees towards their work and getting them into confidence and winning their trust.
- **Co-ordination:** Co-ordination can be achieved through reconciling personal interests with organizational goals. This synchronization can be achieved through proper and effective co-ordination which should be primary motive of a leader.
- **Physical appearance:** A leader must have a pleasing appearance. Physique and health are very important for a good leader.
- **Vision and foresight:** A leader cannot maintain influence unless he exhibits that he is forward looking. He has to visualize situations and thereby has to frame logical programmes.
- **Intelligence:** A leader should be intelligent enough to examine problems and difficult situations. He should be analytical who weighs pros and cons and then summarizes the situation.

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9.13 SELF-ASSESSMENT QUESTIONS AND EXERCISES

Motivation

Short Questions

9. Define leadership
10. What do you mean by Authentic Leadership
11. Define Vroom theory

Long Questions

21. What are the characteristics of leadership
22. What are the importance of leadership
23. Describe the good qualities of a leader
24. Explain Vroom theory
25. Briefly explain the theories of leadership

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UNIT-X MORALE AND JOB SATISFACTION

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Structure

- 10.1. Introduction
- 10.2. Meaning
- 10.3. Characteristics of morale
 - 10.3.1 Significance of Morale
 - 10.3.2 Factors Determining Morale
- 10.4. Morale and productivity
- 10.5. Measurement of morale
- 10.6. Determinants of job satisfaction
- 10.7. Personal factors
- 10.8. Organizational factors
- 10.9. Answer to check your progress Questions
- 10.10. Summary
- 10.11. Key Words
- 10.12. Further Readings
- 10.13. Self-Assessment Questions and Exercises

10.1 INTRODUCTION

This unit discusses and describes the concepts of Employee Morale and Job Satisfaction, It also highlights the determinants of morale and theories of job satisfaction. Finally, an attempt is also made to bring out the relationship between employee morale, job satisfaction and organizational effectiveness.

According to the Oxford Dictionary, job satisfaction is an “application of effort to a purpose, force in action, doing of something, a task or materials to operated on doings or experiences of specified kind, employment especially as a means of earning monthly, a thing done or made, a product or manifestation.

Morale is the term usually applied to armed forces during wartime and to sports and athletic teams. It refers to team spirit and co-operation of people for a common purpose. Its importance has been realized by the management only in recent years. It is felt by the management that if the morale of the employees is high, production would be higher and vice-versa.

10.2 MEANING

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“Morale” a French word means “condition with respect to discipline and confidence pride, fixing of purpose, faith in the course fought for”. It has been defined in many ways but all definitions revolve around the attitude towards work for the accomplishment of organizational goals. Thus morale is intimately connected with organization. If the morale of employees/ workers is high, not only the production/ output is increased and maintained but the workers feel satisfied and contented.

In this way the management shall find it easy to motivate the workers and make them feel as part and parcel of the organization. Morale also generates confidence in workers and keep their spirit very high and competitive.

William Spriegal has defined morale as the co-operative attitude or mental health of a number of people who are related to each other on some basis.

It is the sum total of employees attitudes, feelings and sentiments towards these variables. Morale is a bye-product of motivation and group relationships in the organization. It is a mental process which once started permeates in the entire group creating a mood which results in the formation of common attitude.

Morale represents the attitudes of individuals and groups in an organisation towards their work environment. Morale is an indicator of the attitude of employees towards their jobs, superiors and their organisational environment. It is a collection of the employees’ attitude, feelings and sentiments.

Various definitions of morale are;

Flippo has described morale “as a mental condition or attitude of individuals and groups which determines their willingness to co-operate. Good morale is evidenced by employee enthusiasm, voluntary confirmation with regulations and orders, and a willingness to co-operate with others in the accomplishment of an organization’s objectives. Poor morale is evidenced by surliness, insubordination, a feeling of discouragement and dislike of the job, company and associates.”

In the words of **Yoder**, “morale is a feeling, somewhat related to esprit de corps, enthusiasm or zeal. For group of workers, morale, according to a popular usage of the word, refers to the over-all tone, climate or atmosphere of work, perhaps vaguely sensed by the members.’

According to **William Spriegel**, “morale is the co-operative attitude or mental health of a number of people who are related to each

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other on some basis”. According to Leighton, “morale is the capacity of a group of people to pull together persistently and consistently in pursuit of a common purpose”.

Job satisfaction is defined as the extent to which an employee feels self-motivated, content & satisfied with his/her job. Job satisfaction happens when an employee feels he or she is having job stability, career growth and a comfortable work life balance.

10.3 CHARACTERISTICS OF MORALE

- Morale is basically a psychological concept.
- Morale is intangible therefore it is very difficult to measure the degree of morale accurately.
- Morale is contagious in the sense that people learn from each other.
- Morale is dynamic in nature. It cannot be developed overnight. Managers have to make continuous efforts to build and maintain high morale. It is a long-term concept.
- Morale is a group phenomenon consisting of a pattern of attitudes. It is the sum total of employees’ attitudes, feelings and sentiments.

10.3.1 Significance of Morale

- Morale is the vital ingredient of organisational success because attitudes and sentiments of employees greatly influence productivity and satisfaction of employees.
- Morale may be high or low; when the morale of the employees is high, they co-operate fully with the management towards the achievement of organisational objectives.
- High morale leads to good discipline, high degree of interest in the job, loyalty to the organisation and high performance.

10.3.2 Factors Determining Morale

The degree of morale in any organisation is determined by several factors. Some of them are merely psychological and difficult to identify, however researchers have succeeded in figuring out the following factors:

- **Confidence in leadership:** If the leader of the organisation is able to win the confidence of the employees, morale will be high. For employees, the leader being mentioned is the immediate supervisor/superior. If the leader is systematic, fair, honest, helpful and friendly, he may win over the confidence of his subordinates and boost their morale.
- **Job Satisfaction:** The morale of the employee would be high if he is satisfied with his job. Hence right men should be placed in the right job to boost up their morale in their jobs.

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- **Confidence in co-workers:** Mani is a social being and he finds himself more enthusiastic in the company of others. If he finds that his companions or fellow workers are co-operating with him, his morale would be high.
- **Sound and efficient organisation:** Sound and effective organization is an important factor affecting the employee's morale. At the same time, the chance of communication should be effective and the personal problems of the employee should be heard and redressed as quickly as possible.
- **Fair remuneration:** Fair and reasonable remuneration is essential to secure enthusiasm and willingness of the workers to do the job. The wages should be comparable with those paid in similar concerns. Besides, monetary incentives should be provided to them as and when necessary and possible.
- **Security of job:** If the employee feels secured, they will be willing and co-operative to do the job allotted to them.
- **Opportunity to rise:** The employees should also be made to realize that if they work properly, they will be promoted and adequately rewarded. This feeling of recognition will definitely boost their morale.
- **Working conditions:** The conditions of work at which the employees are required to work also affect their morale. Providing safety measures, hygienic facilities, clean workplace etc. give them satisfaction and boost their morale.
- **Physical & mental health:** An employee with weak health cannot be co-operative and willing to work. Similarly his mental strain shall also reduce his motivation of morale. Both physical and mental illness are detrimental to an individual's work and thereby the organisational output.

10.4 MORALE AND PRODUCTIVITY

Morale reflects the attitude of employees towards their work, it will be of interest to know if it has any bearing on productivity. A number of research studies reveal that there is no direct relationship between morale and productivity. High morale may lead to higher productivity but in some cases production may go down even. It is generally felt that there is a positive relation between morale and productivity but the degree may not be the same. For example, 10 per cent increase in morale may lead to higher productivity but production may not necessarily increase by 10 percent.

Delbert C. Miller and W.H. Form have given four combinations of productivity and morale viz. (i) high productivity-high morale; (ii) low productivity-high morale; (iii) high productivity low morale and (iv) low productivity-low morale.

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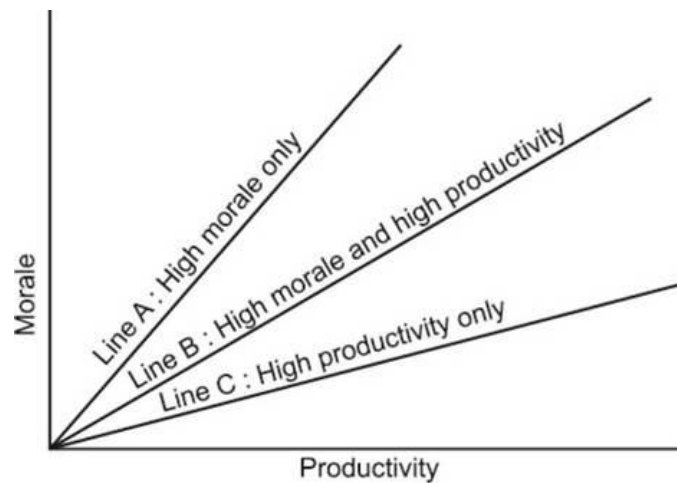


Fig. 101: Relationship between morale and productivity

The first situation occurs when the individual is satisfied from the job and prevailing environment. He will try to achieve his standards of performance which will lead to higher productivity. In the second situation (low productivity and high morale) the employee may be satisfied from his work and situations, prevailing and showing high morale. Lack of proper teaching of the employee, lack of administrative skill of supervisor, defective materials, out-dated technology may lead to low productivity inspite of high morale. In the third situation, management may use strict supervision, prescribe punishments for low productivity and use better technology for raising productivity, inspite of low morale. The fourth situation occurs where factors obtained in combination of high productivity and high morale are lacking.

There is a complexity of relationship between morale and productivity. This relationship cannot always be predicted. It may differ from organization to organization and from one time to another time.

It is quite possible to increase morale with either favourable or unfavorable shifts in productivity as shown in Fig. 10.1.

In fact, morale reflects attitude of employees and there are a number of variables between employee's attitude and productivity. An attitude in the individual tends to interpret, understand, or define a situation or relationship with others. Attitudes are the individual's likes or dislikes directed towards persons, things, or situations, or combinations of all these. Since all expressed attitudes are not to be put into practice, it is expected that morale will not be exactly related to productivity. A more accurate statement about high morale is that it indicates a predisposition to be more productive if leadership is effective along with proper production facilities and individual's ability. Such factors are presented in Fig. 10.2.

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This shows that productivity is a function of four factors-organizational factors, individual factors, attitudes and morale. Attitudes and morale, in turn, are determined by the satisfaction of individuals which is again affected by organizational and individual factors. Thus, productivity is a function of several variables, of course, morale may be one of the important ones. The successful managers recognize that behavioural management requires a positive integration of goals so that people working together will achieve the desirable high morale with high productivity. Though it is possible to achieve high productivity with low morale as shown in Fig. 10.1 (line C), this position cannot continue for long because in the long run employee will show their resistance, dissatisfaction and restriction which eventually lead to low productivity.

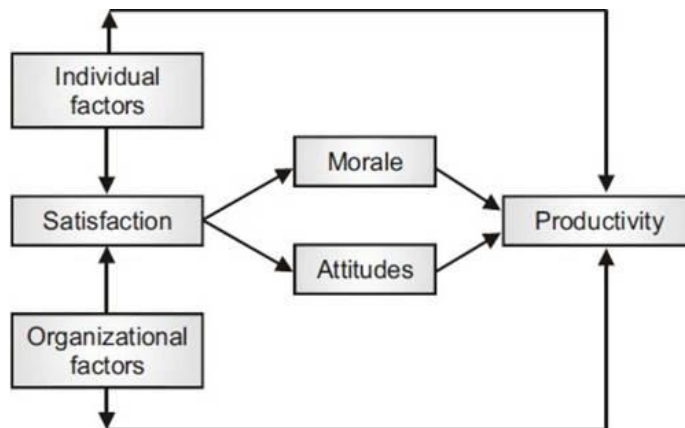


Fig. 10.2: Factors that determine productivity

Various research studies also support the view that morale and productivity are not perfectly related, though there is a positive correlation between these two. In a review of literature on relationship between morale and productivity. **Arthur H. Brayfield and Walter H. Crockett** have concluded that there is little evidence that employee morale has any relationship to performance on the job.

Morale and Productivity: It is a general feeling among people that high morale leads to high productivity but it is not always so. There is no direct and positive relationship between the two. There may be following four possible relationship between morale and productivity

- (i) High morale with high productivity where proper motivation and supervision exist.
- (ii) Low morale with low productivity exists where motivation and supervision are defective.
- (iii) High morale with low productivity exists where employees are not fully trained and supervise incompetent.

- (iv) Low morale with high productivity exists where management is anti-workers or production oriented.

Thus, there is no certain relationship between morale and productivity because there are so many other factors which influence morale and productivity.

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10.5 MEASUREMENT OF MORALE

The six ways which can be used for measuring the morale of employees are as follows: 1. Observation 2. Attitude or Morale Survey 3. Morale Indicator 4. Relation between Morale and Productivity 5. Building High Morale 6. Relationship of Morale and Job Satisfaction.

Observation

The managers can measure the morale of the employees by observing their actions and behaviour. But in practice, managers do not find adequate time to carefully observe the behaviour of the employees. According to Theo. Haimann, "The serious shortcoming of observation as yardstick, to measure current morale is that the activities and events indicate a change to lowered morale which has already occurred. The manager, therefore, should be extremely keen in his observation in order in order to do as much as possible to prevent such changes".

Usually, managers try to measure morale by checking the extent to which the organization is getting the results in respect of productivity. But this is not reliable method because morale may be high although productivity is low and vice versa because of other factors. In many studies, it has been shown that there is low correlation between morale and productivity.

Attitude or Morale Survey

The management organize and attitude survey to find out them morale of the employees. The attitude of the employees maybe known either by direct interview or questionnaire. In case of direct personal interview, attempt is made of find out the views of employees about their job, co-workers, supervision and the organization. The questions to be asked to the employees are selected before hand and the information received from every employee is put into writing.

But under questionnaire method, some questions are printed and a copy of these is sent to each worker who is supposed to fill in the questionnaire and return it to the office of the organization. The replies from various employees are then compiled and inferences are drawn about their morale.

Morale Indicator

Morale indicators are the factors which tend to show the opinions of employees towards the organization and its management. These factors include absenteeism, labour turnover, fluctuations in production, quality records, excessive waste and scrap, training records, accident rate and number of grievances.

These factors are sound indicator of any major variation in morale, but they are not as precise as morale surveys. The main cause for using such indicators is that their data are easily available and trend can be understood very easily. Management can easily analyses the causes of high fluctuations in any indicator.

Relation between Morale and Productivity

It is generally assumed that morale and productivity are directly related with each other i.e. they are positively correlated. Human relations contended that high morale and high productivity always move together like the east and west sides of an elevator.

It was argued that high productivity results from the fact that employees with high morale do not skip work, are the least inactive, show good team spirit and contribute their best to the attainment of organizational goals. Even now, many managers feel that if the employees have high morale, their productivity will also be high. Generally, there is some positive correlation between morale and productivity, but they are not absolutely related i.e. an increment of 20% in morale does not guarantee as absolute increase (i.e. 20%) in productivity.

There are four plausible combinations of morale and productivity, viz.

- (i) high morale and high productivity
- (ii) high morale and low productivity
- (iii) low morale and low productivity, and
- (iv) low morale and high productivity.

High productivity comes with high morale when the employees are motivated, the supervision is considerate of men and the employees are highly trained. This is an ideal state and makes the best possible use of human resource. As started earlier, morale and productivity are not absolutely related. They may not increase in the same proportion. An exactly reverse situation can be that of low morale and low productivity. High morale is associated with low productivity when the employees are not much satisfied and they are not properly motivated to do work. Other important reasons of low productivity may be inefficient supervision, wrong technology, and low degree of employees skills. It is also possible that low morale is associated with high productivity.

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This comes when management uses better equipment and technology and uses punishments against low productivity. But high productivity with low morale cannot be sustained for long time since will to work is a very important factor. Will to work shifts workers attitude towards the job, supervision and its policies.

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Building High Morale

Morale is a mental phenomenon. That is why, it is very difficult to create high morale. It is like going ahead without knowing the end of the journey. Morale is not a tangible thing, so it is difficult to measure the degree of morale. Morale building is a continuous process which cannot be stopped even for a moment. Morale cannot be built for ever. It is a dynamic process, it keeps on changing'

Morale building may be done either on individual basis or on group basis. Morale building on group basis is always considered better. Group morale can be affected by understanding the group dynamics. It will automatically achieve the individual morale. In order to attain high morale among the employees, the following suggestions maybe employed.

- (i) **Two way communication:** There should be two way communications between the management and the workers as it exercises a profound influence on morale. The workers should be kept informed about the organization policies and programmes through meetings conferences, news bulletins and private discussions with the workers. Workers should be free to ask questions and satisfy themselves about their doubts.
- (ii) **Incentive system:** There should be a suitable incentive system in the organization to ensure monetary and non monetary rewards to the employees to inspire them.
- (iii) **Welfare measures:** Management must provide for workers measures welfare measures like free tours, canteens, credit facilitates, sports clubs, education facilities for their children, etc.
- (iv) **Social activities:** Management should encourage social group activities by the employees. This will help to develop greater group cohesiveness which can be used by the management for creating high morale.
- (v) **Training:** There should be proper training of the employees so that they may do their task efficiently and avoid frustration. When the workers are given proper training, they get psychological satisfaction as they feel that management is taking interest in them.

- (vi) **Worker's participation:** There should be industrial democracy in the organization. Management should allow worker's participation in management. Whenever an amendment is to be introduced which affects the workers, they must be consulted and taken into confidence. Workers must be allowed to give their suggestions and grievances to the top management.

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Relationship of Morale and Job Satisfaction

Job satisfaction is one of the most crucial but controversial issue in industrial set up and behaviour management in organization. Job satisfaction may be favourableness or unfavourableness with which workers view their work. More precisely it can be said, "It fits between job requirements and the expectations of employees or in other words the extent of match between employees expectation of the rewards that job provides.

Job satisfaction is closely related with morale or it has been often called a cause of morale. High morale can only be present if there is high job satisfaction. It has been established that workers/employees who are totally unsatisfied with job have a low morale. Once an employee is fully satisfied with his job then he can use his additional ability to put in undertaking the pursuit of the group objectives.

10.6 DETERMINANTS OF JOB SATISFACTION

Job satisfaction is a psychological aspect. It is an expression of feeling about the job. Job satisfaction is an attitude. It is a permanent impression formed about the job. Employees interact with people and other resources while working with the job. In the process, they experience positive or negative feelings about the job context and content. The concept of job satisfaction has gained importance ever since the human relations approach has become popular.

- Job satisfaction cannot be seen, it can only be inferred. It relates to one's feelings towards one's job.
- Job satisfaction is often determined by how well outcomes meet the expectations or exceed the expectations. If the employees working in the organisation feel that they are working much harder than others in the department but are receiving lower rewards, they will be dissatisfied and have a negative attitude towards the job, the boss and the co-workers. On the other hand, if they feel that they are being paid equitably and treated well by the organisation, they will be satisfied with their jobs and will have positive attitudes.

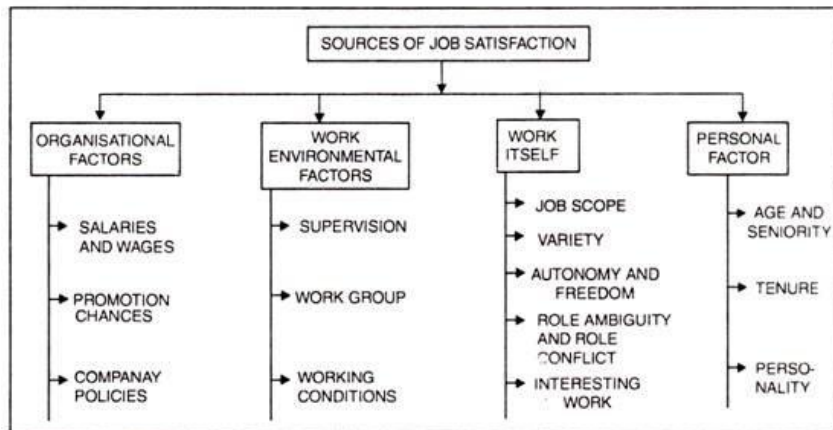
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- Job satisfaction and job attitudes are typically used interchangeably. Positive attitudes towards the jobs are conceptually equivalent to jobs satisfaction and negative attitudes towards the job indicate job dissatisfaction.

Even though these two terms are used interchangeably, but there are differences between the two. Job satisfaction is a specific subset of attitudes. Attitudes reflect one's feeling toward individuals' organisations and objects. But job satisfaction refers to one's attitude towards a job. Attitudes refer to predispositions to respond but satisfaction relates to the performance factors. Attitudes are long lasting, but satisfaction is dynamic and it keeps on changing. It can decline even more quickly than it developed. Thus, managers need to pay attention to job satisfaction constantly.

Factors Influencing Job Satisfaction

There are a number of factors that influence job satisfaction. A number of research studies have been conducted in order to establish some of the causes that result in job satisfaction. These studies have revealed consistent correlation of certain variables with the job satisfaction.



10.7 PERSONAL FACTORS

Job satisfaction relates to the psychological factors. Therefore, a number of personal factors determine the job satisfaction of the employees. They are mentioned below:

- **Personality:** Individual psychological conditions determine the personality. Factors like perception, attitudes and learning determine the psychological conditions. Therefore, these factors determine the satisfaction of individuals.
- **Age:** Age is a significant determinant of job satisfaction. Younger age employees possessing higher energy levels are likely to feel more satisfied. As employees grow older,

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aspiration levels increase. If they are unable to find their aspiration fulfilled, they feel dissatisfied.

- **Education:** Education provides an opportunity for developing one's personality. It enhances individual wisdom and evaluation process. Highly educated employees possess persistence, rationality and thinking power. Therefore, they can understand the situation and appraise it positively.
- **Gender Differences:** The gender and race of the employees determine Job satisfaction. Women are more likely to be satisfied than their counterpart even if they are employed in small jobs.

Certain other factors that determine job satisfaction are learning, skill autonomy, job characteristics, unbiased attitude of management, social status etc. Managers should consider all these factors in assessing the satisfaction of the employees and increasing their level of job satisfaction.

10.8 ORGANIZATIONAL FACTORS

Employees spend most of the time in organizations. Therefore, a number of organizational factors determine job satisfaction of the employees. Organizations can increase job satisfaction by organizing and managing the organizational factors. Let us learn the organization determinants of job satisfaction.

- **Wages:** Wage is the amount of reward worker expects from the job. It is an instrument of fulfilling the needs. Everyone expects to get a commensurate reward. The wage should be fair, reasonable and equitable. A feeling of fair and equitable reward produces job satisfaction.
- **Nature of Work:** The nature of work has significant impact on the job satisfaction. Jobs involving intelligence, skills, abilities, challenges and scope for greater freedom make the employee satisfied on the job. A feeling of boredom, poor variety of tasks, frustration and failure leads to job dissatisfaction.
- **Working Conditions:** Good working conditions are needed to motivate the employees. They provide a feeling of safety, comfort and motivation. Poor working conditions give a feeling that health is in danger.
- **Job Content:** Job content refers to the factors such as recognition, responsibility, advancement, achievement etc. Jobs involving variety of tasks and less repetitive result in greater job satisfaction. A job, having poor content produces job dissatisfaction.
- **Organizational Level:** Higher level jobs are viewed as prestigious, esteemed and opportunity for self-control.

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Employees working at higher level jobs express greater job satisfaction than the lower level jobs.

- **Opportunities for Promotion:** Promotion is an achievement in the life. Promotion gives more pay, responsibility, authority, independence and status. Therefore, opportunities for promotion determine the degree of satisfaction to the employees.
- **Work Group:** Existence of groups in organizations is a common phenomenon. It is a natural desire of human beings to interact with others. This characteristic results in formation of work groups at the work place. Isolated workers dislike their jobs. The work group exerts a tremendous influence on the satisfaction of employees. Satisfaction of an individual depends largely on the relationship with the group members, group dynamics, group cohesiveness and his own need for affiliation.
- **Leadership Styles:** Leadership style also determines the satisfaction level on the job. Democratic leadership style enhances job satisfaction. Democratic leaders promote friendship, respect and warmth relationships among the employees. On the other hand, employees working under authoritarian leaders express low level of job satisfaction.

Check your Progress

44. Define morale
45. What is mean by job satisfaction
46. What are factors influencing job satisfaction
47. What are the methods to measure morale

10.9 ANSWER TO CHECK YOUR PROGRESS QUESTIONS

1. **William Sprigal** has defined morale as the co-operative attitude or mental health of a number of people who are related to each other on some basis.
2. Job satisfaction is a psychological aspect. It is an expression of feeling about the job. Job satisfaction is an attitude. It is a permanent impression formed about the job.
3. The factors influencing job satisfaction are (a) personal factors and (b) organizational factors
4. The six ways which can be used for measuring the morale of employees are as follows: 1. Observation 2. Attitude or Morale Survey 3. Morale Indicator 4. Relation between Morale and Productivity 5. Building High Morale 6. Relationship of Morale and Job Satisfaction.

10.10 SUMMARY

In this unit, you have learnt about the morale and job satisfaction, meaning, characteristics of morale, morale and productivity, measurement of morale, determinants of job satisfaction of organization. The balance or enhancement in morale can be accomplished through numerous ways. Companies can improve morale through concentrating on employee appreciation, employee involvement, management concern and accountability and working environment. Good moral is prompted by Optimism, Encouragement, affirmation, interest, motivation, planning, caring, concern, team work, Respect, recognition, trust and fairness. Some important ways to improve morale among workers in an organization.

To summarize, high employee morale turned into increased output and performance. A worker who is comfortable in his work environment will help maintain the status quo. Without even realizing it, the quality of their contributions to the company improves. Contrariwise, low employee morale has a negative, almost disparaging, effect on a company as a whole. Employees lack self-confidence in their positions and their organization. This results in a half-hearted effort in their work performance. Low morale also causes tension between colleagues to develop disharmony. Major projects are not completed in a timely manner and errors persist throughout the project development. Eventually, the company have to bear losses in terms of cost and will not realize its full potential in net income.

10.11 KEY WORDS

- **Job Satisfaction:** The morale of the employee would be high if he is satisfied with his job. Hence right men should be placed in the right job to boost up their morale in their jobs.
- **Fair remuneration:** Fair and reasonable remuneration is essential to secure enthusiasm and willingness of the workers to do the job. The wages should be comparable with those paid in similar concerns. Besides, monetary incentives should be provided to them as and when necessary and possible
- **Training:** There should be proper training of the employees so that they may do their task efficiently and avoid frustration. When the workers are given proper training, they get psychological satisfaction as they feel that management is taking interest in them
- **Incentive system:** There should be a suitable incentive system in the organization to ensure monetary and non monetary rewards to the employees to inspire them.
- **Welfare measures:** Management must provide for workers welfare measures like free tours, canteens, credit

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facilitates, sports clubs, education facilities for their children, etc.

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10.13 SELF-ASSESSMENT QUESTIONS AND EXERCISES

Motivation

Short Questions

12. Define morale
13. What is meant by job satisfaction
14. What are factors influencing job satisfaction
15. What are the methods to measure morale
16. Mention few features of morale

Long Questions

6. What are the methods to improve morale
7. Explain the factors influencing morale
8. Discuss the causes of dissatisfaction and steps to improve job satisfaction
9. How employees morale affects productivity
10. State the factors that influence job satisfaction

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UNIT-XI ABSENTEEISM

Structure

- 11.1. Introduction
 - 11.1.1. Understanding Absenteeism
- 11.2. Meaning
- 11.3. Causes of absenteeism
- 11.4. Measures to control absenteeism
- 11.5. Discipline and grievance
- 11.6. Objectives of discipline
- 11.7. Characteristics of grievance
- 11.8. Cause of grievance
- 11.9. Answer to check your progress Questions
- 11.10. Summary
- 11.11. Key Words
- 11.12. Further Readings
- 11.13. Self-Assessment Questions and Exercises

11.1 INTRODUCTION

Absenteeism refers to the habitual non-presence of an employee at his or her job. Habitual non-presence extends beyond what is deemed to be within an acceptable realm of days away from the office for legitimate causes such as scheduled vacations, occasional illness, and family emergencies. Possible causes of over-absenteeism include job dissatisfaction, ongoing personal issues, and chronic medical problems. Regardless of the root cause, a worker who exhibits a long-term pattern of being absent may tarnish his reputation, which may consequently threaten his long-term employability. However, some forms of absence from work are legally protected and cannot be grounds for termination.

11.1.1. Understanding Absenteeism

Absenteeism refers to absence from work that extends beyond what would be considered reasonable and normal due to vacation, personal time, or occasional illness. Companies expect their employees to miss some work each year for legitimate reasons. However, missing work becomes a problem for the company when the employee is absent repeatedly and/or unexpectedly, especially if that employee must be paid while he or she is absent. Absenteeism is also a particular

problem if an employee is missing in action during busy times of year, or during times when deadlines for major projects are approaching.

While disability leave, jury duty obligations, and the observance of religious holidays are all legally protected reasons for an employee to miss work, some workers abuse these laws, saddling their employers with unfair costs in the process. Below are some detailed explanations of the top reasons absenteeism may occur:

- **Burnout:** Overworked employees with high-stake roles sometimes call in sick due to high stress and lack of appreciation for their contributions.
- **Harassment:** Employees who are habitually picked on either by senior management personnel or fellow staffers are apt to ditch work, in order to escape the relentless unpleasantness.
- **Childcare and eldercare:** Employees might have to miss extensive days of work if they are charged with watching loved ones when regular hired caregivers or babysitters become sick and are temporarily unable to fulfill their obligations.
- **Mental illness:** Depression is the main cause of American absenteeism, according to statistics from the National Institute of Mental Health. This condition often leads individuals to abuse drugs and booze, which in turn causes further missed days of work.
- **Disengagement:** Employees who feel dispassionate about their jobs are likely to blow off work, simply due to the lack of motivation.
- **Injuries or illnesses:** Illness, injuries, and doctor's appointments are the main reported reasons employees don't come into work. The number of absentee cases dramatically rises during flu season.

11.2 MEANING

Absenteeism means being absent from work. Employees may take a leave or not report to work for a variety of reasons. Some of these may be uncontrollable factors like sickness, emergency, accidents etc. However, employees may also take leave when they are capable to attend work

Everything you need to know about employee absenteeism. Employee's presence at work place during the scheduled time is highly essential for the smooth running of the production process in particular and the organisation in general. Despite the significance of their presence, employees sometime fail to report at the work place during the scheduled time, which is known as 'absenteeism'. Absenteeism is a habitual pattern of absence from a duty or obligation.

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Absenteeism means an individual remain absent without any information or intimation to his superior. Whether it is one day or more, the issue of absenteeism and unscheduled leave has always been of importance to businesses interested in their bottom line.

Absenteeism can occur at mass level also. Normally, 6-8 % absenteeism is found in all industry. If it beyond consecutively, then the matter is serious.

According to **Webster's Dictionary**, "Absenteeism is the practice of habit of being an "absentee," and "absentee" is one who habitually trace away"

Absenteeism in Indian industries is not a new phenomenon. It is the manifestation of a decision by employees not to present themselves at their place of work, at a time when it is planned by the management that they should be in attendance.

Employee's presence at work place during the scheduled time is highly essential for the smooth running of the production process in particular and the organisation in general. Despite the significance of their presence, employees sometime fail to report at the work place during the scheduled time, which is known as 'absenteeism'.

Labour Bureau, Shimla, defined the term 'absenteeism' as "the failure of a worker to report for work when he is scheduled to work." Labour Bureau also states that "absenteeism is the total man-shifts lost because of absence as a percentage of the total number of man-shifts scheduled to work."

How to Calculate the Rate of Absenteeism:

- Rate of absenteeism = $(\text{No. of man days planned to work} / \text{No. of man days planned to work}) \times 100$ **Or**
- Rate of absenteeism = $(\text{Man days lost during a period} / \text{Average no. of workers} \times \text{no. of works Days}) \times 100$

11.3 CAUSES OF ABSENTEEISM

People miss work for a variety of reasons, many of which are legitimate, but some of which are not. Some of the common causes of absenteeism include

- **Bullying and harassment:** Employees who are bullied or harassed by coworkers and/or bosses are more likely to call in sick to avoid the situation.
- **Burnout, stress and low morale:** Heavy workloads, stressful meetings/presentations, and feelings of being unappreciated can cause employees to avoid going into work. Personal stress (outside of work) can lead to absenteeism.

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- **Childcare and eldercare:** Employees may be forced to miss work in order to stay home and take care of a child/elder when normal arrangements have fallen through (for example, a sick caregiver or a snow day at school) or if the dependent is ill or hurt.
- **Depression:** According to the National Institute of Mental Health, the leading cause of absenteeism in the United States is depression. Depression can lead to substance abuse if people turn to drugs or alcohol to self-medicate their pain or anxiety.
- **Disengagement:** Employees who are not committed to their jobs, coworkers and/or the company are more likely to miss work simply because they have no motivation to go.
- **Illness:** Injuries, illness and medical appointments are the most commonly reported reasons for missing work (though not always the actual reason). Not surprisingly, each year during the cold and flu season, there is a dramatic spike in absenteeism rates for both full-time and part-time employees.
- **Injuries:** Accidents can occur on the job or outside of work, resulting in absences. In addition to acute injuries, chronic injuries such as back and neck problems are a common cause of absenteeism.
- **Job hunting:** Employees may call in sick to attend a job interview, visit with a headhunter or work on their résumés/CVs.
- **Partial shifts:** Arriving late, leaving early and taking longer breaks than allowed are considered forms of absenteeism and can affect productivity and workplace morale.

11.4 MEASURES TO CONTROL ABSENTEEISM

Some of the measures to control absenteeism are as follows:

- **Provision of proper working conditions:** Unhealthy working conditions are the main cause of absenteeism. The workers feel fatigued after a short period of work if there is insanitation, noise, dust, dampness, etc. There should be proper facilities at work like a provision of drinking water; canteen, rest places, lavatories etc. so that workers do not feel fatigued at work place.
- **Proper selection procedure:** Absenteeism may also occur if there is improper selection, training and recruitment. When the workers are not well suited for the jobs then they will try to absent themselves. The wages should be aptitude training, intelligence tests for finding out the suitability of people/employees for the jobs when they are being selected.
- **Reasonable wage rates:** The wage rates should be fixed in view of the requirements of workers. The wages should be

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sufficient for workers in order to maintain a reasonable standard of living.

- **Proper grievance settlement:** There should be a proper grievance settlement mechanism for the workers. Sometimes there is a feeling among workers that their difficulties are not properly looked into and out of frustration they start absenting from duty. When there is grievance settlement machinery then the causes of discontentment among workers can be removed at the earliest.
- **Prevention of accidents:** There should be a provision for proper safety measures in the factory. There is a direct relationship between absenteeism and accidents. The workers should be educated for proper utilization of machines and precautions to be taken on the occurrences of some accident.
- **Liberal grant of leave:** The strict attitude of management in granting leave may also lead to absenteeism. When there are pressing needs for leave and management is not responsive then workers will remain absent. So management should be liberal in granting leave when workers have genuine reasons for availing leave.
- **Cordial relations at work:** The strained relations between supervisors and workers may also prompt absenteeism. The supervisors should have co-operative attitude towards workers. They should motivate workers for improving their performance and should not indulge in frequent criticism of work force working under them.
- **Maintaining discipline:** There should be well defined rules and regulations for achieving work requirements. There should be well laid leave rules and these should be properly followed if some workers are in the habit of coming late or frequently absent other employees may be encouraged to violate such rules and regulations.

11.5 DISCIPLINE AND GRIEVANCE

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. These steps are as follows:

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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 problemsolving 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:

- It may call upon the grievant to accept the employer's proposed settlement
- It may advise him that the trade union will not press for anything more than has already been suggested.
- In some cases, it may recommend that the issue be submitted for arbitration.
- 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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11.6 OBJECTIVES OF DISCIPLINE

The primary concern of discipline is to frame an employee's behavior as per the organizational rules and regulations, or the value set by the organization. Besides, other important objectives are as follows:

- To obtain organizational rules, regulations, norms, and values so that the organizational activities are performed effectively.
- To impart the environment of certainty despite the differences in individual backgrounds, cultures, values, and experiences, and other related organizational changes.
- To develop a spirit of tolerance and desire to make adjustments among employees.
- To give and seek direction and responsibility.
- To promote the environment of respect for human personality and harmonious labor relation.
- To motivate the employees to a higher level of performance and so on.
- Increase the morale and working efficiency of the employees.
- Foster industrial peace which is the very foundation of industrial democracy.

11.7 CHARACTERISTICS OF GRIEVANCE

A grievance may have the following characteristics:

Factual

The employer-employee relationship depends upon the job contract in any organisation. This contract indicates the norms defining the limits 'Within which the employee expects the organisation to fulfill his aspirations, needs or expectations. When these legitimate needs of expectations or aspirations are not fulfilled, the employee will be dissatisfied with the job.

Such dissatisfaction is called factual grievance. For instance, when an employee is not given promotion which is due to him or when work conditions are unsafe, grievances of employee relating to these issues are based on facts. In other words, these grievances reflect the drawbacks in the implementation of the organisational policies.

Imaginary

When the job contract is not clear-cut and does not indicate the norms defining the limits within which the employee expects the organisation fulfill his needs or aspirations, the employee develops such needs which the organisation is not obliged to meet. Here, grievances are not based on facts. Even then the employee feels aggrieved. Normally, the organisation does not feel any kind of

responsibility for such grievances and their redressal, because they are based not only on wrong perceptions of the employee but also on wrong information.

However, such grievances can have far-reaching consequences on the organisation because the employees are likely to develop an altogether negative attitude towards the organisation which decreases their effectiveness and involvement in work.

Disguised

In general organisations consider the basic requirements of their employees. Psychological needs of the employees such as need for recognition, affection, power, achievement etc., are normally unattended and ignored. For instance, an employee complaining very strongly about the working conditions in the office may in turn be seeking some recognition and appreciation from his or her colleagues. Hence, disguised grievances should also be considered since they do have far-reaching consequences in case they are unattended and ignored.

Processing of Grievance

The details of a grievance procedure/machinery may vary from organisation to organisation. Here, a four phase model is suggested. The first and the last stages have universal relevance, irrespective of the differences in the procedures at the intermediate stages.

11.8 CAUSE OF GRIEVANCE

Grievances may occur due to a number of reasons:

- **Economic:** Employees may demand for individual wage adjustments. They may feel that they are paid less when compared to others. For example, late bonus, payments, adjustments to overtime pay, perceived inequalities in treatment, claims for equal pay, and appeals against performance- related pay awards.
- **Work environment:** It may be undesirable or unsatisfactory conditions of work. For example, light, space, heat, or poor physical conditions of workplace, defective tools and equipment, poor quality of material, unfair rules, and lack of recognition.
- **Supervision:** It may be objections to the general methods of supervision related to the attitudes of the supervisor towards the employee such as perceived notions of bias, favouritism, nepotism, caste affiliations and regional feelings.
- **Organizational change:** Any change in the organizational policies can result in grievances. For example, the implementation of revised company policies or new working practices.

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- **Employee relations:** Employees are unable to adjust with their colleagues, suffer from feelings of neglect and victimization and become an object of ridicule and humiliation, or other inter- employee disputes.
- **Miscellaneous:** These may be issues relating to certain violations in respect of promotions, safety methods, transfer, disciplinary rules, fines, granting leaves, medical facilities, etc.

Check your Progress

48. What do you mean by absenteeism
49. What is discipline
50. State the meaning of supervision

11.9 ANSWER TO CHECK YOUR PROGRESS QUESTIONS

1. Absenteeism means being absent from work. Employees may take a leave or not report to work for a variety of reasons. Some of these may be uncontrollable factors like sickness, emergency, accidents etc.
2. The primary concern of discipline is to frame an employee's behavior as per the organizational rules and regulations, or the value set by the organization.
3. It may be objections to the general methods of supervision related to the attitudes of the supervisor towards the employee such as perceived notions of bias, favouritism, nepotism, caste affiliations and regional feelings.

11.10 SUMMARY

In this unit, you have learnt about the absenteeism, meaning, causes and measures to control absenteeism of organization. Discipline and grievance, objectives, characteristics and cause of grievance of organization. Absenteeism at the workplace is a universal problem. While some organizations have undertaken sufficient steps to control it, many fail to address the issue. The major reason is the lack of understanding of the correlation between employees and attendance. Absenteeism is one of the most critical issues for businesses. It can be very difficult to observe, evaluate and improve absenteeism. When employees fail to turn up at work, employers increase their financial burden because the business loses productivity and the costs increase because of the work not completed by the absent employee.

A grievance handling system serves as an outlet for employee frustrations, discontents, and gripes like a pressure release valve on a steam boiler. Employees do not have to keep their frustrations bottled up until eventually discontent causes explosion. The existence of an effective grievance procedure reduces the need of arbitrary action by supervisors because supervisors know that the employees are able to

protect such behavior and make protests to be heard by higher management. The very fact that employees have a right to be heard and are actually heard helps to improve morale. In view of all these, every organization should have a clear-cut procedure for grievance handling.

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11.11 KEY WORDS

- **Absenteeism:** Absenteeism refers to the habitual non-presence of an employee at his or her job
- **Harassment:** Employees who are habitually picked on either by senior management personnel or fellow staffers are apt to ditch work, in order to escape the relentless unpleasantness.
- **Job hunting:** Employees may call in sick to attend a job interview, visit with a headhunter or work on their résumés/CVs.
- **Illness:** Injuries, illness and medical appointments are the most commonly reported reasons for missing work
- **Employee relations:** Employees are unable to adjust with their colleagues, suffer from feelings of neglect and victimization and become an object of ridicule and humiliation, or other inter-employee disputes.
- **Miscellaneous:** These may be issues relating to certain violations in respect of promotions, safety methods, transfer, disciplinary rules, fines, granting leaves, medical facilities, etc

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11.13 SELF-ASSESSMENT QUESTIONS AND EXERCISES

Short Questions

16. What do you mean by absenteeism
17. What is discipline
18. State the meaning of supervision
19. What do you mean by grievance

Long Questions

1. What are the causes of absenteeism
2. What are the measures to control absenteeism
3. What are the objectives of discipline
4. What are characteristics of grievance
5. Describe the cause of grievance

UNIT-XII EMPLOYEE MAINTENANCE AND INTEGRATION

*Employee Maintenance
and integration*

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Structure

- 12.1. Introduction
- 12.2. Welfare and society
- 12.3. Accident prevention
- 12.4. Administration of discipline
- 12.5. Employee motivation
 - 12.5.1. Motivation Methods
- 12.6. Need and measures
- 12.7. Answer to check your progress Questions
- 12.8. Summary
- 12.9. Key Words
- 12.10. Further Readings
- 12.11. Self-Assessment Questions and Exercises

12.1 INTRODUCTION

In this unit, you will learn about employee welfare, which is a comprehensive term that includes various services, benefits and facilities that an employer provides to his employees. These services are provided for the comfort and improvement of the employees and are provided over and above their wages. They also help in uplifting the morale of the employees and motivating them, which further enables the organization to retain them for a longer duration. Employee welfare can include monetary benefits and monitoring of working conditions. In India, various laws and acts have been passed since independence to govern the functioning of a company. These laws and acts provide social security to the employees of the company.

12.2 WELFARE AND SOCIETY

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

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- 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 Rs.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.,

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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.

The Employees' Provident Fund Act, 1952

The Employees' Provident Fund Act was launched in 1952 that provides retirement benefits to the employees of a company. Retirement benefits include provident fund, family pension, and deposit-linked insurance. This Act is applicable for the companies in India that employ 20 or more than employees except in Jammu and Kashmir. This Act is not applicable on the companies that are registered under the Cooperative Societies Act, 1912, or under any other law related to cooperative societies of less than 50 individuals. This scheme is applicable to the employees getting the salary of Rs.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

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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 Rs.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 Rs.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:
 - Insurance is provided to the employees without any evidence of insurability.
 - The insurance contract is signed between the insurance company and the employer. There is no direct interaction of the employee with the insurance company.
 - It is yearly renewable insurance plan.
 - 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.

- The premium of the insurance is either paid the employer or by the employer and the employee both.

The Workmen's Compensation Act, 1923

The Workmen's Compensation Act was established by the government in the year 1923. According to this Act, a company needs to provide a payment of compensation to its employees and their family on the occurrence of organizational accidents and some disease leading to the death or any kind of disablement of the individual. The main objective of this Act is to apply a commitment on the employers to offer compensation to the employees against the accidents that occur during the course of employment. The following are the important features of The Workmen's Compensation Act:

- This Act provides social security to the employees of a company by providing them compensation against various risks.
- A company is liable to pay the compensation only if the accident or the injury to the employee has been caused during the course of employment.
- This Act also provided overtime pay and the value of concessions or benefits in the form of food, clothing and accommodation.
- The amount of compensation that a company needs to pay to an employee depends upon the type of injury or disablement suffered by the employee.
- The minimum amount of compensation that must be paid to an employee on the occurrence of permanent disablement or death is ` 60,000 and ` 50,000 respectively. However, the maximum amount of compensation that must be paid to an employee on the occurrence of permanent disablement or death is Rs.2.28 lakh and Rs. 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:

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- 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.

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Section 25-N states that a company cannot terminate the services of an employee without giving a written notice of three months provided that the employee has worked for at least one year with the company. The notice must contain the termination information, such as reason for termination and wages for the period of notice. Section 25-Q and Section 25-R deal 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, 1947, 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:

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.

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.

Other causes: These refer to unsafe situational and climate conditions and variations such as bad working conditions, rough and slippery floors, excessive glare, etc.

12.3 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

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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

- Devoting adequate attention to working conditions.
- Substituting a less toxic substance for the hazardous one.
- 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.’

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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

- **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.
- **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.
- **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.

12.4 ADMINISTRATION OF DISCIPLINE

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.

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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'.

12.5 EMPLOYEE MOTIVATION

Employee motivation is the level of energy, commitment, and creativity that a company's workers bring to their jobs. Whether the economy is growing or shrinking, finding ways to motivate employees is always a management concern. Competing theories stress either incentives or employee involvement. Employee motivation is the level of energy, commitment, and creativity that a company's workers bring to their jobs. Whether the economy is growing or shrinking, finding ways to motivate employees is always a management concern. Competing theories stress either incentives or employee involvement (empowerment). Employee motivation can sometimes be particularly problematic for small businesses. The owner has often spent years building a company hands-on and therefore finds it difficult to delegate meaningful responsibilities to others.

But entrepreneurs should be mindful of such pitfalls: the effects of low employee motivation on small businesses can be harmful. Such problems include complacency, disinterest, even widespread discouragement. Such attitudes can cumulate into crises. But the small business can also provide an ideal atmosphere for employee motivation: employees see the results of their contributions directly; feedback is swift and visible. A smoothly working and motivated work force also frees the owner from day-to-day chores for thinking of long-term development. Furthermore, tangible and emotional reward can mean retention of desirable employees. People thrive in creative work environments and want to make a difference. Ideally the work result itself will give them a feeling of accomplishment—but well-structured reward and recognition programs can underline this consequence.

12.5.1. Motivation Methods

There are as many different methods of motivating employees today as there are companies operating in the global business environment. Still, some strategies are prevalent across all organizations striving to improve employee motivation. The best employee motivation efforts will focus on what the employees deem to be important. It may be that employees within the same department of the same organization will have different motivators. Many organizations today find that flexibility in job design and reward systems has resulted in employees' increased longevity with the company, improved productivity, and better morale.

Empowerment

Giving employees more responsibility and decision-making authority increases their realm of control over the tasks for which they are held responsible and better equips them to carry out those tasks. As a result, feelings of frustration arising from being held accountable for something one does not have the resources to carry out are diminished. Energy is diverted from self-preservation to improved task accomplishment.

Creativity and Innovation

At many companies, employees with creative ideas do not express them to management for fear that their input will be ignored or ridiculed. Company approval and toeing the company line have become so ingrained in some working environments that both the employee and the organization suffer. When the power to create in the organization is pushed down from the top to line personnel, employees who know a job, product, or service best are given the opportunity to use their ideas to improve it. The power to create motivates employees and benefits the organization in having a more flexible work force, using more wisely the experience of its employees, and increasing the exchange of ideas and information among employees and departments. These improvements also create an openness to change that can give a company the ability to respond quickly to market changes and sustain a first mover advantage in the marketplace.

Learning

If employees are given the tools and the opportunities to accomplish more, most will take on the challenge. Companies can motivate employees to achieve more by committing to perpetual enhancement of employee skills. Accreditation and licensing programs for employees are an increasingly popular and effective way to bring about growth in employee knowledge and motivation. Often, these programs improve employees' attitudes toward the client and the company, while bolstering self-confidence. Supporting this assertion,

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an analysis of factors which influence motivation-to-learn found that it is directly related to the extent to which training participants believe that such participation will affect their job or career utility. In other words, if the body of knowledge gained can be applied to the work to be accomplished, then the acquisition of that knowledge will be a worthwhile event for the employee and employer.

Quality of Life

The number of hours worked each week by American workers is on the rise, and many families have two adults working those increased hours. Under these circumstances, many workers are left wondering how to meet the demands of their lives beyond the workplace. Often, this concern occurs while at work and may reduce an employee's productivity and morale. Companies that have instituted flexible employee arrangements have gained motivated employees whose productivity has increased. Programs incorporating flex-time, condensed workweeks, or job sharing, for example, have been successful in focusing overwhelmed employees toward the work to be done and away from the demands of their private lives.

Monetary Incentive

For all the championing of alternative motivators, money still occupies a major place in the mix of motivators. The sharing of a company's profits gives incentive to employees to produce a quality product, perform a quality service, or improve the quality of a process within the company. What benefits the company directly benefits the employee. Monetary and other rewards are being given to employees for generating cost-savings or process-improving ideas, to boost productivity and reduce absenteeism. Money is effective when it is directly tied to an employee's ideas or accomplishments. Nevertheless, if not coupled with other, non-monetary motivators, its motivating effects are short-lived. Further, monetary incentives can prove counterproductive if not made available to all members of the organization.

Other Incentives

Study after study has found that the most effective motivators of workers are non-monetary. Monetary systems are insufficient motivators, in part because expectations often exceed results and because disparity between salaried individuals may divide rather than unite employees. Proven non-monetary positive motivators foster team spirit and include recognition, responsibility, and advancement. Managers who recognize the "small wins" of employees, promote participatory environments, and treat employees with fairness and respect will find their employees to be more highly motivated. One company's managers brainstormed to come up with 30 powerful rewards that cost little or nothing to implement. The most effective

rewards, such as letters of commendation and time off from work, enhanced personal fulfillment and self-respect. Over the longer term, sincere praise and personal gestures are far more effective and more economical than awards of money alone. In the end, a program that combines monetary reward systems and satisfies intrinsic, self-actualizing needs may be the most potent employee motivator.

12.6 NEED AND MEASURES

In today's challenging economy it is more important than ever to have motivated workforce. Organizations, regardless of manufacturing or service, are now realizing the impact of motivated employees who, in the past, were considered as just like another input of production of goods and services. As the competition growing higher managers are more concerned in running the business more efficiently. Bringing out the best from an employee has the most enduring impact on the company and motivation is the way to do so. It goes without saying that, employees are the engine of any organization and any finely tuned engine plays a crucial role in operating the business more effectively and efficiently.

The fact is employee motivation is directly linked to business profits. The more self-motivated employees are, the more differentiated and successful the business will be. **Hodgetts and Hegar (2008)** confirmed this statement by saying that one of the most important questions in human relations today is: How do you get people to do things? The answer rests on the understanding of what motivation is all about, for it is motivated workers who ultimately get things done and without such people no organization can hope to be effective. It is really important for successful managers to understand the employees and the factors that motivate them. The general belief is that all people can be motivated. However, people are not motivated by the same things, at the same time, for the same reasons, or with the same intensity. Motivational theories provide managers with a framework for understanding and motivating their employees by highlighting the impact certain factors have on motivation.

Each motivational theory provides the manager with insight and contains specific suggestions for better managing human capital. **Fox (2007)** explains that although all theories of motivation attempt to explain why people work and what will increase their inclination to function efficiently and effectively, not all motivational theories view the motivational process in the same way. For these reasons we consider it important to provide an analytical overview of some of the more widely promoted theories of motivation, to obtain an understanding of their commonalities and identify the factors that each theory suggests to improve employees' motivation

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Check your Progress

51. When was the Employees' State Insurance Act passed?
52. What is dependents' benefit?
53. What is mean by employee motivation
54. What is mean by quality of life

12.7 ANSWER TO CHECK YOUR PROGRESS QUESTIONS

4. The Employees' State Insurance Act was passed in 1948.
5. 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.
6. Employee motivation is the level of energy, commitment, and creativity that a company's workers bring to their jobs. Whether the economy is growing or shrinking, finding ways to motivate employees is always a management concern.
7. The number of hours worked each week by American workers is on the rise, and many families have two adults working those increased hours. Under these circumstances, many workers are left wondering how to meet the demands of their lives beyond the workplace.

12.8 SUMMARY

In this unit, you have learnt about the employee maintenance and integration, welfare and society, accident prevention, administration of discipline, employee motivation and need measures. For work organizations and their members, establishing and maintaining mutually satisfying employment relationships is a fundamental concern. The importance that scholars attach to employment relationships is reflected in research streams that explore the optimal design of strategic human resource management systems, the nature of psychological contract fulfillment and violation, and the factors associated with achieving person-environment fit, among others. Generally missing from theory and research pertaining to employment relationships is the perspective of individuals who reside at the employee-employer interface – managerial leaders. We argue that, for managerial leaders, a pervasive concern involves the tangible and intangible resource requirements of specific employees.

12.9 KEY WORDS

- **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.

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- **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.
- **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.
- **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.

12.10 FURTHER READINGS

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12.11 SELF-ASSESSMENT QUESTIONS AND EXERCISES

Short Questions

17. What are the most important laws and acts that have been passed since independence for the benefit of employees?
18. Write a short note on the Employees' State Insurance Act, 1948.
19. What are the schemes introduced under the Employees' Provident Fund Act, 1952?
20. What are the provisions under the Factories Act, 1948?
21. When was the Employees' State Insurance Act passed?
22. What is meant by employee motivation?
23. What is labour welfare?

Long Questions

11. What are the two types of employee exits?
12. State the causes of industrial accidents, their negative impact and measures to avoid accidents.
13. Write about the health and safety provisions under the Factories Act, 1948.

BLOCK III INDUSTRIAL RELATIONS

Industrial Relations

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UNIT-XIII INDUSTRIAL RELATIONS: TRADE UNIONISM

Structure

- 13.1. Introduction
- 13.2. Trade unionism
- 13.3. Collective bargaining and workers participation in management
- 13.4. Quality of work life
- 13.5. Answer to check your progress Questions
- 13.6. Summary
- 13.7. Key Words
- 13.8. Further Readings
- 13.9. Self-Assessment Questions and Exercises

13.1 INTRODUCTION

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.

13.2 TRADE UNIONISM

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

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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, 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.

- if registration has been obtained by fraud or mistake
- if the union has ceased to exist

- if it has wilfully contravened any of the provisions of the Act; or
- if any rule which is required under Section 6, has been deleted.

Legal status of a Registered Trade Union

- A trade union is a corporate body with perpetual succession and a common seal.
- 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.

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Although a strong union fights for the welfare and interest of the workers, and helps in organizational stability and growth, the existence of several trade unions in one institution may act as a barrier in collective bargaining. As a result, the growth and welfare of the both the employees and the organization may be affected.

Issues due to multiplicity of trade unions

Several trade unions in one organization can result in several problems, affecting the growth and stability of both the workers and the organization. Some of these issues are:

- Limited representation
- Inter-union opposition

Limited representation

Multiplicity of trade unions in an organization have small portion of the total workforce. Each union has its own issues and requirements. As a result, it is difficult for all the unions to unite as a single body and make a single list of demands. The multiple trade unions therefore make the bargaining power of the workers very weak.

Inter-union opposition

Multiple trade unions in an institution also lead to inter-union contention. Unions try every possible measure to get a stronger hold on the workers. This results in the loss of interest of the workers in unionism. In such situations, deceitful employers take advantage of this rivalry and may refuse to bargain saying that there is a lack of a strong representative union.

13.3 COLLECTIVE BARGAINING AND WORKERS PARTICIPATION IN MANAGEMENT

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

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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.

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

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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 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 is 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

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- 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.

13.4 QUALITY OF WORK LIFE

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.

Check your Progress

55. What is the main proposal of the Trade Unions Act, 1926?
56. Who can be a member of a trade union?
57. What are the two important agents of institutionalization?
58. What does collective bargaining represent?
59. Mention the different modes of worker's participation.

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13.5 ANSWER TO CHECK YOUR PROGRESS QUESTIONS

8. Under the Trade Unions Act, 1926, employees (including association of employers) are registered to form trade unions for collective bargaining.
9. 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.
10. Two important agents for institutionalization of conflict are trade unions and collective bargaining.
11. 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.
12. Different modes of workers' participation, are (i) collective bargaining, (ii) joint administration, (iii) joint decision-making, (iv) consultation, and (v) information sharing.

13.6 SUMMARY

In this unit, you have learnt about the industrial relations, trade unionism, collective bargaining and workers participation in management and quality work life. The 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.

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13.7 KEY WORDS

- **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.
- **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.

13.8 FURTHER READINGS

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13.9 SELF-ASSESSMENT QUESTIONS AND EXERCISES

Short Questions

20. Write a short note on the coverage and scope of trade union.
21. What are the issues that arise due to the multiplicity of trade unions?
22. Mention the features of collective bargaining.
23. What is the main proposal of the Trade Unions Act, 1926?
24. Who can be a member of a trade union?
25. What are the two important agents of institutionalization?
26. What does collective bargaining represent?
27. Mention the different modes of worker's participation.

Long Questions

1. What is collective bargaining? Discuss.
2. What are the conditions that need to be satisfied to make collective bargaining effective?

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UNIT-XIV PERSONNEL RECORDS

Structure

- 14.1. Introduction
 - 14.1.1. Purposes of Personnel Records
 - 14.1.2. Types of Personnel Records
 - 14.1.3. Essentials of a Good Record
- 14.2. Personnel research and personnel audit
 - 14.2.1. Human Resource Accounting and Personnel Audit
 - 14.2.2. Types of Personnel Records
- 14.3. Objectives
- 14.4. Scope and importance
 - 14.4.1. Importance of Personnel Audit
 - 14.4.2. Benefits of Human Resource Audit
- 14.5 Answer to check your progress Questions
- 14.6. Summary
- 14.7. Key Words
- 14.8. Further Readings
- 14.9. Self-Assessment Questions and Exercises

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14.1 INTRODUCTION

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.

Personnel Records are records pertaining to employees of an organization. These records are accumulated, factual and comprehensive information related to concern records and detained. All information with effect to human resources in the organization are kept in a systematic order.

14.1.1. Purposes of Personnel Records

According to the critics of personnel records, this system is called as a wastage of time and money. According to personnel records, followers of this :**Dale Yoder**, an economist of Michigan

University, USA has justified the significance of personnel records after making an in-depth study.

- It helps to supply crucial information to managers regarding the employees.
- To keep an update record of leaves, lockouts, transfers, turnover, etc. of the employees.
- It helps the managers in framing various training and development programmes on the basis of present scenario.
- It helps the government organizations to gather data in respect to rate of turnover, rate of absenteeism and other personnel matters.
- It helps the managers to make salary revisions, allowances and other benefits related to salaries.
- It also helps the researchers to carry in- depth study with respect to industrial relations and goodwill of the firm in the market.

14.1.2. Types of Personnel Records

- Records of employment contain applicants past records, list sources, employees progress, medical reports, etc.
- Wages and salaries records contains pay roll records, methods of wages and salaries, leave records, turnover records and other benefit records.
- Training and development contains appraisal reports, transfer cases, training schedule, training methods.
- Health and safety records include sickness reports, safety provisions, medical history, insurance reports, etc.
- Service Records are the essential records containing bio-data, residential and family information, academic qualifications, marital status, past address and employment records.

14.1.3. Essentials of a Good Record

To achieve the above objectives a good record must include the following features:

- Record keeping should be simple and easy to understand.
- It should be accurate without any chance of errors or fraud.
- It should be consistent with the needs.
- It should be easily traceable or available.
- In maintaining the records principle of economy should be followed. Maintenance of records should not be expensive.
- It should be useful for better management of business. Needless papers should not be kept in records.
- There should be easy access to required information, hence should be maintained accordingly.
- Different records should be easily differentiated.

- There should be no duplication.
- Record keeper should be deputed to look after maintenance of records.

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14.2 PERSONNEL RESEARCH AND PERSONNEL AUDIT

Now, personnel research can be defined as a systematized investigation into the matters of employees with an objective to solve their problems. According to **Dale Yoder**, “personnel research implies searching, investigation, re-examination, reassessment and revaluation”.

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.

- 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.
- 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.

14.2.1. Human Resource Accounting and Personnel Audit

The American Accounting Society Committee on Human Resource Accounting defines human resources accounting as the process of identifying and measuring data about human resources and communicating this information to interested parties.

Flamhoitz defines HRA as ‘accounting for people as an organizational resource’. It involves measuring the costs incurred by organizations to recruit, select, hire, train and develop human assets. It also involves measuring the economic value of people to the organization.

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.

14.2.2. Types of Personnel Records

- Records of employment contain applicants past records, list sources, employees progress, medical reports, etc.
- Wages and salaries records contains pay roll records, methods of wages and salaries, leave records, turnover records and other benefit records.
- Training and development contains appraisal reports, transfer cases, training schedule, training methods.
- Health and safety records include sickness reports, safety provisions, medical history, insurance reports, etc.
- Service Records are the essential records containing bio-data, residential and family information, academic qualifications, marital status, past address and employment records.

14.3 OBJECTIVES

According to RensisLikert, 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

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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

14.4 SCOPE AND IMPORTANCE

A Human Resources Audit (or HR Audit) is a comprehensive method (or means) to review current human resources policies, procedures, documentation and systems to identify needs for improvement and enhancement of the HR function as well as to assess compliance with ever-changing rules and regulations

The scope of personnel audit is very wide. It represents the encompassing approach; that is, it assumes that the management of human resources involves much more than the practice of recruiting, hiring, retaining and firing employees. In other words, personnel audit is interested in all the programmes relating to employees regardless of where they originate. In this way, the areas personnel audit includes are recruitment, selection, job analysis, training, management development, promotions and transfers, labour relations, morale development, employee benefits, wage and salary administration, collective bargaining, industrial relations and communication. Further, the areas like leadership, grievances, and performance appraisal and employee mobility are also included within the scope of personnel audit.

14.4.1. Importance of Personnel Audit

Many lawyers recommend that their business clients perform regular human resources audits as a proactive measure to keep the company out of hot water concerning legal issues, such as wrongful termination lawsuits. Yet, HR audits are important because they can

identify HR successes as well as HR deficiencies. An annual HR audit should be incorporated into your HR department's activities and the results used to develop improvements to the departmental functions as well as your organization's workforce.

Best Practices

HR best practices suggest regular audits to assist with continual improvement of the services you provide to employees. Small businesses benefit tremendously from HR audits they ensure the company is on the right track as it grows and adds employees to its staff. Benefits administration, payroll processing and conflict resolution are among the many internal customer services that HR should regularly monitor. The quality of services rendered to your organization's internal customers its employees affects job satisfaction, morale and engagement, all of which are intangible factors that ultimately affect your company's profitability. An audit is important for ensuring that your HR department meets the needs of employees and maintains service level standards that affect your bottom line.

Compliance

Most employers are required to adhere to employment and labor laws, such as Title VII of the Civil Rights Act of 1964, the National Labor Relations Act, the Fair Labor Standards Act and the Occupational Safety and Health Administration Act. An HR audit is particularly important for compliance reasons because it can mitigate your risk of liability for unfair employment practices, according to human resources consultant Michele Beccarelli in an article for HR.BLR.com titled "HR Audits Improve Business Performance." Through regular audits, small-business employers can avoid potential losses that might have a greater impact on companies with limited resources and capital. A comprehensive audit is important because it assesses recruitment and selection processes, as well as how your organization handles layoffs, terminations and retention. Audits also measure the effectiveness of workplace safety measures.

Performance

An HR audit generally includes reviewing personnel files. Employees' personnel files can reveal whether your supervisors and managers are providing continuous feedback to employees and properly documenting their feedback in their employees' files. This gives you an opportunity to see the quality of feedback your supervisors give to their staff. Using the results from an HR audit of personnel files helps you rate an aspect of your company leaders' performance and see where supervisors and managers need leadership training or performance improvement steps.

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Competitiveness

An audit of your HR compensation and benefits practices determines whether your salaries and wages are competitive. Job seekers look for employers that provide comprehensive medical benefits and benefits related to work-life balance, such as telecommuting options, flexible work schedules and generous vacation or paid time off. Therefore, assessing your benefits package as part of a regular audit can effectively measure your organization's ability to attract qualified applicants. Attracting qualified applicants may be a struggle for small-business employers. Therefore, an HR audit for your business examines how your compensation and benefits structure stacks up against other employers in the same industry or geographic area.

14.4.2. Benefits of Human Resource Audit

Several benefits associated with Human Resource audit are listed below. An audit reminds member of HR department and others its contribution, creating a more professional image of the department among manager and specialist. The audit helps clarify the department's role and leads to greater uniformity, especially in the geographically scattered and decentralized HR function of large organisations. Perhaps most important, it finds problems and ensures compliance with a variety of laws and strategic plans in an organization.

- Identifies the contribution of Human Resource department to the organization
- Improves the professional image of the Human Resource department.
- Encourages greater responsibility and professionalism among member of the Human Resource department.
- Clarifies the HR department's duties and responsibilities.
- Stimulates uniformity of HR policies and practices.
- Finds critical HR problems.
- Ensures timely compliance with legal requirements. Reduces human resource cost through more effective Human Resource procedure.
- Creates increased acceptance of needed change in the Human Resource department.
- Requires thorough review of Human Resourcedepartment's information system.

Check your Progress

- 60. Define personnel records
- 61. What do you mean by personnel research
- 62. What do you mean by personnel audit

14.5 ANSWER TO CHECK YOUR PROGRESS QUESTIONS

Personnel Records

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14. Personnel Records are records pertaining to employees of an organization. These records are accumulated, factual and comprehensive information related to concern records and detained. All information with effect to human resources in the organization are kept in a systematic order.
15. **Dale Yoder**, “personnel research implies searching, investigation, re-examination, reassessment and revaluation”.
16. A Human Resources Audit is a comprehensive method (or means) to review current human resources policies, procedures, documentation and systems to identify needs for improvement and enhancement of the HR function as well as to assess compliance with ever-changing rules and regulations.

14.6 SUMMARY

In this unit, you have learnt about the personnel records, personnel research and personnel audit, objectives, scope and importance of organization. Personnel Records are records pertaining to employees of an organization. These records are accumulated, factual and comprehensive information related to concern records and detained. All information with effect to human resources in the organization are kept in a systematic order. Such records are helpful to a manager in various decision-making areas. Personnel research provides such factual information about the personnel matters. Such personnel information enables a human resource manager to take an active look at problems and also develop policies and procedures based on facts obtained through scientific study rather than opinions resulting from personal experiences. Personnel audit can be focused on the entire organization or only a selected part of the organization. To target people or parts of the organization involved in the audit, process map is used. Personnel audit is usually conducted by a group of experts or external company, which in accordance with the definition of audit uses a reference model or experience with which compares the reality. As part of the audit some of the methods of process analysis is used.

14.7 KEY WORDS

- **Performance:** An HR audit generally includes reviewing personnel files. Employees' personnel files can reveal whether your supervisors and managers are providing continuous feedback to employees and properly documenting their feedback in their employees' files.

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- **Competitiveness:** An audit of your HR compensation and benefits practices determines whether your salaries and wages are competitive.
- **Personnel Records:** Personnel Records are records pertaining to employees of an organization. These records are accumulated, factual and comprehensive information related to concern records and detained.
- **Service Records:** Service Records are the essential records containing bio-data, residential and family information, academic qualifications, marital status, past address and employment records.

14.8 FURTHER READINGS

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14.9 SELF-ASSESSMENT QUESTIONS AND EXERCISES

Personnel Records

Short Questions

28. Define personnel records
29. What do you mean by personnel research
30. What do you mean by personnel audit

Long Questions

1. What are the objectives and uses of personnel research
2. State the purpose of HR audit
3. Explain the need for HR audit
4. Explain the scope of HR audit
5. What are the essential of a good record

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