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HUMAN RESOURCE MANAGEMENT

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SYLLABI-BOOK MAPPING TABLE

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INTRODUCTION

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In all organizations today, there is a separate department that takes care of the welfare and performance of all those who are part of the organizations' operations. Depending on the size of the organization, there is usually an individual or a team of people involved in organizing programmes, putting processes in place and setting policies that directly affect all those working with or associated with the organization. Such a team is said to be in charge of Human Resource Management. The Human Resource Management team is involved in a lot of activities including setting rules, establishing operation policies and processes, outlining disciplinary procedures, recruiting new employees, organizing training and educational programmes for the existing employees and deciding on the compensation.

With increasing globalization of economy, the marketplace has become increasingly complex, highly uncertain, competitive and transformational. What makes the ultimate difference is whether an organization is able to develop and establish a sustained competitive advantage. Organizations are required to adopt proactive development programmes for the attainment of corporate objectives by nurturing a development oriented culture. Training programmes in organizations are systematically designed and planned. This design process starts with needs assessment because it is the latter process which identifies the training gaps in an organization. Human Resource Management deals with creating conditions that enable people to get the best out of themselves and their lives.

This book, *Human Resource Management*, is divided into fourteen units that follow the self-instruction mode with each unit beginning with an Introduction to the unit, followed by an outline of the Objectives. The detailed content is then presented in a simple but structured manner interspersed with Check Your Progress Questions to test the student's understanding of the topic. A Summary along with a list of Key Words and a set of Self Assessment Questions and Exercises is also provided at the end of each unit for recapitulation.

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BLOCK - I
BASICS OF HUMAN RESOURCE MANAGEMENT

UNIT 1 INTRODUCTION TO HUMAN RESOURCE MANAGEMENT

Structure

1.0 INTRODUCTION

Human Resource Management is a function performed in organizations to organize, coordinate, control and direct the human resources with the objective of attaining both the individual as well as organizational goals. It involves the selection of qualified and capable employees and their subsequent management as the workforce is an important and crucial factor in determining the success of a business. This unit provides an overview of the nature, scope, challenges, evolution and objectives of HRM.

1.1 OBJECTIVES

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

- Understand the concept, nature, scope, objectives and importance of HRM
- Discuss the evolution and challenges of HRM
- Analyze the differences between personnel management and HRM

1.2 CONCEPT, NATURE, SCOPE AND OBJECTIVES

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

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

(i) People are the most important resources an organization has and managing them effectively is the best way to achieve success.

(ii) Human resource policies should be made in such a way that employees can contribute towards the fulfilment of organizational plans.

(iii) The culture of the organization should be such that all employees feel valued and work towards fulfiling organizational goals.

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

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

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

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

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

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

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

1.2.1 Nature and Scope

Human resource management embraces a very wide field of activities. The scope of HRM is so wide and varied that the HR department and the personnel executives typically perform a variety of roles in accordance with the needs of a situation. The HR manager plays multiple roles like that of a researcher, counsellor, bargainer,

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mediator, peacemaker, problem solver, etc. The functional areas of HRM as outlined by Northcott are as follows:

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

It has, therefore, been rightly observed by Peter Drucker that 'Management is a multipurpose organ, which has three jobs, two of which are directly related to personnel: managing a business; managing managers; and managing workers and the work'. The personnel executives play an important role in a business organization. They not only help in determining the rules of the organization, but also play a powerful role in interpreting and applying the rules of the system itself. They are expected to enjoy the confidence of the management which is crucial to the efficient and effective operation of the business organization. The focus of human resource management is on people at work. It is indeed a wide area and covers a broad spectrum of activities. A manager, whether he is in charge of production or marketing function, deals with human beings and gets his job done through people.

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

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

These changes in business environment present a number of competitive challenges that are quite different from those faced by firms in earlier times. There exists a substantial and growing body of research evidence showing a strong connection between how firms manage their people and the economic results they achieve. The adaptation of high-performance work practice can have an economically significant effect on a firm. High-performance work practices provide a number of important sources of enhanced organizational performance. People

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work harder because of the increased involvement and commitment that comes from having more control in their work. They work smarter because they are encouraged to build skills and competence. HR systems have important, practical impacts on the survival and financial performance of the firms and on the productivity and quality of work life of the people in them.

1.2.2 Objectives

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

Let us now look at the main objectives of HRM:

- To improve the performance of the organization; this can be done by building better employee morale, which leads to more efficient individual and group performance
- To give everybody the belief that the organization is doing everything it can to give the best services possible
- To create and use an able and motivated workforce that can help to achieve organizational goals
- To spot and satisfy individual and group needs by providing good salaries, incentives, employee benefits, status, recognition, security, etc.
- To make best use of the skills and knowledge of employees
- To improve the workforce continuously by providing training and developmental programmes

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- To maintain high employee morale and good relationships by improving the various conditions and facilities
- To improve job satisfaction by encouraging and helping every employee to realize his full potential
- To provide good facilities for work and create a good atmosphere so that employees want to work in the organization for a long time
- To find out and satisfy individual needs and group goals by offering suitable monetary and non-monetary incentives
- To develop and maintain a quality of work life (QWL) which keeps everybody in the organization happy

1.2.3 Importance

Human resources, along with financial and material resources, contribute to the production of goods and services in an organization. Physical and monetary resources, by themselves, cannot improve efficiency or contribute to an increased rate of return on investment. It is through the combined and concerted efforts of people that monetary and material resources are harnessed to achieve organizational goals. However, these efforts, attitudes and skills have to be sharpened from time to time to optimize the effectiveness of human resources and to enable them to meet greater challenges. This is where HRM plays a crucial role. The significance of HRM can be discussed at four levels:

1. **Corporate:** Good human resource practices help to attract and retain the best people in the organization. Planning alerts the company to the types of people it will need in short, medium and long run. HRM can aid an enterprise to attain its goals in a more well-organized and effective way by:
   - Inviting and keeping talent through effective human resource planning, employment, selection, compensation and promotion policies:
   - Developing the necessary talent and right outlook among the employees through training
   - Securing cooperation of employees through motivation
   - Effectively utilizing the available human resources
2. **Professional:** Optimum management of human resource helps to further improve the quality of work life. It plays an important role in the professional growth in the following ways by:
   - Making available adequate opportunities for personal development of each employee
   - Allocating work properly and scientifically
   - Maintaining healthy relationships between individuals and groups in the organization

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3. **Social:** Sound human resource management has a great significance for society. Society, as a whole is the major beneficiary of good human resource practices in the following ways:
   - Employment opportunities multiply.
   - Scarce talents are put to best use.
   - Organizations that pay and treat people well are always ahead of others and deliver excellent results.
   - Maintain an equilibrium between the jobs available and job seekers in terms of numbers, qualifications, needs and aptitudes.
   - Provides appropriate employment that ensures social and psychological contentment to people.
4. **National:** Human resources and their organization plays an important role in the development of a nation. There is a wide disparity in development among countries with similar resources due to qualitative differences among their peoples. Development of a country depends primarily on the talent, mental framework and habits of its human resources. Efficient management of human resources helps to fasten the process of economic development, which in turn leads to higher standards of living and fuller employment.

Check Your Progress

1. What role do personnel executives play in an organization?
2. What is the primary aim of HRM?

1.3 EVOLUTION OF HRM

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

Stage I: Pre-industrial Era

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

- First, there was a cessation of feudalism, release of labour from land and the beginning of the free employment relationship on which modern labour markets are based.
- Second, there was a shift from subsistence agriculture to a commercial mixed economy, the rise of urban economy, a diffusion of economic control and the distribution of wealth and income.

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- Third, there was a spectacular growth of towns and villages along with a middle class that included skilled craftsmen and merchants who were the forerunners of factory owners.
- Fourthly, domestic or putting out system was developed as a result of which craftsmen increasingly came under the service of merchants who served as middlemen.

Stage II: Industrial Revolution and the Factory System

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

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

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

With the advent of the factory system personnel practices became autocratic, based upon a commodity concept of labour. Labour was purchased at terms designed to maximize the employer's profits. Consequently, there was a total neglect of the human factor — the focus was upon materials, markets and production.

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

Stage III: Emergence of the Modern Corporation and Managerial Capitalism

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

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

Stage IV: Scientific Management, Welfare Work and Industrial Psychology

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

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

F.W. Taylor's Scientific Management

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

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

(i) Science, not the rule of thumb

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(ii) Harmony not discord
(iii) Co-operation not individualism
(iv) Maximum output, in place of restricted output

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

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

World War I provided conditions that resulted in the widespread recognition by business, of the need for HRM and the emergence of the field as a profession. The war brought attention to the need for 'scientific personnel administration' and centralizing, under a personnel director, activities promoting the welfare and efficiency of workers. At the close of the war, the personnel management department had emerged as a primary function, taking its place alongside the financial, production and sales departments in man organizations.

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

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

Stage VI: The Human Relations Movement

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

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

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

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

While the formal HRM function had been established during and after World War I, there was a temporary setback during the Great Depression. Following the depression there was an increased need for the practice of HRM as a result of a growth in unions and collective bargaining. Although prior to the depression the primary attention of HRM was directed towards PM activities, at this time there was a shift in emphasis towards the IR function of HRM.

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

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

Stage VIII: Quality of Work life Era

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

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Practices and Programmes Implemented

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

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

Stage IX: The Emergence of Contemporary HRM Function

Since the 1970s, the PM side of the HRM function has experienced an evolution from being a maintenance function, secondary to the IR function, to representing one of critical importance to the effectiveness of the organization. A number of environmental factors have resulted in this dramatic shift. Therefore, in spite of the prominence of the IR side of HRM during the initial decades of the post-war period, changes began to occur that eventually resulted in a decline in the IR function and in the emergence and transformation of the PM function.

Changes in HRM Policies

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

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

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

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

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

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Changes in HRM Functions

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

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

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

Stage X: Strategic Focus Era

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

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

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

Stage XI: The HRM Functions Today

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

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- First, HRM is characterized by the emphasis on the integration of the traditional PM Activities as well as HRM's involvement in overall organizational planning and change.
- Second, HRM today is characterized as a partner in organizational change, creator of organizational culture and facilitator of organizational commitment.
- Third, HRM is characterized by the decentralization of many of the traditional HRM activities—from personnel specialists to senior line management.
- Fourth, current HRM is characterized by a focus on individual employees rather than on collective management–trade union relations. In general, today's HRM function has been described as broad and strategic, involving all managerial personnel, regarding employees as the single most important organizational asset, being proactive in its responsibilities and having the objective of enhancing organizational performance and meeting employee's needs.

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

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

Check Your Progress

3. In terms of the evolution of HRM, what did the period from 1860 onwards witness?
4. What did F.W. Taylor study?
5. What was the emphasis of the human relations movement?
6. What did the quality of work life era represent?

1.4 CHALLENGES OF HRM

Bhatia classifies challenges in HRM under three categories:

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

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At the Organizational Level

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

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

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

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

(c) Wage Settlements and Executive Salaries. The third challenge involves wage settlements and emerging trends in the dynamics of relationship with respect to executives. There are varied challenges in the domain of wage and salary administration, especially in public sector enterprises in India. The Bureau of Public Enterprises (BPE) issues guidelines to regulate negotiations in public enterprises which does not remain unknown to even trade unions. For example, if the BPE allows 10 per cent raise, the trade unions seek to coax further increase from the management. Moreover, the negotiations on wages in the joint committee of each public enterprise assume a national character. For example, in 1983, it was the steel industry which gave the lead in finalizing the agreement, and soon other industries followed. Thus, a very hard core bargaining on wage settlement is obtained

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mostly at one industry or enterprise level, while others simply adopt the same with or without minor improvements. This practice nullifies the benefits of industry-based bargaining and an organization's capacity to pay for its productivity level. Again, a flat increase in wages for all categories of workers arrived at during the negotiation dilutes the wage differentials, causing grievances among executives. Likewise, the increasing differences in the DA rates for public sector executives and central government officers causes dissatisfaction among the former.

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

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

(f) Keeping IR from Conflict to Cooperation. There is a baffling challenge relating to the movement of industrial relations from conflict to cooperation. The present industrial relations situation in India is marked by multiplicity of unions giving rise to insurmountable barriers in the process of bipartism and collective bargaining. It has become very difficult for the management to ascertain the 'right' representative among their employees. The unions tend to make irrational and false promises and adopt erratic and violent measures to compete with their rivals. Indeed, inter-union rivalry stemming from political groupism has caused violent clashes designed by outside leaders. This problem can be resolved by evolving a system of recognition of trade unions. It may be pointed out that all major public

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sector undertakings have devised a system of bipartite committee which, after the finalization of wage settlements, tends to deal with varied problems, such as production target, productivity, quality, safety, quality of work life and unhealthy restrictive practices. In conjunction with the above measures, an attempt may be made to accomplish industrial harmony through workers' participation which has vast potential for the integration of workers with the organization. However, the practice of this concept must start from the top and percolate downwards to supervisors. The secret to harmonious industrial relations rests with the improved interpersonal interaction based on trust and confidence between workers and the management.

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

At the Workplace Level

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

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

(*i*) Maintain human resource competence through training and development programmes, (*ii*) ensure a fit between technology and people for its optimal utilization through job design, (*iii*) arrange alternative careers through training of employees displaced by technology, (*iv*) update the new entrants to the workforce with the technology used at the job through a closer relationship between business and educational institutions, and (*v*) increase the productivity of non-manufacturing jobs.

(b) Problem of Non-performers and Managerial Competence Development. There is a problem of ineffective manpower and competence development of executives to utilize it. Efforts may be made to develop concern for tackling ineffective manpower and adapt a constructive approach to it. The measures to tackle it include: (*i*) identification of problematic employees, (*ii*) analysis of factors responsible for their ineffectiveness, and (*iii*) use of constructive approach to rehabilitate them. The task of utilizing the non-performers necessitates development of competence among executives to assist the unutilized workforce by understanding

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its strengths and weaknesses, providing feedback on its performance and using counselling to revitalize it.

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

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

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

At HRM Department Level

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

(a) Process-Orientation. There must be a focus on process-orientation involving development of less formal processes which the line executives can use in managing people effectively.

(b) Concern with Strategy and Proactive Approach. There must be a concern to develop human resource strategies in line with organizational goals. The development of these strategies must be based on environmental scanning, embracing emerging political issues, socio-cultural changes, economic factors, advancing technology and international events influencing domestic labour

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relations. Thus, anticipation of problem areas by environmental diagnosis is a very crucial strategy.

(c) *Research-Orientation.* The challenge relating to research-orientation involves audit of current practices and manpower utilization, experimentation of innovative ideas, evaluation of personnel programmes and computerization of manpower information system for enhancing quality and efficiency.

(d) *Developing HR Policies.* The challenge for developing personnel policies may involve improvement of human resource systems to fulfil growth and development needs of people, formulation of policies to meet the organization's internal requirements, and long-term perspective and maintenance of consistency and firmness in implementation and interpretation of these policies.

(e) *A Matrix Organization.* There is a challenge relating to reinforcement of a matrix organization of personnel department at plant level. This challenge can be met by: (*i*) working closely with the line executives, (*ii*) seeking to hand over the personnel function to the line executives through persuasion and education and adopt a consultative role, (*iii*) evolving a participative approach in developing personnel policies, and (*iv*) maintaining a high level of reputation of integrity and ability.

Check Your Progress

7. What do typical change techniques relate to?
8. List the measures for tackling ineffective manpower.
9. How can the challenge related to reinforcement of a matrix organization be met?

1.5 PERSONNEL MANAGEMENT VS HRM

Since the 1980s the nature of personnel management is undergoing change and personnel function is shifting the locus of its focus. Amongst personnel specialists, the term, 'Personnel Management' is being substituted by that of 'Human Resources Management'. It is felt that Personnel Management is being directed mainly at company employees and is not being completely identified with managerial needs.

Personnel men have all along been mediating in between the management and the employees communicating the needs of each to the other. To maintain credibility with employees, mediating personnel men have to look after their welfare. At the same time to justify their existence with management, they must show to their managers, a concern for the efficiency of labour utilization as well as ensure that staff interests are always subservient to those of organizational effectiveness.

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Human Resources Management, by contrast, is directed mainly towards managerial needs for people resources in organizations, with greater emphasis being placed on planning, monitoring and control rather than on problem solving and mediation. Whereas traditional Personnel Management is committed to the idea that employees' needs should be looked after, since employees are effective only when their needs are satisfied, Human Resources Management reflects a different set of beliefs. These are that deploying of human resources in correct numbers with the right skills at the right price is more important than a patronizing involvement with people's personal affairs.

HRM (Human Resources Management) is significantly different from Personnel Management. HRM is proactive rather than reactive, is system-wide rather than piecemeal, treats labour as social capital rather than as a variable cost, is goal-oriented rather than relationship-oriented and is ultimately based on commitment rather than compliance.

Torrington has argued that Personnel Management has grown through assimilating a number of additional emphases to produce an ever-richer combination of expertise. HRM is no revolution but a further dimension to a multi-faced role. While Personnel Management is supply-driven, HRM is demand-driven.

Personnel Management is directed mainly at the employees of the organization—finding and training them, arranging their pay and contracts of employment, explaining what is expected of them, justifying what the management is doing and trying to modify any management action that could produce an unwelcome response from the employees. In contrast, the human resource manager starts not from the organization's employees, but from the organization's need for human resources; with demand rather than the supply.

At first sight, a revolution seems to be taking place in Personnel Management all over the world. Not only are there major changes in practice which go far beyond the choice of this or that technique, there is also said to be a paradigm shift occurring in the thinking on Personnel Management which shows a new theoretical sophistication. The new paradigm seems capable of both describing and explaining the changes in practice and of providing the rationale for elevating Personnel Management or to use the more modern term, HRM to strategic importance in the running of organizations. Basically, it sees management, faced with ever increasing competition in the context of the globalization of the economy, forced to rethink the sources of competitive advantage and to make strategic choices about future directions. No economy can compete with Japan; they would have to lower wages and living standards of the workers to socially and politically unacceptable levels which would not be possible. Instead, they should place emphasis on the quality of goods and services. Quality goods and services require a quality workforce. From this it follows that people and the way they are managed, are the major sources of competitive advantage.

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The challenge of HR managers today is to recognize talent and nurture the same carefully and achieve significant productivity gains over a period of time. The enterprise is nothing but people. Some will be intelligent, others not so intelligent; some are committed to jobs, others are not; some will be outgoing, others reserved and so on. 'The point is that these differences demand attention so that each person can maximize his effectiveness so that the society as a whole can make the wisest use of its human resources.'

The role of an HR manager is shifting from one of a protector and screener to that of a planner and change agent. In the present-day competitive world, highly trained and committed employees are often a firm's best bet. HR professionals can help an organization select and train employees for emerging roles. Only people who are involved and intelligent can make a difference. Charles Creer has pointed out that 'in a growing number of organizations human resources are now viewed as a source of competitive advantage … Increasingly it is being recognized that competitive advantage can be obtained with a high-quality workforce that enables organizations to compete on the lines of market responsiveness, product and service quality, differentiated products and technological innovations.'

In the future, the principal issues will be how the HRM function can transform its outlook from a traditional to a modern one: from being functionally-oriented internally focused, reactive, activity-driven, centralized and control-oriented to being business-oriented, customer-focused, proactive, effectiveness-driven, decentralized and empowerment-oriented.

Moreover, organizations will need to be concerned with extending their recruiting efforts, developing careful screening procedures, training employees to adapt to change, providing appropriate and sufficient educational programmes and accounting for their investment in recruiting, selecting and training employees. The new generation of employees will weigh salary and benefits packages against their personal needs and values. Therefore, compensation and benefits packages will offer greater flexibility in order to meet individual needs.

Check Your Progress

10. How is HRM significantly different from personnel management?
11. What is the challenge of HR managers today?

1.6 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Personnel executives not only help in determining the rules of the organization, but also play a powerful role in interpreting and applying the rules of the system itself.

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2. The primary aim of HRM is the promotion of effectiveness of employees with performance of their allotted duties by the substitution of co-operation in the common task in place of the suspicions and hostility which have so long been characteristic of relations between employees and employers.
3. The period from 1860 onwards witnessed a fundamental transformation of employment from being primarily agricultural to industrial, from employing small scale craftsmen to employing large scale semi-skilled operators, a growth in the corporate form of organization, the separation of the operation from ownership of firms and the employment of salaried managers.
4. F.W. Taylor studied the elements of jobs, eliminating unnecessary motions and timing the tasks, in an effort to discover the 'one best way' and the fastest time a worker could perform a particular task.
5. The emphasis of the Human Relations Movement was on increasing productivity through discovering the needs of workers, the proper way of managing people and productivity.
6. 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.
7. The typical change techniques relate to organizational development, job redesign, problem-solving groups, i.e., quality circles,' autonomous work teams, business teams, greenfield plants, productivity sharing plans, joint participation, management development and supportive practices.
8. The measures to tackle ineffective manpower are:
    (i) Identification of problematic employees
    (ii) Analysis of factors responsible for their ineffectiveness
    (iii) Use of constructive approach to rehabilitate them
9. The challenge related to reinforcement of a matrix organization can be met by:
    (i) Working closely with the line executives
    (ii) Seeking to hand over the personnel function to the line executives through persuasion and education and adopt a consultative role.
    (iii) Evolving a participative approach in developing personnel policies
    (iv) Maintaining a high level of reputation of integrity and ability
10. HRM is proactive rather than reactive, is system-wide rather than piecemeal, treats labour as social capital rather than as a variable cost, is goal-oriented rather than relationship oriented and is ultimately based on commitment rather than compliance.
11. The challenge of HR managers today is to recognize talent and nurture the same carefully and achieve significant productivity gains over a period of time.

1.7 SUMMARY

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- The HR manager plays multiple roles like that of a researcher, counsellor, bargainer, mediator, peacemaker, problem solver, etc.
- High-performance work practices provide number of important sources of enhanced organizational performance. People work harder because of the increased involvement and commitment that comes from having more control in their work.
- Scientific Management (SM) and Welfare work represent two separate and concurrent movements that began in the 19th century and along with contributions from Industrial psychology, merged around the time of World War I to form the field of HRM.
- In addition to centralizing hiring, there was an integration of former unsystematized HRM activities such as, welfare work, job standardization and time study under the supervision of one executive who came to be known as the Personnel Manager. The year 1918 recorded the birth of a new profession – Personnel Management
- As a result of the Hawthorne experiments, the human relations movement began around 1945 and continued until the early 1960's when it was absorbed into the new discipline of organizational behaviour.
- The Industrial Relations (IR) side of HRM experienced its golden age between 1948 and 1958. The general focus of HRM was on IR because the primary need of many organizations was to operate in the collective bargaining framework of labour relations.
- The strategic focus era was initiated in the late 1970's when business strategy was included in the MBA syllabus. It suggested integrating business strategies with other areas. One of the areas that was seen as critical to merge with business strategy was Human Resource Management which helped the emergence of a new era – the Strategic Human Resources management.
- To overcome the frustration arising from blocked upward mobility among executives, efforts may be made to redesign the job as a motivational measure by providing alternative job experience or lateral movement.
- The present industrial relations situation in India is marked by multiplicity of unions giving rise to insurmountable barriers in the process of bipartisan and collective bargaining. It has become very difficult for the management to ascertain the 'right' representative among their employees.
- Redressal of grievances as soon as they arise is essential for handling complaints as well as preventing varied human relations problems, namely, low morale, employee unrest, indiscipline, apathy, lack of commitment, alienations and allied restraining behavioural manifestations.

- The challenge relating to research-orientation involves audit of current practices and manpower utilization, experimentation of innovative ideas, evaluation of personnel programmes and computerization of manpower information system for enhancing quality and efficiency.
- To maintain credibility with employees, mediating personnel men have to look after their welfare. At the same time, to justify their existence with management, they must show to their managers, a concern for the efficiency of labour utilization as well as ensure that staff interests are always subservient to those of organizational effectiveness.
- The shifting paradigm of Personnel Management seems capable of both describing and explaining the changes in practice and of providing the rationale for elevating Personnel Management or to use the more modern term, HRM to strategic importance in the running of organizations.

1.8 KEY WORDS

- **Scientific Management (SM):** It is a theory of management that analyzes and synthesizes workflows. Its main objective is improving economic efficiency, especially labor productivity.
- **Total Quality Management:** It consists of organization-wide efforts to install and make permanent climate where employees continuously improve their ability to provide on demand products and services that customers will find of particular value.
- **Industrial Relations (IR):** It is the multidisciplinary academic field that studies the employment relationship; that is, the complex interrelations between employers and employees, labor/trade unions, employer organizations and the state.

1.9 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. List the three major principles to the approach of managing people.
2. List some ways in which HRM can help an enterprise to attain its goals.
3. What did World War I bring attention to?
4. Write a short note on the changes that have taken place in HRM policies.
5. Write a short note on wage settlements and executive salaries.
6. What are the focus areas of HR managers for fulfilling socio-psychological needs of people?
7. What will be the principal issues related to HR function in the future?

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Long-Answer Questions

1. Analyze the objectives of HRM.
2. Discuss the changes brought by the 'factory system'.
3. Explain stage IX and X of HRM evolution.
4. Elaborate upon the ways in which HRM practice today differs from that of the past.
5. Discuss the challenges of HRM at the workplace level.

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UNIT 2 STRATEGIES FOR THE NEW MILLENNIUM

Structure

2.0 INTRODUCTION

Human resource management plays an important role in effectuating strategies of the organization. The HR department is concerned with finding the right talent, providing a proper work environment and increasing productivity. HR professionals, as human capital developers, focus on developing a superior workforce so that individual employees can fulfil their individual goals, while also accomplishing the organizational goal. Along with this, the Emotional Quotient should also be paid attention to as it plays an effective role in career development, team effectiveness and selection. Closely associated with human resource management is the concept of mentoring. It is through mentoring that an experienced person guides and coaches a younger employee. This ensures building of an effective team that can coach each other and operate under stressful situations. Human resource management also relies on employee benefit plan such as ESOP and programmes such as Flexitime and compressed workweeks to provide greater job satisfaction to the employees.

Experts have come up with concepts such as Total quality management, quality circle, Kaizen and six sigma to ensure that the work process and quality is maintained. These concepts will be discussed in detail in this unit.

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2.1 OBJECTIVES

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

- Understand the role of HRM in strategic management
- Explain the role of HR professionals as human capital developers
- Analyse the elements of Emotional Quotient
- Understand the concept of Total Quality Management, Quality circle, Kaizen and Six Sigma

2.2 ROLE OF HRM IN STRATEGIC MANAGEMENT

Human resources are the most important factor in activating strategies. People can make a major difference between success and failure of a corporate strategy. Knowledge, skill and experience of people can significantly contribute to strategic success as poor human resource can hinder adoption or implementation of successful strategies. HR systems play a vital role in organizing and managing human resources. For various functional/operational strategies to support a chosen organizational strategy, the right kind of people should be deployed in right positions or recruited to fill up the resource gap. For example, if a company's chosen strategy is diversification, and, if it involves innovative products and processes, requisite skills or expertise may not be available in the company. Here, the HR department has an important role to play in hiring the right talent, providing or creating proper work environment and helping to increase managerial productivity.

Talking about the role of HR, it is also necessary to distinguish between 'hard' and 'soft' approaches to human resource management. Hard and soft approaches in HR are like hard and soft Ss in organizations. 'Hard' human resource approach is about how the structure, systems and procedures can be used to 'acquire, utilize, develop and retain' people to secure strategic advantage for the organization. Organizational needs are the predominant factor here, not the people. In 'soft' human resource management, dominant focus is on the people, individually and collectively— culture, style, behaviour, etc., and how these help or hinder organizational strategies. Many organizations concentrate on the hard approach, thereby leaning too much on the structures and systems and overlooking or showing lack of concern for the soft factors. They tend to forget the fundamental fact of complementarity between the hard and soft approaches necessary for strategic success. In practice, HR approaches and strategies in many companies reflect adhocism because of internal and external pressures. But, this is a very shortsighted measure/solution and invariably affects activation and implementation of strategies. A more balanced approach is necessary.

To ensure such an approach and to be effective, HR professionals also need to orient themselves. They should familiarize themselves with the organization's

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strategic process or a particular strategic initiative and human resource requirements in terms of competence and commitment. HR activities or human resource management can help in the pursuit of successful strategies in many ways. Some of the more important ones are mentioned below:

- HR audit to assess resource requirements and availability in terms of competence and also to analyse skills and capabilities of individual managers which can form useful inputs to the future planning and strategy building process.
- Fostering team-building attitude and rewarding team work approach. Individual incentives and rewards often undermine teamwork. But, most strategies require a team approach rather than individual approach.
- Performance assessment of individuals and teams should have a clear focus on strategic inputs rather than pure functional or operational inputs. Some have suggested a 360 degree appraisal system, i.e., appraisals from multiple perspectives or different parts or functional areas of the organization so that the full impact of an employee's contribution to success or otherwise of a strategy can be more meaningfully assessed.
- Devising appropriate training and development programmes. Of late, there has been a shift in focus in terms of reduction of formal training programmes and increase in coaching and mentoring for self-development. These become important developmental inputs for individual managers if the organization's strategies are changing more regularly.
- Institutionalization of individual competence. Individual experts or highly competent people may leave the organization or retire. So, one of the objectives of HR policies should be to institutionalize such competence or expertise through proper succession planning.

2.2.1 Human Capital

In this role, the HR manager focuses on the wealth created through the people in the organization. As human capital developers, HR professionals focus on the future, often one employee at a time, developing plans that offer each employee opportunities to develop future abilities, matching desires with opportunities. The focus is on developing the most superior workforce, so that the organization and individual employees can accomplish their individual goals while accomplishing their work goals.

There are two parts to the role. First, individual employees have to be given a menu of opportunities and options to unlearn old obsolete skills and acquire new ones (e.g., in the banking sector, automation has changed the entire paradigm of treating customers as well as day-to-day working) in line with the requirements of the organization. This would mean opportunities such as employee training, employee career development, management development, coaching, mentoring,

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succession planning and the identification of high-potential employees. All these processes can be formal like a classroom training, a college course or an organizational planned change effort or can be informal like employee coaching by a manager. Second, it is also HR's role to coach leaders by focusing on both attitudes and behaviours, working from an understanding of individual differences to figure out how to motivate desired behaviour. They coach by building trust, sharing observations and affirming changes. As human capital developers, they assume the responsibility for positive team relationships. This may involve formal team-building or it may involve informal dialogues with the team members and team leaders to disclose and resolve differences.

2.2.2 Emotional Quotient

Emotional Quotient (EQ) has become a buzzword today. It focuses on three driving forces vital to business success – increasing energy and effectiveness under pressure ,building trusting relationship and creating the future. Daniel Goleman has identified three elements of emotional quotient:

A. **Self Awareness** includes:
   1. Recognising one's emotions and effects.
   2. Knowing one's strengths and limits.
   3. Managing disruptive emotions and impulses.
   4. Self management and self control.
   5. Improve or meet a standard of excellence.

B. **Social Awareness** includes:
   1. Empathy.
   2. Service orientation.
   3. Developing others and understanding a group's emotional currents and power relationship.

C. **Social Skills** include:
   1. Leadership.
   2. Inspiring and guiding others.
   3. Sending clear and convincing messages.
   4. Negotiating and resolving disagreements.
   5. Co-operating with others and strengthening relationships.
   6. Creating group synergy in pursuing collective goals.

Psychologists are of the opinion that the way a person responds to reverses, either optimistically or pessimistically, is a good thumb rule to judge his EQ.

1. Self awareness (self-confidence)
2. Self regulation (comfort with ambiguity)
3. Motivation (strong drive to achieve)

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4. Empathy (cross cultural sensitivity) and
5. Social skills

These are the main dimensions of EQ.

Emotional intelligence plays a crucial role in career development, management development, team effectiveness and selection. Understanding and enhancing emotional intelligence increases management skills. Teams are more than the sum of the individual parts. The glue which holds teams together can be supplied by emotional intelligence. Hiring decisions can be better informed through the use of a thorough job analysis, and an ability-based measure of emotional intelligence.

2.2.3 Mentoring

As a technique of human resource development, mentoring has been in existence since the dawn of civilization. The culture of 'mentoring' dates back to ancient Greece, when Odyssees entrusted his friend Mentor with the responsibility of thus teaching his son Telemacher and the word 'mentoring' came into existence.

According to Timotty Neweby and Ashlyn Heide, mentoring is defined as 'The use of an experienced individual (the mentor) to teach and train someone (the protégé) with less knowledge in a given area'.

In the words of B. H. Owens, mentoring 'Is a supportive and nurturing relationship between an expert and a novice'.

According to J. J. Fetzpatrick mentoring is a 'Teaching strategy in which competencies of a scientific nature are promoted'.

From the above definitions, we can conclude that mentorship is a form of socialisation for professional roles. The mentor takes on the protégé for purpose of teaching, guiding, supporting and developing the individual. By devoting individual attention to the protégé the mentor transfers needed information, feedback and encouragement to the protégé, enabling an expansion in the opportunities for success in career. A mentor is thus a creditable counsellor, friend, coach or advisor who provides advice and assistance.

In the organisational context, mentoring is the process whereby a senior manager acts as a friend philosopher and guide to a new recruit, easing the latter's passage from the B-School to organisational life. Mentoring is essentially an emotional support provided by an experienced person to younger people through teaching, coaching, counselling, guiding and so on. While organisational training takes care of the knowledge base and the skills of the young manager, mentoring compliments it with personal instructions in the intricacies of operating in the organisation. It reduces training time, ensures individual attention to problems and makes the learning flexible rather than structured.

Mentoring can be accomplished on a person to person basis, or the mentor can meet with a small group of four to six proteges, or in both group and one-and-one sessions. Team mentoring is where two people work together for the purpose of achieving a common goal under a common mentor.

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The group approach has the potential to evolve into a learning team whose members can coach each other. Mentoring is a valuable tool for developing self-confident and empowered managers who can operate under stress while retaining their quality standards and values.

Role of a Mentor

1. Teaching new skills and promoting intellectual development.
2. Serving as guide to acquaint the junior individual with the values, customs and resources of the profession.
3. Being an exemplar for the proteges to emulate.
4. Providing counselling and moral support during times of stress.
5. Fostering personal development by believing in the protégé.
6. Supporting and facilitating the protégé's life's dreams and goals.
7. Sponsoring the protégé for advancement.
8. The mentor serves sub-roles such as a teacher, sponsor, guide, counsellor and an exemplar providing a standard of excellence.

Importance of Mentoring Relationships

The richness and value of mentoring relationships are important in the development of young managers. A mentor performs all types of elucidation to his protégé from job content to personal counselling, from drawing up a dress code to teaching table manners, etc. Mentoring is a valuable tool for developing self-confidence. The importance of a mentoring relationship is:

1. Teaches and advises and the protégé gains knowledge and assessment skills.
2. Models the protégé as he gains competency and confidence.
3. Coaches and guides, and the protégé gains problem solving and decision making skills.
4. Facilitates and counsels the protégé as he gains communicative and collaborative skills.
5. Inspires and influences, and the protégé gains humanistic values and creative ideas.
6. Motivates and leads, and the protégé gains hands-up skills and becomes expert.

2.2.4 ESOP

An Employee Stock Ownership Plan (ESOP) is a kind of employee benefit plan, similar in some ways to a profit-sharing plan. In an ESOP, a company sets up a trust fund, into which it contributes new shares of its own stock or cash to buy existing shares. ESOPs are used to lure and retain best performers in the organizations. Companies also offer phantom stocks options, which are performance-based plans with a 'stimulated' or 'ghost' ownership. Quite a few companies are now hiring consultants to help them out in this activity. These include stock appreciation rights, sweat equity and stock purchase plans, with these bouquet of reward plans. It is possible that this would excite employees and in turn help retaining them.

2.2.5 Flexi-Time

Flexitime is a plan whereby employees determine their own starting and stopping hours within limits fixed by the employer. For example, the traditional workday may be 9 A.M to 5 P.M. The employees may opt to work from 7 A.M to 3 P.M or 11 A.M to 7 P.M.

Conditions for Success

Several things can make a flexitime programme more successful.

1. Management resistance, particularly at the supervisory level, has torpedoed several programmes before they become operational, so we need to convince the supervisors about its success.
2. Flexitime is usually more successful with clerical, professional and managerial jobs and less so with factory jobs where the nature of work demands interdependence among workers.
3. The greater the flexibility of a flexitime programme, the greater benefits the programme can produce.
4. The way you install the programme is important; the fears and misunderstandings of supervisors and employees have to be cleared up.

Compressed Workweeks

Many employees do not find the conventional five/six day work week or 40 hour workweek suitable to accommodate their lifestyle. The compressed work week is an arrangement of work hours that permits employees to fulfil their work obligation in fewer days than the typical five/ six-day workweek. A common compressed workweek is four 10 hour days.

The advantages of compressed workweek are:

1. Working under this arrangement, employees have reported greater job satisfaction.
2. The compressed work week offers the potential for better use of leisure time for family life, personal business, and recreation.
3. Employers in some instances have cited advantages such as increased productivity and reduced turnover and absenteeism.

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The disadvantages of compressed workweek are:

1. Employee fatigue problems have been encountered.
2. Compressed week has resulted in lower product quality and reduced customer services due to employee fatigue.

Nevertheless, it is apparent that a number of organisations feel the advantages of compressed workweeks outweigh the disadvantages.

Check Your Progress

1. What is the difference between 'hard' human resource approach and 'soft' human resource approach?
2. What are the five dimensions of EQ?
3. What is flexitime?
4. State any two disadvantages of compressed workweek.

2.3 TQM, QUALITY CIRCLES, KAIZEN AND SIX SIGMA

Total Quality Management (TQM) pioneered by Edward Deming, is a broad-based, systematic approach for achieving high levels of quality. Many leading companies such as Motorola, Cadillac and Xerox, whose strategies require them to survive against the pressures of world-class competition, have implemented TQM.

Total Quality Management began to gain increasing acceptance in the United States in the mid 1980s. TQM first became popular in manufacturing organisations, but it has also been widely adopted in service settings. TQM ideas have been clearly enunciated by experts such as Philip Crosby, Joseph Juran, W Edwards Deming, Armand J Feigenbaum and Genichi Taguchi. These ideas were adopted and mastered by the Japanese and only later spread to American companies.

Quality is the most important focus of attention in TQM. Employees are encouraged, both individually and in quality circle teams, to make frequent suggestions on how the work process or quality can be improved. Great leaps forward are viewed as resulting from many small steps toward continuous improvement. The term 'Kaizen' (Japanese for 'continuous small improvements') is widely used throughout the world.

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Box 2.1 TQM Principles

TQM principles emphasise:

1. Articulation (expression) of strategic vision.
2. Objective and accurate measurements.
3. Benchmarking.
4. Widespread employee empowerment and team building.
5. Striving for continuous improvement.
6. Emphasis on a system view of quality that conceptualises quality-related activities as being highly interdependent.
7. Leadership committed to quality.
8. Great emphasis on customer satisfaction.

Source: Adapted from Hart, Christopher, and Leonard Schlesinger "TQM and the HR Professional: Applying the Baldrige Framework to Human Resources", Human Resource Management, 30, no.4 (1991) page 433–54.

Work-Improvement Teams (Quality Circles) (QCs)

Quality Circles became extremely popular in the 1980s, particularly in the aerospace, automobile, steel and consumer goods industries. Although, the term 'quality circles' has declined in popularity, the incidence of such groups has grown. Quality circles are almost always featured in TQM programmes. A quality circle consists of a small number of volunteers, typically eight to ten employees from the same department who meet for a few hours each week to examine productivity and quality problems. QC members identify a problem, study it and present their recommendations for change and improvement to a committee of higher management.

Thus, TQM is a set of principles and practices whose core ideas include understanding customer needs, getting things right the first time, and striving for continuous improvement.

Box 2.2 Common Principles underlying Most Approaches to TQM

1. Customer-first orientation.
2. Top management leadership of the quality improvement process.
3. Focus on continuous improvement.
4. Respect for employees and their knowledge (employees are actively involved in the improvement process)
5. Reduction of product and process variation.
6. Provision of ongoing education and training to employees.
7. Familiarity with a statistical way of thinking and the use of statistical methods throughout the organisation.
8. Emphasis on prevention rather than detection.

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9. View of vendors as long-term partners.
10. Performance measures that are consistent with the goals of the organisation.
11. Standardisation – the development of an adherence to the best known ways to perform a given task.
12. Product or service quality begins with its definition and design.
13. Cooperation and involvement of all functions within an organisation.
14. Awareness of the needs of internal customers.
15. Substantial cultural change.

Source: Ronald M Fortuna, "The Quality Imperative" in Total Quality: An executive's Guide for the 1990s, (Ed) by Ernest and Young Improvement Consulting Group. Homewood, III: Dow Jones-Irwin, 1990 page 110.

Table 2.1 *Comparison between Traditional Thinking and TQM*

Basis of comparison	*Traditional Thinking*	*TQM*
1. Definition of quality	Products meet specifications, focus on post production inspection	Products fit for use by customer, focus on building quality into work process
2. Understanding of customers	Ambiguous understanding of customer requirements	Systematic approach to seek, understand and satisfy internal and external customers.
3. Problem solving	Unstructured problem solving by individual managers and specialists.	Participative and disciplined problem solving based on hard facts
4. Improvement focus	Technological breakthroughs such as automation	Gradual but continuous improvement of each function
5. Errors	A certain margin of error, waste and rework is tolerable	No tolerance of errors. Do it right the first time and every time.

TQM is a set of principles and practices whose core ideas include understanding customer needs, doing right the first time, and striving for continuous improvement. Given below is the comparison of traditional HRM approach and Total Quality HRM approach.

Table 2.2 *Comparison between the Traditional HRM Approach and Total Quality HRM Approach.*

Dimensions for Comparison	*Traditional HRM Approach*	*Total Quality HRM Approach*
1. Philosophy	A fair day's work for a fair day's pay	Shared responsibility, commitment and rewards
2. Business objectives	Increased productivity, profitability; quality is secondary; focus on labour	Increased quality, productivity, customer satisfaction, employee satisfaction, and

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3. Quality objectives	Adequate quality to remain in business; staff-driven approaches to quality improvement	Total quality management and continuous improvement and across every level
4. Business information sharing	Limited to information on and as –needed basis for job preference	Open book, share board information on profits, productivity, quality, costs, capital spending plans
5. Major constituencies	Managers, stockholders, customers, employees	Customers, all employees, stockholders
6. Employee involve-ment	Programmes: suggestions, plans, individual employee awards; usually no formal system	Extensive within and between levels and functions: "way of life"
7. Education and training	On-the-job training, feedback on job performance	Quality and economic education, multiple skill training, problem solving and group process
8. Reward structure	Management designed and administered	Designed and adjusted by management—employee committee; formal, early union involvement
9. Job security	Labour as a variable cost; layoffs common during business downturns	Formal commitment a key consideration in all decisions

Source: Werther, William B. "Productivity Through People" West Publishing, St. Paul Minn. (1980) page 336.

Unfortunately, TQM programmes have not been the final answer to customer satisfaction and productivity improvement. In many cases, managers view quality as a quick fix and are disillusioned when results prove difficult to achieve. When TQM initiatives do work, it is often because managers have made major changes to their philosophies and HR programme. In fact, organisations known for the quality of their products and services strongly believe that employees are key to those results.

HR and Kaizen

Kaizen is a Japanese term which means continuous improvement or improvement over improvement. It is based on the assumption that there is always scope for improvement and therefore it is a never-ending process. Kaizen has its emphasis on process-oriented way of thinking and management system that supports and acknowledges people's process-oriented efforts for improvement. Kaizen involves a wide range of areas –

1. Customer orientation
2. Total quality control

3. Quality improvement
4. Zero defect
5. Productivity improvement

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The message of Kaizen is that not a single day should go without some kind of improvement being made somewhere in the company. Kaizen means small improvements on an ongoing basis. For adopting Kaizen in an organisation, the role of top management and HR department is crucial. The role of HR department is to prepare personnel at various levels to participate in Kaizen by providing them relevant training.

Types of Kaizen

Given below are the different types of Kaizen:

1. ***Management-oriented Kaizen:*** This type of Kaizen concentrates on the most strategic and logistic issues and provides the momentum to keep up progress and morale.
2. ***Group-oriented Kaizen:*** This type of Kaizen is represented by group effort like in quality circle.
3. **Individual-oriented Kaizen.** This type of Kaizen is represented by individual efforts like suggestions for improvement etc. It is a morale booster for the concerned individual employee.

Steps in Kaizen Programme

The steps to be followed in the Kaizen programme are given below:

Step 1. SERI (Straighten Up): This is the first step in the Kaizen programme. Here, the necessary areas for improvement are identified. A distinction is made between the necessary and unnecessary areas and the unnecessary areas are discarded or removed and the necessary areas are retained.

Step 2. SEITON (Put things in order): Things must be kept in order so that they are ready for use when needed.

Step 3. SEISO (Clean Up): This means that the work place should be kept clean especially during the opening and closing time.

Step 4. SEIKETSU (Personal cleanliness): This is based on the adage ‘healthy mind in a healthy body’. Therefore special attention is paid to personal cleanliness.

Step 5. SHITSUKE (Discipline): Success depends on discipline. This is true for both personal success as well as organisational success. Therefore discipline becomes essential for success.

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HR and Six-Sigma

TQM programmes are organisation wide programmes aimed at maximising quality and customer satisfaction, satisfaction through continuous improvement, zero defects, or six sigma (a reference to the statistical unlikelihood of having a defect).

Achieving six-sigma quality can be an intense experience. The six-sigma standard aims for only 3.4 defects per million processes, whereas 66,000 defects per million is where most firms operate now.

HR methods play a central role in six-sigma programmes. For one thing, training is crucial. A common practice is to start with top managers and train them to be experts. Then the firm trains its other employees. In addition, 'performance needs to be measured and reviewed against goals, achievement recognised and celebrated and rewards and compensation linked to employee participation and progress'. These are all HR processes.

Technological Innovation

Developments in the field of information technology, telecommunications, biotechnology and laser-based applications etc., provide opportunities for organisations as well as pose problems. From an HR perspective, it is possible to identify three distinct types of challenges that arise from technological innovation:

1. **Direct Effects:** The direct effect includes the way in which the HR function goes about its business.
    1. The use of e-mail and internet as tools for communication.
    2. The use of internet as a major source for recruitment;
    3. The development of web-based approaches to training and learning.
    4. The application of computer technologies for tasks such as Human Resource Planning (HRP) and pay-roll administration.
2. **Effect on Organisation Change:** Technology brings change more generally to an organisation in terms of its structure, job duties, work allocation and culture. Technological change thus drives organisation change, requiring action of different kinds from the HR function. In some situations technology can drive radical change in a short space of time, changing forever long-established ways of carrying out an organisation's core functions.
3. **Managing Highly Skilled Employees:** Another way in which technological developments affect HRM activity relates to the need to find new ways of managing staff who are employed in research and development(R&D) functions. It has been convincingly argued that the nature of this work is fundamentally different in key respects from that performed by others in an organisation and hence, established management practices are often inappropriate.

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Check Your Progress

5. Name some of the experts who espoused ideas regarding Total Quality Management.
6. Define Total Quality Management.
7. What are the three different types of Kaizen?
8. What does management-oriented Kaizen focus on?

2.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. 'Hard' human resource approach is about how the structure, systems and procedures can be used to 'acquire, utilize, develop and retain' people to secure strategic advantage for the organization. Organizational needs are the predominant factor here, not the people. In 'soft' human resource management, dominant focus is on the people, individually and collectively—culture, style, behaviour, etc., and how these help or hinder organizational strategies.
2. The five dimensions of EQ are
    i. Self awareness (self-confidence)
    ii. Self regulation (comfort with ambiguity)
    iii. Motivation (strong drive to achieve)
    iv. Empathy (cross cultural sensitivity) and
    v. Social skills
3. Flexitime is a plan whereby employees determine their own starting and stopping hours within limits fixed by the employer.
4. The disadvantages of compressed workweek are:
    i. Employee fatigue problems have been encountered.
    ii. Compressed week has resulted in lower product quality and reduced customer services due to employee fatigue.
5. TQM ideas have been clearly enunciated by experts such as Philip Crosby, Joseph Juran, W Edwards Deming, Armand J Feigenbaum and Genichi Taguchi.
6. Total Quality Management is a set of principles and practices whose core ideas include understanding customer needs, getting things right the first time, and striving for continuous improvement.

7. The different types of Kaizen are Management-oriented Kaizen, Group-oriented Kaizen and Individual-oriented Kaizen.
8. Management-oriented Kaizen concentrates on the most strategic and logistic issues and provides the momentum to keep up progress and morale.

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2.5 SUMMARY

- Human resources are the most important factor in activating strategies. People can make a major difference between success and failure of a corporate strategy. The HR department has an important role to play in hiring the right talent, providing for creating proper work environment and helping to increase managerial productivity.
- HR professionals, human capital developers, focus on developing the most superior workforce, so that the organization and individual employees can accomplish their individual goals while accomplishing their work goals.
- Emotional Quotient focuses focuses on three driving forces vital to business success – increasing energy and effectiveness under pressure, building trusting relationship and creating the future.
- In the organizational context, mentoring is the process whereby a senior manager acts as a friend philosopher and guide to a new recruit, easing the latter's passage from the B-School to organizational life. Mentoring is essentially an emotional kind of support provided by an experienced person to younger people through teaching, coaching, counseling, guiding and so on.
- An ESOP is a kind of employee benefit plan, similar in some ways to a profitsharing plan. In an ESOP, a company sets up a trust fund, into which it contributes new shares of its own stock or cash to buy existing shares. ESOPs are used to lure and retain best performers in the organizations.
- Flexitime is a plan whereby employees determine their own starting and stopping hours within limits fixed by the employer. For example, the traditional workday may be 9 A.M to 5 P.M. The employees may opt to work from 7 A.M to 3 P.M or 11 A.M to 7 P.M.
- Many employees do not find the conventional five/six day work week or 40 hour workweek suitable to accommodate their lifestyle. The compressed work week is an arrangement of work hours that permits employees to fulfil their work obligation in fewer days then the typical five/ six-day workweek.
- TQM pioneered by Edward Deming, is a broad-based, systematic approach for achieving high levels of quality. Quality is the most important focus of attention in TQM. Employees are encouraged, both individually and in quality circle teams, to make frequent suggestions on how the work process or quality can be improved.

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- A quality circle consists of a small number of volunteers, typically eight to ten employees from the same department who meet for a few hours each week to examine productivity and quality problems. QC members identify a problem, study it and present their recommendations for change and improvement to a committee of higher management.
- Kaizen is a Japanese term which means continuous improvement or improvement over improvement. It is based on the assumption that there is always scope for improvement and therefore it is a never-ending process.
- TQM programmes are organization wide programmes aimed at zero defects, or six sigma (a reference to the statistical unlikelihood of having a defect). Achieving six-sigma quality can be an intense experience. The six-sigma standard aims for only 3.4 defects per million processes, whereas 66,000 defects per million is where most firms operate now.
- Developments in the field of information technology, telecommunications, biotechnology and laser-based applications etc., provide opportunities for organizations as well as pose problems. It influences HR functions, drives organizational change, and influences the way the staff is being managed.

2.6 KEY WORDS

- **Mentoring:** It is the process whereby a senior manager acts as a friend philosopher and guide to a new recruit, easing the latter's passage from the B-School to organizational life. Mentoring is essentially an emotional kind of support provided by an experienced person to younger people through teaching, coaching, counseling, guiding and so on.
- **Flexitime:** It is a plan whereby employees determine their own starting and stopping hours within limits fixed by the employer.
- **Kaizen:** It is a Japanese term which means continuous improvement or improvement over improvement. It is based on the assumption that there is always scope for improvement and therefore it is a never-ending process.
- **Total Quality Management:** It is a set of principles and practices whose core ideas include understanding customer needs, getting things right the first time, and striving for continuous improvement.

2.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What is the role of HR professionals as human capital developers?
2. What, according to Daniel Goleman, are the three elements of emotional quotient?

3. Write a short note on the importance of mentoring relationships.
4. What are the advantages of compressed workweek?
5. What are the steps that should be followed in a Kaizen programme?

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Long-Answer Questions

1. Examine the role of HRM in strategic management.
2. Discuss the importance of Total Quality Management.
3. Explain the impact of technological innovation on HR function.

2.8 FURTHER READINGS

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UNIT 3 ROLE, STRUCTURE AND APPROACHES TO HUMAN RESOURCE ORGANIZATION

Structure

3.0 INTRODUCTION

The structure of the human resource department within an organization depends on the size and nature of the enterprise. The organization of the HR department depends on the place of the HR department in the overall set-up and the composition of the HR department. It is to be noted that there are varied approaches to human resource management. These approaches include strategic approach, management approach, human resource approach, commodity approach, etc. The model developed by the American Society for Training and Development identifies nine human resource areas. These areas will be discussed in detail in this unit. The unit will also highlight the staff role of the HR department.

3.1 OBJECTIVES

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

- Understand the role and structure of human resource function in organizations
- Discuss the different approaches to human resource management
- Examine the nine human resources areas identified by the American Society of Training and Development

3.2 ROLE AND STRUCTURE OF HUMAN RESOURCE FUNCTION IN ORGANIZATIONS

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

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

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

Staff Role of HR Department

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

(a) Policy formulation

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

(b) Advising

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

(c) Assistance and service

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

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(d) Monitoring and control

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

3.2.1 Challenges in Human Resource Management

We have already discussed the challenges to human resource management in detail in Unit 1of the book. To briefly recapitulate, in recent times, development and growth of technology, globalisation, fluctuating market forces have posed new challenges to human resource management. These challenges are seen at organizational level, workplace level and HRM department level.

Check Your Progress

1. How does the HR department take part in policy formulation?
2. What kind of secretarial and executive support services are provided by the HR department?

3.3 APPROACHES TO HUMAN RESOURCE MANAGEMENT

There are many different approaches to human resource management. These approaches define HRM from different perspectives. These are as follows:

- **Strategic Approach:** The strategic HRM approach focuses on people management programs and long-term solutions. It stresses organizational development interventions, achieving employee organizational fit, and other aspects that ensure employees add value to the organization.
- **Management Approach:** HRM is a part of general management. Management is nothing but managing people in the workplace. Managers at all levels are responsible for managing their employees or subordinates.
- **Human Resource Approach:** People are human beings with a lot of potentials and intellectual abilities. It is important to treat people with respect and dignity.
- **Commodity Approach:** People are a commodity. They are viewed as a cog of a machine. People can be hired and fired through money. It is money that matters most. There is a saying, 'money is sweeter than honey.' This approach views people as an economic man.
- **Proactive Approach:** HR managers must anticipate the challenges or problems before they arise. Prevention is better than cure.

- **Reactive Approach:** It occurs when decision-makers respond to problems. If efforts are reactive only, problems may be compounded, and opportunities may be missed, and organizations may suffer loss. Companies may lose time and money if they take a reactive approach.
- **System Approach:** A system is a set of interrelated but separate elements or parts working together for a common goal. For example, HRM is a system that may have parts such as procurement, training, performance appraisal and reward, etc. One part affects and is affected by the other.

3.3.1 HRM Models

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

1. Training and Development

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

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

2. Organization Development

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

3. Organization/Job Design

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

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

4. Human Resource Planning

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

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

5. Selection and Staffing

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

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

(a) Recruitment or getting applications for the jobs as they open up

(b) Selection of the best qualified from those who seek the jobs

(c) Transfers and promotions

(d) Training those who need further instruction to perform their work effectively or to qualify for promotions

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

(a) It helps in discovering talented and competent workers and developing them to move up the corporate ladder.

(b) It ensures greater production by putting the right man in the right job.

(c) It helps to avoid a sudden disruption of an enterprises' production run by indicating shortages of personnel, if any, in advance.

(d) It helps to prevent under-utilization of personnel because of over-manning and the resultant high labour cost and low profit margins.

(e) It provides information to management for the internal succession of managerial personnel in the event of an unanticipated occurrence.

6. Personnel Research and Information Systems

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

7. Compensation/Benefits

Wages and salaries, the payment received for performing work, is a major component of the compensation and reward process which is aimed at reimbursing employees for their work and motivating them to perform to the best of their abilities. In addition to pay, most employees receive benefits such as ESI, leave travel concession, and they receive non-financial rewards such as security, recognition and privileges. Although individual employees vary in the extent to which they value pay in relation to other work rewards, for most people the pay received for work is a necessity.

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

(a) The organization's reward system has a profound effect on the recruitment, satisfaction and motivation of employees and

(b) Wage and salaries represent a considerable cost to the employer.

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

8. Employee Assistance

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

9. Union/Labour Relations

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

Check Your Progress

3. What does strategic HRM approach focus on?
4. Why should HR managers avoid the reactive approach?
5. What are the benefits of employee training?
6. What are the sub-functions of staffing?
7. What are the ways in which employee assistance is provided by HR managers?

3.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The HR department assists and counsels other departments in policy formulation. It prepares programmes concerning recruitment, selection, training, appraisal, and so on, of employees in consultation with other departments.
2. The HR department provides secretarial and executive support services like securing and scrutinizing applications, conducting tests and interviews, arranging orientation and training.
3. The strategic HRM approach focuses on people management programs and long-term solutions. It stresses organizational development interventions, achieving employee organizational fit, and other aspects that ensure employees add value to the organization.

4. HR managers should avoid a reactive approach as if efforts are reactive only, problems may be compounded, and opportunities may be missed, and organizations may suffer loss. Companies may lose time and money if they take a reactive approach.
5. Employee training improves, changes, and moulds the employee's knowledge, skill, behaviour, aptitude and attitude towards the requirements of the job and the organization. Training bridges the difference between job requirements and employee's present specifications.
6. Staffing includes several sub-functions:
   - Recruitment or getting applications for the jobs as they open up
   - Selection of the best qualified from those who seek the jobs
   - Transfers and promotions
   - Training those who need further instruction to perform their work effectively or to qualify for promotions
7. Employee assistance focuses on providing mechanism for personal problem solving and counselling individual employees.

3.5 SUMMARY

- The internal organization of the HR department varies widely depending upon the nature and size of the enterprise, its management philosophy and its external environment.
- Two issues become relevant in a discussion on organization of an HR department. They are (i) place of the HR department in overall set-up and (ii) composition of the HR department itself.
- The staff role of the HR department in relation to other departments is concerned with policy formulation, providing advice, assistance and service, and evaluating performance of the employees.
- There are many different approaches to human resource management. These approaches define HRM from different perspectives. Some of these approaches are strategic approach, management approach, human resource approach, commodity approach, proactive approach, reactive approach and system approach.
- In recent years, there has been relative agreement among HRM specialists as to what constitutes the field of HRM. The model developed by the American Society for Training and Development (ASTD) identifies nine human resource areas:
  - o Training and Development
  - o Organization Development

  - o Organization/Job Design
  - o Human Resource Planning
  - o Selection and Staffing
  - o Personnel Research and Information Systems
  - o Compensation/Benefits
  - o Employee Assistance
  - o Union/Labour Relations
- Employee training is a specialized function and is one of the fundamental operative functions of human resource management. Training improves, changes, and moulds the employee's knowledge, skill, behaviour, aptitude and attitude towards the requirements of the job and the organization. Management development is a systematic process of growth and development by which managers develop their abilities to manage.
- Organization development is the modern approach to management of change and human resource development. Organization Development (OD) concentrates on those dimensions that are about people like norms, values, attitudes, relationships, organizational climate etc.
- Organization design deals with structural aspects of organizations. It aims at analysing roles and relationships so that collective effort can be explicitly organized to achieve specific ends. The design process leads to development of an organization structure consisting of units and positions.
- Human resource planning may be defined as the process of assessing the organization's human resource needs in light of organizational goals and making plans to ensure that a competent, stable work force is employed.
- After identifying the sources of human resources, searching for prospective employees and stimulating them to apply for jobs in the organization, the management has to perform the function of selecting the right employees at the right time. It is important to have a good organization structure, but it is even more important to fill the jobs with the right people.
- Research can lead to an increased understanding of and improvement in HRM practices. To make decisions about personnel and to solve human resource problems, managers gather data and draw conclusions from these data.
- Wages and salaries, the payment received for performing work, is a major component of the compensation and reward process which is aimed at reimbursing employees for their work and motivating them to perform to the best of their abilities. In addition to pay, most employees receive benefits such as ESI, leave travel concession, and they receive non-financial rewards such as security, recognition and privileges.

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- Employee assistance focuses on providing mechanism for personal problem solving and counselling individual employees.
- The establishment of good labour relations depends on constructive attitude on the part of both management and the union.

3.6 KEY WORDS

- **Trade Unions:** It is an organized association of workers in a trade, group of trades, or profession, formed to protect and further their rights and interests.
- **Job design**: It is the process of determining the specific tasks and responsibilities to be carried out by each member of the organization.
- **Human resource planning**: It may be defined as the process of assessing the organization's human resource needs in light of organizational goals and making plans to ensure that a competent, stable work force is employed.

3.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. Write a short note on the staff role of the HR department.
2. What do you mean by human resource planning?
3. What are the advantages of proper and efficient staffing?
4. How can personnel research improve HRM practices?

Long-Answer Questions

1. Analyse the role and structure of human resource function in an organization.
2. Examine the different approaches to human resource management.
3. Discuss the nine human resources areas identified by the ASTD.

3.8 FURTHER READINGS

Armstrong, Michael. 2006. *A Handbook of Human Resource Management Practice.* London: Kogan Page.

Randhawa, Gurpreet. 2007. *Human Resource Management.* New Delhi: Atlantic Publishers & Distributors.

Zaidi. 2009. *Human Resource Management.* New Delhi: Excel Books.

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UNIT 4 ACQUISITION OF HUMAN RESOURCES

NOTES

Structure

4.0 INTRODUCTION

Human resource planning is concerned with ensuring that the right number of people and the right kind of people are working in an organization. A human resource plan is prepared keeping in mind the objectives of the organization. Without human resource planning, the needs of the organization is reduced to mere guesswork. Job analysis is an important component of personnel management. It refers to the procedure by which information about a job is obtained. Closely associated with job analysis is the concept of job description and job specification. This unit will discuss the objectives and importance of human resource planning. The component of job analysis, job description and job specification will also be discussed.

4.1 OBJECTIVES

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

- Discuss the objectives and importance of human resource planning
- Explain the purpose and uses of job analysis
- Analyse the methods of collecting job analysis data
- Understand the component of job description
- Examine the content of job specification

4.2 HR PLANNING

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Human resource planning (HRP) 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.

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 4.1.

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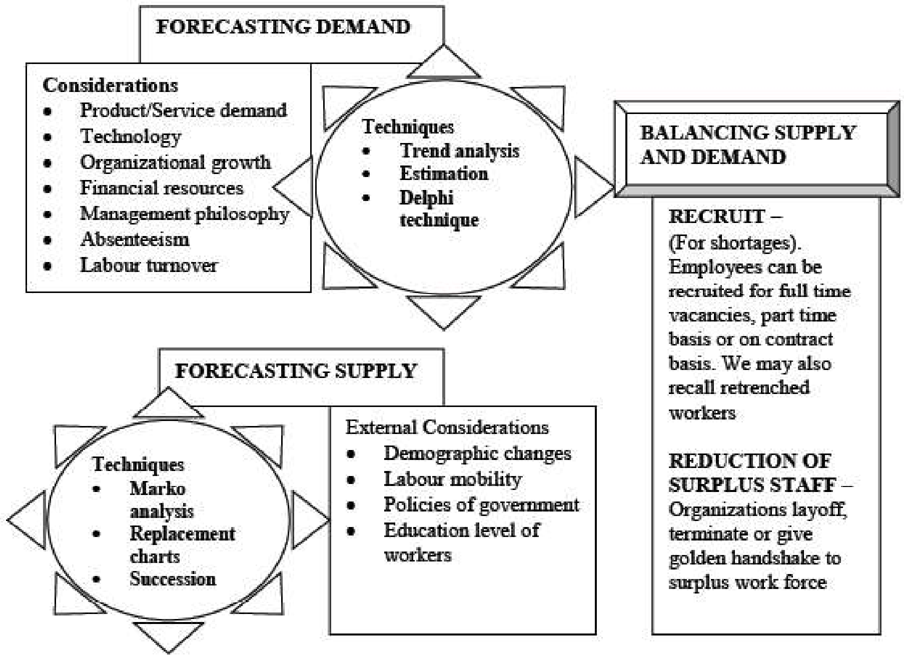

Fig. 4.1 *Flow Chart Depicting 'Human Resource Planning Model'*

Objectives of HR planning

From Figure 4.1, 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.

Importance of HR planning

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

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.
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.

Check Your Progress

1. List any two characteristics of human resource planning.
2. What happens when the number of persons in an organization is less than required?

4.3 JOB ANALYSIS

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

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

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

Purpose and Uses of Job Analysis

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

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

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

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

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

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

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

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

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

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

Contents of Job Analysis

A job analysis provides the following information:

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

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

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

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

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

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

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

The Steps in Job Analysis

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

Step 1: Collection of Background Information

Step 2: Selection of Representative Position to be Analysed

Step 3: Collection of Job Analysis Data

Step 4: Developing a Job Description

Step 5: Developing Job Specification

Methods of Collecting Job Analysis Data

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

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

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

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

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

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.

4.3.1 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.

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, 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

Components or Contents of Job Description

A job description contains the following data:

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

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

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

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

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

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

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

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

Writing a Job Description

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

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

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

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

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

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

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

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

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

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

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

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

The British Institute of Management publication adds four more guidelines:

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

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

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

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

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.

4.3.2 Job Specification

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

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

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

These specifications relate to the following:

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

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

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

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

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

Check Your Progress

3. What is job analysis?
4. What is industrial engineering activity concerned with?
5. What are the five steps required for doing a job analysis?
6. What is the purpose of job summary?
7. How is a job description for supervisory job prepared?
8. State any two specifications mentioned in job specification.

4.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

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1. The characteristics of human resource planning are as follows:
   - Human resource planning must incorporate the human resource needs in the light of organizational goals.
   - A human resource plan must be directed towards well-defined objectives.
2. 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.
3. Job analysis is a procedure by which pertinent information is obtained about a job, i.e., it is a detailed and systematic study of information relating to the operations and responsibilities of a specific job.
4. Industrial engineering activity is concerned with operational analysis, motion study, work simplification methods and improvements in the place of work and its measurement, and aims at improving efficiency, reducing unit labour costs and establishing the production standard which the employee is expected to meet.
5. There are five basic steps required for doing a job analysis:
   - Step 1: Collection of Background Information
   - Step 2: Selection of Representative Position to be Analysed
   - Step 3: Collection of Job Analysis Data
   - Step 4: Developing a Job Description
   - Step 5: Developing Job Specification
6. 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.
7. 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.
8. Job specification includes the following information:
   - 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.

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

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4.5 SUMMARY

- 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.'
- 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.
- Job analysis is a procedure by which pertinent information is obtained about a job, i.e., it is a detailed and systematic study of information relating to the operations and responsibilities of a specific job.
- A comprehensive Job Analysis (JA) programme is an essential ingredient of sound personnel management. It is the major input to forecasting future human resource requirements, job modifications, job evaluation, determination of proper compensation and the writing of job descriptions.
- Job analysis provides the following information:
  - o Job identification
  - o Significant characteristic of the job
  - o What the typical worker does
  - o Which material and equipment a worker uses
  - o How a job is performed
  - o Required personnel attributes
  - o Job relationship
- There are five basic steps required for doing a job analysis:
  - o Step 1: Collection of Background Information
  - o Step 2: Selection of Representative Position to be Analysed
  - o Step 3: Collection of Job Analysis Data
  - o Step 4: Developing a Job Description
  - o Step 5: Developing Job Specification
- Job design is the division of the total task to be performed into manageable and efficient units — positions, departments and divisions — and to provide for their proper integration.

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- 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.
- A job description contains information such as job identification or organizational position, job summary, job duties and responsibilities, working conditions, etc.
- Opinions differ on how to write job descriptions. 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.
- 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. These specifications relate to physical characteristics, psychological characteristics, personal characteristics or traits of temperament, responsibilities, etc.

4.6 KEY WORDS

- **Job:** It 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. 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 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.

4.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

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Short-Answer Questions

1. Define human resource planning.
2. Which methods are used for collecting job analysis data?
3. What are the two approaches to job design?
4. What are the key aspects to consider while writing a job description?

Long-Answer Questions

1. Examine the benefits of HR planning.
2. Discuss the purpose and uses of job analysis.
3. Analyse the uses of job description.

4.8 FURTHER READINGS

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BLOCK - II
RECRUITMENT AND SELECTION

UNIT 5 RECRUITMENT AND SELECTION PROCESSS

Structure

5.0 INTRODUCTION

It is important to ensure that the right kind of people and the right number of people are working in an organization. In case of any vacancy, employers usually resort to a recruitment of new employees. There are two sources of recruitment: internal and external. In the present scenario, with the increase in multinational enterprises, the recruitment process has also changed. This means that employees are not only hired domestically but internationally as well. With the growth of the Internet, there are more means available both to the employer and the applicants.

It is to be noted that while recruitment is a positive process, selection is negative. Selection is considered negative as it involves rejection of applicants who have applied for the jobs. This unit will discuss in detail the external and internal sources of recruitment. The essential elements of the selection procedure will also be examined.

5.1 OBJECTIVES

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

- Explain the recruitment process
- Discuss the internal and external sources of recruitment

- Understand the domestic and global sources of recruitment
- Analyse the impact of Internet on the recruitment process
- Discuss the elements of a selection procedure

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5.2 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.

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

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

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

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

Recruitment and Selection

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

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

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

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

Recruitment needs fall into three broad categories—planned, anticipated and unexpected. The planned needs arise from changes in organizational decisions and retirement policies, unexpected needs arise from individuals' decisions to leave the company and from ill health, accidents or deaths. The anticipated category

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comprises those jobs which the organization, by studying the trends within and outside the company, can predict.

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

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

5.2.1 Forecasting

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

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

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

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the ratio between (i) some causal factor like sales volume and (ii) the number of employees required (for instance number of sales people).

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

5.2.2 Sources of Recruitment: Internal Vs External

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

Internal Sources

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

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

(a) It builds up morale.

(b) It encourages efficient people who have ambition.

(c) It is less costly than outside recruitment.

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

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

Promotion from Within: Sources

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

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

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

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

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

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

External Sources

Some of the external sources of recruitment are:

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

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

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

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

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

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

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

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

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

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

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

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

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

Headhunting: Very senior managers are sometimes recruited by a process known as 'executive search' or 'headhunting.' Its advocates believe that the best candidates

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are not only those who reply to advertisements or look for new jobs but also those who are successful in their present jobs and are not thinking of moving elsewhere.

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

(i) In competing businesses

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

(iii) Through confidential headhunting network

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

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

Headhunting has its disadvantages.

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

5.2.3 Domestic Vs Global Sources

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

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

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

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

Internal and External Labour Markets

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

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

5.2.4 IT and Recruiting on the Internet

In accordance with the research by the Society for Human Resource Management, the Internet is used by 96 per cent of all job seekers. This makes it the most commonly used mode of searching. On the other hand, the Internet is used by 88 per cent of recruiters to advertise for new opportunities and vacancies. This approach is considered cheaper, faster and highly efficient by firms and candidates. Applicants can make use of a number of websites that can be availed on the Internet, for this purpose. The applicants can make use of these websites for

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submitting their resumes and similarly, prospective employers can check these resumes for candidates who may suite their requirements. These websites also have a system to match the requirements with the skills of the candidates. Recently, firms have found it more convenient and effective to construct their own websites, wherein they advertise the job vacancies. Websites prove to be speedy, convenient and cost-effective for applicants who use the Internet to submit their resumes. The resumes are then converted into a standard format that uses the software to make a short list of candidates. This is in accordance with the set criteria such as qualifications, experiences, etc. The requirements are furnished by the HR department which also generates the profiles of candidates from the company's database.

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

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

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

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

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Check Your Progress

1. What is the difference between recruitment and selection?
2. Which is the most widely used technique for selection?
3. Why should recruitment from within the organization be encouraged?
4. What are the disadvantages of internal recruitment?
5. What is blind advertisement?
6. What is raiding?

5.3 SELECTION PROCESS

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

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

Essential Elements of Selection Procedure

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

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

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

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

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

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

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

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

Developing and Using Application Forms

The application blank or application form and employment interview are the two most widely used selection methods and they are often used in combination to supplement each other. Let us discuss the application form here.

The application form provides the following information:

(i) Identifying information such as name, address, telephone number

(ii) Personal information such as marital status, age, dependents, place of birth

(iii) Physical characteristics, such as, height, weight, health, defects, identifying marks

(iv) Family background

(v) Education, academic, technical and professional

(vi) Experience

(vii) References

(viii) Miscellaneous comments including hobbies, financial status, membership of professional bodies

(ix) Reasons for seeking job in the organization

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

Building Employee Commitment

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

- ***Unity of interests:*** Integration of worker's goals with organization's objectives will create employee's confidence and build up high morale.

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

Check Your Progress

7. Why is selection considered a negative process?
8. State two measures that can be taken to build high employee morale.

5.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Recruitment means announcing job opportunities to the public in such a way that a good number of suitable people will apply for them. On the other hand, selection means choosing from that number, those applicants who are most likely to succeed in the jobs. In this sense, recruitment is a positive process while selection is a negative process of rejecting most of the candidates.
2. Interview is the most widely used technique for selection.
3. Recruitment from within the organization should be encouraged as a method of recruitment because it contributes to building up good morale among workers.
4. The policy of preferring internal candidates suffers from some disadvantages. It may lead to inbreeding, discouraging new blood from entering an organization. If promotion is based on seniority, the really capable hands maybe left out.
5. Blind advertisement is a method of recruiting individuals by not revealing the name of the organization. Blind advertisements use Box NO. and do not publish the name of the company that is advertising. Respondents are asked to reply to a Box No.

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6. Raiding means attracting the employees working elsewhere to join the organization.
7. Selection is considered a negative process as it involves rejection of most of the candidates, leaving only a few who are considered suitable.
8. Some of the measures to build high employee morale in an organization include:
   - Unity of interests: Integration of worker's goals with organization's objectives will create employee's confidence and build up high morale.
   - Leadership confidence: Managers who are sincere, sympathetic and democratic in their attitude towards employees can easily establish confidence in their leadership.

5.5 SUMMARY

- No employer can survive in the absence of human resources. 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 reorganizing the work, using overtime, mechanizing the work, making the job part-time, using an agency, etc.
- Recruitment is a process that not only helps to fill a vacancy physically, mentally and temperamentally but also helps to develop an employee into a desirable asset. The selection process finds persons with potential to grow in the organization.
- Recruiters commonly make use of two tools to ascertain their staffing needs. These are the ratio analysis and trend analysis methods.
- Trend analysis involves examining and analysing the changes in an organization's employment levels over the last few years. This can be done by computing the number of workers in your organization at the end of each of the last five years, or may be the number in each sub-category (such as sales, production, secretarial and administrative) at the end of each of those years.
- Another common approach to forecasting staffing needs is ratio analysis. This involves forecasting staffing requirements based upon the ratio between (i) some causal factor like sales volume and (ii) the number of employees required (for instance number of sales people).
- There are two main sources of recruitment from which employees may be recruited: (1) Internal sources, i.e., recruitment from within the organization and (2) External sources, i.e., recruitment from outside the organization.
- Recruitment from within the organization should be encouraged as a method of recruitment because it contributes to building up good morale among

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workers. Existing employees should be given an opportunity to switch over to another job which they consider more congenial.

- Job opening for employees within the organization stimulates the possibility of transfer or promotion, increases the general level of morale, and provides more information about the candidate through analyzing his performance in the organization.
- Some of the external sources of recruitment are employment exchanges, advertisement, casual applications, educational institutes, employment agencies, etc.
- Recruitment is an issue that is becoming more international. Not only has the growth of multinational enterprises meant that they now recruit in many countries, but there has also been a growth in organizations that recruit for their domestic workforce.
- There are also marked differences across countries in terms of labour markets. Germany, Japan, France and Switzerland are noted for generally having internal labour markets where recruitment tends to be focused on specialized entry points at low levels of the hierarchy, and wherein promotion is through internal assessment.
- Britain, the US, Denmark, the Netherlands and Hong Kong tend to be characterized as external labour markets where candidates can move in and out of the hierarchy at any level.
- In accordance with the research by the Society for Human Resource Management, the Internet is used by 96 per cent of all job seekers. The applicants can make use of these websites for submitting their resumes and similarly, prospective employers can check these resumes for candidates who may suite their requirements.
- 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.
- The application blank or application form and employment interview are the two most widely used selection methods and they are often used in combination to supplement each other.

5.6 KEY WORDS

- **Recruitment**: It is the process of looking for prospective employees and encouraging them to apply for jobs in the organization.
- **Trend analysis**: It involves examining and analysing the changes in an organization's employment levels over the last few years.

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- **Headhunting:** It is the activity of identifying and approaching suitable people employed elsewhere to fill business positions.
- **Transfers:** It is act of moving an employee from one position to another of a similar status. Generally, there is no increase in the pay.

5.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What are some of the options available to a recruiter if he/she does not want to recruit a new employee for a vacancy?
2. What are the two techniques used for forecasting staffing needs of an organization?
3. What are the advantages of internal recruitment?
4. List the disadvantages of headhunting.

Long-Answer Questions

1. Explain the sources of internal recruitment.
2. Discuss the external sources of recruitment.
3. Analyse the essential elements of a selection procedure.

5.8 FURTHER READINGS

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UNIT 6 TEST, INTERVIEWS, PLACEMENT AND INDUCTION

Structure

6.0 INTRODUCTION

The selection of employees is done through tests and interviews. Different types of tests are available to gauge the abilities of the applicants. Interviews are the most commonly used selection tool. However, the interviewer should keep in mind certain factors while interviewing the applicants. The placement and induction process are also equally important. Promotion, demotion, transfer and employee separation are the different aspects of job changes. These aspects will be discussed in detail in this unit.

6.1 OBJECTIVES

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

- Understand the purpose of tests
- Discuss the process of conducting interviews
- Understand the concept of placement and induction
- Explain the types and basis for promotions
- Analyse the types and basis for transfers
- Examine the causes for demotion
- Discuss the concept of employee separation

6.2 TESTS

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In this section, we will discuss the process of testing and interview. The importance of placement and induction process will also be discussed.

Tests

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

As Tiffin and McCormick point out, it should be recognised that psychological tests are not infallible, and that sometimes they reveal results which are not a true indication of the potential job success of the candidate. The effectiveness of any method depends upon the degree of improvement and not perfection. Suppose, without the use of testing programme, the turnover rate is 30 per cent and with the use of testing programme it comes down to 25 per cent. Here, the testing programme is considered as successful although it has not eliminated the turnover.

Types of Tests

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

Aptitude tests assess an individual's potentiality to learn about a job through adequate training. These tests are effective for freshers. Achievement tests indicate how effectively an individual can perform a job and what he knows about it. These tests are useful if the candidates have prior experiences of similar jobs. It may be noted that there are certain tests which when used in a particular way are classified as achievement tests and when used in other ways, can be designated as aptitude tests. Thus, the basic classification criterion should be the purpose and

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not the content. Personality and interest tests indicate personal traits conducive to the job performance. These tests are akin to aptitude tests. A power test refers to a test where the ability of the candidate to complete the test items is more crucial than his speed, while speed test refers to a test where each item can be completed by most candidates, but in which speed is crucial.

Work Samples and Simulation

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

6.2.1 Interviews

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

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

(i) Giving information that will help the applicant make up his mind about the company or the selling aspects

(ii) Obtaining relevant information from the candidate

(iii) Making the candidate feel that he has been fairly treated

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

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

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availability, education as required by the job, intelligence, ability to solve problems, relevant experience, knowledge, physical conditions and health.

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

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

Interviews in which just a few questions, mostly unrelated to the job, are asked, and the candidates unceremoniously dismissed, naturally create the impression that the interview is only a formality and that the decision in selection depends on factors other than the candidate's merit or performance. Not only are qualified candidates disappointed but they rightly take away a bad impression about the agency as such.

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

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

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

Staff selection involves three steps:

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

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

The main purpose of the selection interview is to determine the applicant's suitability for a job. The interviewer by means of talk and observation attempts to learn the applicant's mental, physical, emotional and social qualities — potential or developed. His primary objective is to select the candidate who will best advance

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his business objectives. The applicant generally hopes for more than a job — he wants a good job with fair prospects for advancement. So the employer has to keep this in mind and in the interview he should serve the purpose of the applicant. He must give information that will help the candidate to decide whether or not to accept the post if it is offered to him. Thus the selection process is a rejection process by the prospective employee as well as the employer. It is always wise for an applicant to reject an offer that would result in an unsatisfactory situation in the long run even though there may be short-term advantages. Thus in the selection process the interview should serve the purposes of both the employer and the prospective employee.

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

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

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

Common Interviewing Mistakes

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

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

Designing and Conducting the Effective Interview

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

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

created, it is difficult to have a proper assessment of the candidate's capabilities.

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

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Computer-Aided Interview

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

Small Business Applications

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

6.2.2 Placement and Induction

Placement refers to the process of connecting the selected person and the employer in order to establish an ongoing employment relationship. In this step, the employee is given the activities he/she needs to perform and is told about his/her duties. On the other hand, the introduction of 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

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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 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.

Check Your Progress

1. What are some of the examples of group test?
2. What is the main purpose of the selection interview?
3. What do you understand by the concept of induction?

6.3 JOB CHANGES: PROMOTIONS, DEMOTIONS AND TRANSFERS

Let us begin by discussing promotions.

I. Promotions

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

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

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

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

Types of Promotion

The different types of promotions are:

(a) Limited Promotion

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

(b) Dry Promotion

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

(c) Multiple Chain Promotion

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

(d) Up and Out Promotion

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

Basis of Promotion

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

(a) Promotion Based on Seniority

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

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(b) Promotion Based on Merit

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

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

(c) Merit-cum-Seniority Promotion

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

(d) Promotion by Selection

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

(e) Time Bound Promotion Scheme

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

(f) Temporary Promotion Scheme

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

Promotion Policy

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

(a) Promotion Policy Statement

A corporate policy on promotion helps to state formally the organization's broad objectives, and to formulate both the organization's manpower and individual career plans.

(b) Ratio of Internal Promotion Vs External Recruitment

A promotion policy statement must state the ratio of internal promotions to external recruitment at each level. Such a statement will help manpower planners to project numbers of internally available candidates for vacancies.

(c) Decide the Basis for Promotion

A promotion policy statement must decide the basis on which promotions are to be given. Usually promotions are decided on the basis of performance appraisals.

(d) Decide the Routes for Promotion

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

(e) Communicate the Promotion Policy

The organization should communicate its promotion policy to its employees. Such an exercise will help aspirants to acquire the necessary formal qualifications, encourage them to attend suitable external development programmes etc.

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(f) Lack of Promotional Avenues

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

(g) Determination of Seniority

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

(h) Relationship of Disciplinary Action to Promotion

Another area to look into while formulating a promotional policy is whether there is a relationship between any disciplinary action taken against an employee and promotion. Does a disciplinary action cause a loss in employee seniority? If yes, then to what extent?

Advantages of a Promotion Policy

The following are the benefits of a good promotion policy:

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

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

(iii) It facilitates and increases job satisfaction.

(iv) It increases work effectiveness in the organization.

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

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

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

II. Demotions

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

Causes of Demotion

Given below are the causes of demotion:

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

Conditions for Demotion

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

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

III. 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 'transfer'. A transfer therefore does not involve a change of responsibility or compensation. Transfers are normally made to place employees in positions where they are likely to be more effective or where they are likely to get greater job satisfaction. Transfers may be either organization-initiated or employee-initiated. An organization may initiate a transfer to place employees in positions where they are likely to be more effective or where they are better able to meet work schedules of the organization. Employee initiated transfers, also

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known as 'personnel transfers' may be initiated for several reasons. These could range from wanting a change of boss or a change of location or to avoid interpersonal conflicts with their present colleagues or to join their friends and relatives.

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

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

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

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

Types of Transfers

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

(a) General

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

(b) Production

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

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(c) Replacement

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

(d) Shift

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

(e) Remedial

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

(f) Versatility

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

(g) Punishment or Penal

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

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

(h) Request Transfers

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

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(i) Mutual Transfers

When transfers turn out to be mutual between two employees they are referred to as mutual transfers. Usually the organization concedes to the request of employees for transfer if another employee is willing to go to the other place.

Transfer Policy

It is clear that transfers are made for a number of reasons and are initiated by either the supervisor or the subordinate. If transfers are left entirely to the discretion of supervisors or employees, a number of problems are likely to occur such as favouritism or victimisation. To avoid these problems it is necessary that every organization evolve its transfer policy. Every organization should have a just and impartial transfer policy which should be known to each employee. It is, therefore, important that the company should formulate a policy to govern the administration of all types of employee transfers, rather than decide each case solely on the characteristics of that case. The absence of a well-formulated transfer policy will breed a state of uncertainty amongst the employees. For a successful transfer policy, proper job description and job analysis should be done. Further, care should be taken to ensure that frequent or large-scale transfers are avoided by laying down adequate procedures for the purpose. A systematic transfer policy should provide for the following:

- A transfer policy should clarify the types and circumstances under which transfers will be used. The organization should specifically clarify the types of transfers and the conditions under which these will be made.
- The transfer policy must locate the authority that may initiate and implement the transfer. In other words, it should indicate who would be responsible for initiating and approving the transfers.
- A transfer policy should indicate whether the transfer could be made only within a sub-unit or also between departments, divisions and plants.
- The transferability of both jobs and individuals' needs should be examined in terms of job descriptions, streams of specialization and individual background and training.
- A transfer policy should indicate the basis for transfer. Should it be on the basis of seniority or skill and competence?
- A transfer policy should prescribe whether, when an employee is transferred, his previous seniority credit will be retained.
- The transfer policy should indicate to the transferee the pay scales, the exact wages and perquisites that he would receive in the transferred job. If there is any difference, it should be specified.
- A transfer policy should provide for timely communication of the transfer decision. The transferee should be intimated of the transfer well in advance.

- A transfer should be in writing and duly communicated to all concerned.
- Transfers should not be made frequently.

Industrial practices vary and each organization must formulate its own policy and rules in connection with transfers. In making transfers, it is advisable for the organization to pay the employee the actual cost of moving the household to the place of transfer. A transfer policy will help effective employee redeployment and protect employees from arbitrary transfers.

6.3.1 Separations

We will be discussing separation in detail in Unit 13. Let us briefly discuss it here. Employee separation can be considered to be negative form of recruitment where the organisation and the employee part ways. Separation can be classified into broad categories: Voluntary and Involuntary. When separations are forced by the employer, it is called involuntary. However, when the employee leaves the organisation of his/her own accord, it is called voluntary separation. Whatever be the case, employee separation is a delicate issue for any organization. Involuntary separations especially, demand discretion, empathy and a great deal of planning. An employee may be separated on grounds of resignation, dismissal, suspension, death, permanent incapacity, retrenchment or retirement. Employee separation can also occur due to the expiration of an employment contract, non-confirmation after probation period or as part of downsizing of the workforce.

Check Your Progress

4. What is dry promotion?
5. State any two benefits of a good promotion policy.
6. What are employee initiated transfers also known as?
7. What is shift transfer?
8. What are the two types of employee separation?

6.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The examples of group tests are Purdue Vocational Achievement Tests, Adaptability Test, Wonderlic Personnel Test, etc.
2. The main purpose of the selection interview is to determine the applicant's suitability for a job.
3. Induction is the introduction of the employee to the job. 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.

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4. Dry promotion is a promotion as a result of which there is no increase in the employee's pay. Dry promotions are those which are given in lieu of increases in compensation. It is usually made decorative by giving a new and longer title to the employee.
5. The following are the benefits of a good promotion policy:
   - A good promotion policy provides an incentive to work more effectively as it recognises an employee who does better work. It must however tell employees in advance what avenues exist for advancement.
   - It develops employee loyalty by rewarding him and placing him in a higher position in the organization for his efficiency.
6. Employee initiated transfers are also known as 'personnel transfers'.
7. Shift transfers are transfers of workers from one shift to another on the same type of work. Workers generally dislike second or third shift as it affects their participation in community life. To minimise this, shift transfers are effected.
8. Separation can be classified into two broad categories: Voluntary and Involuntary.

6.5 SUMMARY

- 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.
- There are different types of tests. There may be group or individual tests, instrumental or paper and pencil tests, aptitude or achievement tests, personality and interest tests, and power or speed tests.
- The job or work sample tests involve utilization of equipments which are used on the job. On the other hand, job simulation tests are employment tests that ask candidates to perform tasks that they would perform on the job.
- The interview is a face-to-face, oral, observational and personal appraisal method of evaluating the applicant. It can also be described as a conversation with a purpose and is used almost universally in the staffing process.
- The main qualification of a good interviewer is his ability to establish an empathy with a candidate. He should possess ability, intelligence, experience, a balanced emotional life and awareness of his own biases and prejudices. It is his job to establish rapport — a relationship of mutual confidence and free expression.
- The interviewer should learn to avoid words which are likely to create antagonism and fail to establish rapport with the candidate. The interviewer

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should also take note of the behavioural pattern of the interviewee. He should particularly observe the mannerisms, personal habits or any abnormalities of the interviewee.

- In computer aided interview, the job interviewee uses a computer to answer the questions. Such a method is preferred over a telephonic interview when the questionnaire is long and complex.
- Placement refers to the process of connecting the selected person and the employer in order to establish an ongoing employment relationship. In this step, the employee is given the activities he/she needs to perform and is told about his/her duties.
- Induction is the introduction of the employee to the job. 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.
- 'Promotion is the upward reassignment of an individual in an organization's hierarchy, accompanied by increased responsibilities, enhanced status, and usually with increased income, though not always so.'
- The different types of promotion are limited promotion, dry promotion, multiple chain promotion and Up and Out promotion.
- Different promotion systems are used in different organizations. Of them, the following are considered the most important:
    - Promotion based on seniority
    - Promotion based on merit
    - Merit-cum-seniority promotion
    - Promotion by selection
    - Time bound promotion scheme
    - Temporary promotion scheme
- Whatever may be the type of promotion followed by the management, there should be a definite promotion policy which should be effective and protect the interests of the employees due for promotion. A concrete, comprehensive and realistic promotion policy should be evolved.
- Demotion is a process by which the employee is downgraded and sent to a lower position from the one he is holding at present. When an employee is moved to a job with less responsibility, status or compensation he is said to be demoted.
- A movement of an employee between equivalent positions at periodical intervals is called 'transfer'. Transfers may be either organization-initiated or employee-initiated.
- There are nine types of transfers. They are general transfers, production transfers, replacement transfers, shift transfers, remedial transfers, versatility transfers, punishment, request transfers and mutual transfers.

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- Every organization should have a just and impartial transfer policy which should be known to each employee. It is, therefore, important that the company should formulate a policy to govern the administration of all types of employee transfers, rather than decide each case solely on the characteristics of that case.
- Employee separation can be considered to be negative form of recruitment where the organisation and the employee part ways. Separation can be classified into two broad categories: Voluntary and Involuntary.

6.6 KEY WORDS

- **Interview:** It is a face-to-face, oral, observational and personal appraisal method of evaluating the applicant. It can also be described as a conversation with a purpose and is used almost universally in the staffing process.
- **Placement**: It refers to the process of connecting the selected person and the employer in order to establish an ongoing employment relationship. In this step, the employee is given the activities he/she needs to perform and is told about his/her duties.
- **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.
- **Demotion**: It is a process by which the employee is downgraded and sent to a lower position from the one he is holding at present.

6.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What are the different kinds of tests used in organizations?
2. What are the characteristics of a good interviewer?
3. What are some of the common interviewing mistakes that should be avoided?
4. What are the different types of promotion?
5. Write a short note on promotion policy.
6. List the causes of demotion.

Long-Answer Questions

1. Discuss the rules that should be followed by the interviewer while conducting an interview.

2. Analyse the different kinds of promotion systems used in organizations.
3. Examine the conditions on the basis of which an employee is demoted.
4. Explain the different types of transfers.
5. Discuss the key features of a transfer policy.

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6.8 FURTHER READINGS

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UNIT 7 PLACEMENT, INDUCTION, TRAINING AND DEVELOPMENT

Structure

7.0 INTRODUCTION

An important aspect of the selection process in an organization is the placement. Placement refers to the process of assigning a specific role to the selected employee in the organization. The stress and anxiety an employee experiences after joining the organization is eased through the induction or orientation process. The orientation process helps the employee to get acclimated to the new work environment. The employee should also try to hone their skills in order to improve their performance. This is achieved with the help of training and development programmes. Training and development not only helps the employee but the organization as well. This unit will delve into the types of induction programmes. The importance and benefits of training and development will also be discussed.

7.1 OBJECTIVES

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

- Understand the importance of the placement process
- Discuss the need for orientation programmes in organizations
- Explain the importance and benefits of training and development

7.2 PLACEMENT

Placement is the process of assigning a specific job to each one of the selected candidates. In very simple words, placement means sending the newly employed person to some department for work. It also implies assigning a specific rank and responsibility to an individual. Matching the requirements of the job with the qualifications of a candidate is the essence of placement. According to Pigors and Myers 'Placement is the determination of the job to which an accepted candidate is to be assigned and his assignment to that job. It is a matching of what the supervisor has reason to think he can do with the job demands. It is a matching of what he imposes (in strain, working conditions etc.) and what he offers (in the form of payroll, companionship with others, promotional possibilities etc.).'

7.2.1 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.

Content of the Induction Programme: Keith Davis has listed the following topics that need to be covered in an employee's induction programme:

Table 7.1 *Topics of an Induction Programme*

1.	Organizational Issues • History of the company • Names and titles of key executives • Employees' title and department

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- Layout of physical facilities
- Probationary period
- Products/ Services offered
- Overview of production processes
- Company policies and rules
- Disciplinary procedures
- Employees' handbook
- Safety steps

2. Employee Benefits
   - Pay scales, pay days
   - Vacations, holidays
   - Rest pauses
   - Training avenues
   - Counselling
   - Insurance, medical, recreation, retirement benefits
3. Introductions
   - To supervisors
   - To co-workers
   - To trainers
   - To employee counsellors
4. Job Duties
   - Job location
   - Job tasks
   - Job safety needs
   - Overview of jobs
   - Job objectives
   - Relationship with other jobs

Types of Induction Programmes

Let us discuss different types of induction programmes.

(a) 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 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.

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(b) 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.

(c) 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.

Check Your Progress

1. What do you mean by orientation?
2. What are the three types of induction programmes?
3. Why is there a need to include a general induction programme?
4. What is the purpose of follow-up induction programme?

7.3 TRAINING AND DEVELOPMENT: CONCEPT AND IMPORTANCE OF TRAINING

Training is undertaken by organizations to improve the performance, quality, skill and knowledge of their employees. Thus, it is a vital phase in the development of industrial relations.

Features of training

McFarland defined several concepts used in the development of human resources. Although training and education are closely connected, these concepts differ from each other in crucial ways. While the term 'training' relates to imparting specific skills for specific objectives, the term 'education' involves the development of the whole individual socially, intellectually and physically. Accordingly, training forms only a part of the entire educational process. Moreover, education is more akin to the concepts of growth and development than training. The term development can be defined as the nature and direction of change taking place among personnel through educational and training processes.

Nature of tasks and responsibilities as a determinant

The relative amount of training and education changes with the nature of tasks and responsibilities in organizational settings. As one goes upward in the organization, the requirement of training usually diminishes, and the requirement of education goes up. Explicitly, non-managerial personnel require more job or trade-related skills than managerial personnel demanding the generalized conceptual skills and human relations insights. Accordingly, there is a difference between employee training and management development. Thus, employee training relates to the process by which non-managerial employees are imparted job skills. This type of training is largely task-centred instead of career-centred, and supplements basic skills and job training obtained in trade schools.

Development as applied to managers

On the other hand, development as applied to managers involves the processes by which managerial personnel accomplish not only skills in their present jobs, but also competence for prospective assignments of enhanced difficulties and scope. The higher responsibilities embrace complex conceptual thoughts and analyses, and decision-making abilities. The development process relates to the pressures, changes and growth patterns. Thus, development as applied to managers embraces all those recognized and controlled measures, which exert a marked influence towards the improvement of abilities of the participant to accomplish his present job more effectively and enhance his potential for prospective higher responsibilities.

Narrow and broad perspectives

However, Dunn and Stephens do not limit the term 'development' to managerial personnel only. According to them, 'Training refers to the organization's efforts to improve an individual's ability to perform a job or organizational role, whereas development refers to the organization's efforts (and the individual's own efforts) to enhance an individual's abilities to advance in his organization to perform additional job duties.' Thus, training provides knowledge and skills required to perform the job. It may involve showing a lathe operator how to produce a new

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component, demonstrating to supervisors how to handle grievances, and improving a plant manager's skill to negotiate a contract with the trade union. Accordingly, training can be viewed as job-oriented leading to an observable change in the behaviour of the trainee in the form of increased ability to perform the job.

On the other hand, although development is still job-related, it is much broader in scope. This is implied in management development programmes purporting to prepare managers for higher level positions. It enhances general knowledge related to a job as well as the ability to adapt to change. Thus, training is narrow in scope and largely relates to the acquisition of skills, while development embraces a broader scope. The concept of 'education' relates to the acquisition of knowledge of a general nature.

Present and future orientations

Thus, as Fitzgerald observes, training provides employees with specific skills or helps them to overcome deficiencies in their present performance. On the other hand, development provides employees with that the abilities that the organization will need in the future.

Training versus development

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 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.

Thus, the concept 'training' was degraded. As managers themselves remarked, 'training is for dogs, people are developed'. Today, the terms 'development' and 'education' are more suitable than the term 'training'. It is not the training but the full development of personality that enables the human resources to exert their full potential. Accordingly, training and development programmes are combined together for developing skills as well as basic attitudes, leading to a continued personal growth. These programmes purport to improve job performance, minimize waste and scrap, prepare individuals for promotions, reduce turnover, enable individuals to accept organizational changes, facilitate understanding of the organizational goals and attain allied behavioural objectives. Obviously, the basic problem in development is to integrate the individual's achievement, motivation and self-interest with the goals of the organization.

Difference from four standpoints

Likewise, Gomez-Mezia et al. visualized that training tends to focus on immediate organizational needs, while development focuses on long-term requirements. While the scope of development is on the whole work group of the organization, the scope of training is restricted to an individual employee. The two concepts also differ vis-à-vis their goals. While training overcomes current skill deficiency, development prepares the employees for future work demands. Training is concerned with the current job, whereas development relates to both current and future jobs. Accordingly, it is necessary to remember these differences while evolving and evaluating training programmes.

Thus, the use of training programmes to influence long-range issues is likely to be ineffective. In the same way, the use of a development programme to improve current job performance will be futile.

Obviously, training provides a measure for modifying employee behaviour involving complex attitudes, knowledge and understanding and improving organizational effectiveness. Attempts are being made to determine the training needs for the entire organization rather than its specific departments and also to involve the top management in this programme. There is an urgent need for overcoming resistance to a training programme by demonstrating the concrete results of training, allowing the line personnel to determine its specific needs and perform its own training as much as possible. This approach ensures interest and involvement of the line personnel and minimize conflicts between the line and staff personnel.

Training Needs and Objectives

The needs and objectives are as follows:

(a) 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.

(b) 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

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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.

(c) 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.

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.

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(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.

Benefits of training

Training benefits not only the organization but also the employees. Let us discuss these benefits in detail.

(a) Benefits to organizations: 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, 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.

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(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.

(b) Benefits to employees

Employees are benefitted by training programme in the following ways:

(i) Personal growth: Employees on a personal basis gain individually from training. They secure wider awareness, enlarged skill and enhanced personal growth.

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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.

(vi) Confidence: Training creates a feeling of confidence in the minds of employees. It gives safety and security to them in the organization.

Check Your Progress

5. Differentiate between the terms training and education.
6. What is the purpose of training?
7. List two benefits of training.

7.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

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1. 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'.
2. The three types of induction programmes are general induction programme, specific orientation programme and follow-up orientation programme.
3. An induction programme is needed in an organization as when a person joins an organization, he may feel strange, shy, insecure and/or nervous. Induction leads to reduction of such anxieties.
4. The purpose of the follow-up induction programme is to find out whether the employee is reasonably satisfied with the job.
5. While the term 'training' relates to imparting specific skills for specific objectives, the term 'education' involves the development of the whole individual socially, intellectually and physically.
6. The purpose of training is 'to achieve a change in the behaviour of those trained and to enable them to perform better.'
7. Training benefits the employees in the following ways:
   - Personal growth: Employees on a personal basis gain individually from training. They secure wider awareness, enlarged skill and enhanced personal growth.
   - 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.

7.5 SUMMARY

- Placement is the process of assigning a specific job to each one of the selected candidates. In very simple words, placement means sending the newly employed person to some department for work. It also implies assigning a specific rank and responsibility to an individual.
- 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'.

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- The different types of induction programmes are general induction programme, specific orientation programme and follow-up orientation programme.
- Although training and education are closely connected, these concepts differ from each other in crucial ways. While the term 'training' relates to imparting specific skills for specific objectives, the term 'education' involves the development of the whole individual socially, intellectually and physically.
- Employee training relates to the process by which non-managerial employees are imparted job skills. On the other hand, development as applied to managers involves the processes by which managerial personnel accomplish not only skills in their present jobs, but also competence for prospective assignments of enhanced difficulties and scope.
- A training need exists when there is a gap between the present performance of an employee or group of employees and the desired performance. 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. An organization should provide resources to training programmes if they facilitate in the attainment of organizational goals.
- 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.
- Training benefits not only the organization but the employees as well.
- Training leads to higher productivity, better organizational climate, greater loyalty, improved quality, standardization of procedures, etc.
- Training benefits the employees as it leads to their personal growth, increases safety and develops their skills. Moreover, it increases the earning capacity of the employees and also helps them adjust to the changing technology.

7.6 KEY WORDS

- **Placement:** Placement is the process of assigning a specific job to each one of the selected candidates. It also implies assigning a specific rank and responsibility to an individual.
- **Training:** It refers to the organization's efforts to improve an individual's ability to perform a job or organizational role.
- **Development:** It refers to the organization's efforts (and the individual's own efforts) to enhance an individual's abilities to advance in his organization to perform additional job duties.

7.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

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Short Answer Questions

1. What do you mean by placement?
2. Why is there a need for orientation in an organization?
3. What is the difference between training and development?
4. Write a short note on training needs assessment.

Long-Answer Questions

1. Explain the need for training and development programmes in an organisation.
2. Discuss the different types of induction programmes.
3. Examine the benefits of training programmes.

7.8 FURTHER READINGS

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UNIT 8 TYPES AND METHODS OF TRAINING

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Structure

8.0 INTRODUCTION

Training is conducted by organizations to facilitate learning of new skills and help in the all-round development of employees. There are different types and methods of training available. It is important to note that a training programme should be developed keeping in mind the objectives of the organization. This will enhance organizational effectiveness and performance. After the training is completed, it is important to test the effectiveness of the training with the help of a follow-up. Evaluation of training is done to form judgment about the training activities. This improves the design of the learning experience and reinforces learning. This unit will discuss the types and methods of training. The design of training programme and the importance of training evaluation will also be discussed.

8.1 OBJECTIVES

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

- Explain the types and methods of training
- Discuss the aspects of designing a training programme
- Understand the purpose of training evaluation

8.2 TYPES OF TRAINING

Training involves learning and in a training situation learning is facilitated by the trainer. A number of training methods are available that facilitate learning. There are also different types of trainings. The following section identifies some popular types of training.

Inductive Training

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This refers to the training conducted by organizations to initiate an employee into the organization. Induction training is normally a process by which new employees are informed about the activities of the organization, the terms and conditions of employment, and his new duties and responsibilities. During induction, the employee may be introduced to the workers with whom he will be working as well as the materials, the plant or equipment he will be expected to use. The purpose of induction training is to orient new employees with the management, the organization structure and the organizational vision, mission and values.

It is during the process of induction that the new employee gets initiated into the organizational culture specific to his company. Most induction trainings are a kind of one-way communication in which the company's representative addresses the trainees. There is little or no participation from the employees undergoing induction training. Induction training *per se* does not contribute to employee development, skill enhancement or organizational growth. Induction training programmes are not only for new employees. These are also conducted for in-company promotees who have to be oriented to the demands of new positions and responsibilities.

Induction training is based on the philosophy that the entry of new employees into the organization has to be facilitated and that they have to be eased into their new jobs and responsibilities. The aim is to make the assimilation of new employees in the organizational culture little less complex. Organizations spend considerable thought and resource in organizing inductive training because of its crucial role in facilitating the entry of new employees. The training consists of visiting the various departments of the organization to understand their functioning. The trainees are also introduced to the operational aspect of the organization. In short, induction training is an elaborately planned initiation of the new employees into the organizational culture and structure.

Training in Particular Skills

Every task demands a specific skill set for its effective accomplishment. All organizations conduct skill training programmes of some kind or the other for the employees to make them capable of accomplishing specific tasks. Skill training is directly related to the acquisition of technical or practical expertise. Skill training has a very narrow and focused objective, which is to create competent workers who can contribute productively to the achievement of organizational goals.

Human Relations Training

Human relations training refers to that training that has specific behavioural objectives. These objectives are related to the following:

- Aspects of managing style
- Awareness of behaviour in its different forms
- Altering or shaping behaviour
- Improvement of interpersonal behaviour

Problem Solving Training

Problem solving training provides a foundation for a continuous process or system improvement. 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.

Managerial and Supervisory Training

Managerial jobs combine both management techniques and conceptual knowledge. In case the managerial job is that of a specialist, the training would focus on subjects like operations research, finance, production management, etc. If it is a general management job, then the training would involve management principles and practices. The focus of the entire training would be to make the manager conceptually clear and technically sound so that he is able to function effectively as a manager or supervisor.

Apprentice Training

In India, the Apprentice Act of 1961 lays the foundation for apprentice training. The motive behind apprenticeship training is to provide some basic skills to unskilled individuals so as to enable them to be employed gainfully. According to the Act, industrial organizations in specified industries are required to train apprentices in proportion to their workforce in designated trades.

Classroom

This is the most traditional type of training and the teaching method can vary from the classical method in which the trainer lectures on a chosen topic to the teaching method where the trainer acts as a facilitator. Classroom training can vary from directive to non-directive. The learner participation in learning can vary, depending on the participation allowed by the instructor.

Outdoors

This type of training is widely used by the armed forces, particularly in such fields as leadership training and team building. Off late, corporates have started using outdoor training schedules for team building and other exercises. The advantage of outdoor training is that individual defences are lowered and barriers to learning are removed in a non-structured environment. But some trainers find outdoor training lacking the rigour of classroom training.

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Computer Assisted Learning

This type of training is basically a programmed learning method in which the learner progresses step by step. That is, the learner has to master one step before moving on to the next. The training material is delivered electronically and with the growth of computer technology, computer assisted learning is getting popular among learners.

E-Learning

With the growth of computer technology and the spread of the Internet, e-learning has become an increasingly accepted training and learning method.

The above paragraphs list some common types of training without following any classificatory criterion. Some trainers and experts classify training types on the basis of training methods, some on the basis of trainer and learner roles. The classification continues as per the convenience and understanding of the trainer.

Check Your Progress

1. What is the purpose of induction training?
2. What is the main purpose of problem solving training?
3. State the advantages of outdoor training.

8.3 METHODS OF TRAINING

There are many types of training methods, some of them are:

(a) Induction or orientation training: It is the method of introducing a new employee into the organization with a view to gaining his confidence and developing a sense of cooperation in him. It is a training programme used to induct a new employee into the new social setting of his work. The new employee is introduced to his job situation and to his co-employees. He is also informed about the rules, working conditions, privileges and activities of the company. The induction training not only helps personal adjustment of the new employee to his job and work group but also promotes good morale in the organization.

An induction programme should aim at achieving the following objectives:

(i) To build up the new employee's confidence in the organization so that he may become efficient

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(ii) To ensure that the new employee may not form false impressions regarding his place of work

(iii) To promote a feeling of belonging and loyalty

(iv) To give information to the new employee about canteen, leave rules and other facilities, etc

In short, planned induction welcomes a new employee, creates a good attitude, reduces labour turnover and makes the employee feel at home right from the beginning.

(b) Job instruction training: The objective of job training is to increase the knowledge of workers about the job with which they are concerned, so that their efficiency and performance are improved. In job training, workers are enabled to learn correct methods of handling machines and equipment avoiding accidents, minimizing wastes, and so on.

Under this technique, an employee is placed in a new job and is told how it may be performed. It is primarily concerned with developing in an employee the skills and habits consistent with the existing practices of an organization and with orienting him to his immediate problems. The employees learn the job by personal observation and practice as well as occasionally handling it. It is learning by doing, and it is most useful for jobs that are either difficult to stimulate or can be learned quickly by watching and doing. The actual training follows a four-step process:

(i) Preparation of the trainee for instruction

(ii) Presentation of the instructions in a clear manner

(iii) To help the trainee try out the job to show that he has understood the instructions

(iv) Encourage questions and allowing the trainee to work along with regular follow-up by the trainer

(c) Promotional training: Many concerns follow a policy of filling some of the vacancies at higher levels by promoting existing employees. This policy increases the morale of workers. When the existing employees are promoted to superior positions in the organization, they are required to shoulder new responsibilities. For this, training has to be given.

(d) Refresher training: With the passage of time, employees may forget some of the methods, which were taught to them, or they may have become outdated because of technological development and improved techniques of management and production. Hence, refresher training is arranged for existing employees in order to provide them an opportunity to revive and also improve their knowledge.

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According to Dale Yoder 'Retraining (refresher training) programmes are designed to avoid personnel obsolescence.' Thus, refresher training is essential because:

(i) Employees require training to bring them up-to-date with the knowledge and skills and to relearn what they have forgotten.

(ii) Rapid technological changes make even the most qualified workers obsolete in course of time.

(iii) Refresher training becomes necessary because many new jobs are created and are to be manned by the existing employees.

(e) **Apprenticeship training:** Apprenticeship training system is widely in vogue today in many industries. It is a good source of providing the required personnel for the industry. Under this method, both knowledge and skills in doing a job or a series of related jobs are involved. The apprenticeship programmes combine on-the-job training and experience with classroom instructions in particular subjects. Apprenticeship training is desirable in industries which require a constant flow of new employees expected to become all-round craftsmen.

(f) **Internship training:** Internship training is usually meant for such vocations where advance theoretical knowledge is to be backed up by practical experience on the job. Under this method, the professional institutes enter into arrangement with a big business enterprise for providing practical knowledge to its students. For example, engineering students are sent to industrial enterprise and medical students are sent to hospitals for practical knowledge.

(g) **Vestibule training:** In this method, actual work conditions are simulated in a class room. Material, files and equipment that are used in the actual job are used in the training programme too. In vestibule training, theory can be related to practice. This type of training is commonly used for training employees for skilled and semi-skilled jobs. Vestibule training consists of two parts:

- The lecture method that focuses on theoretical framework and the principles involved in the job performance, and
- The practical exercises based on the theoretical aspects in a workshop that is similar to the shop floor in the production department.

The vestibule training is more suitable for those employees who are required to possess certain specific technical skills before they are employed in actual operations.

Systems approaches to training

While designing training programmes, the goal of the organization should be kept in mind. The organizational goals and strategies form the basis for training objectives.

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However, many of the organizations do not make the connection between their strategic objectives and their training programme. As a result, much of an organization's investment in training programmes does not contribute directly to organizational effectiveness and performance. To make certain that investments in training and development have maximum impact on individual and organizational performance, a systems approach to training should be used. The systems approach to training has four phases which are explained in Figure 8.1.

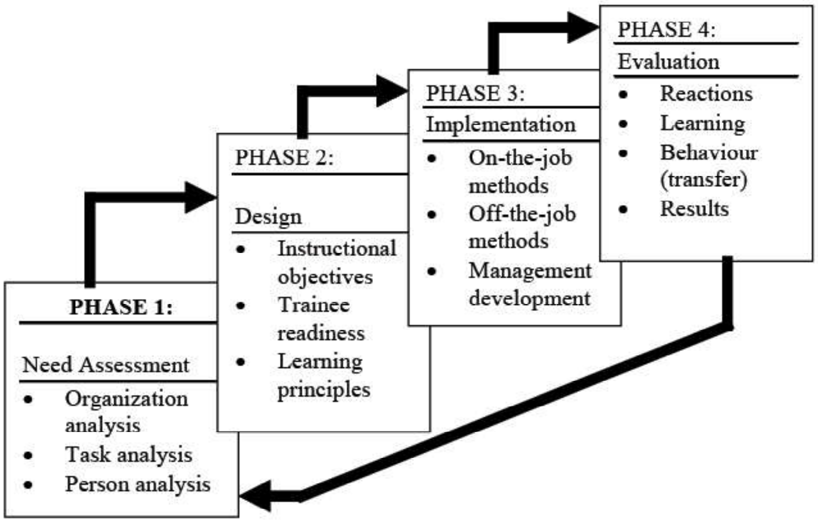

Fig. 8.1 *System Model of Training*

Phase 1: Conducting the needs assessment: The need for training should be felt by the organization. Managers, particularly HR managers, should find out the types of training that are needed, where they are needed, who needs them, and which method should be used to train the employees. In order to do this, we must follow three steps:

1. *Organization analysis*: It is an examination of the environment, strategies, and resources of the organization to determine where training emphasis should be placed.
2. *Task analysis*: After doing the organization analysis, the next step is to do the task analysis. Task analysis involves reviewing the job description and job description and job specification to identify the activities performed in a particular job. Task analysis often becomes more detailed than job analysis, but the overall purpose is to determine the exact content of the training programme. The knowledge skills and abilities (KSAs) needed to perform the particular job should be ascertained. The competency assessment focuses on the set of skills and knowledge employees need to be successful, particularly for decision-oriented and knowledge-intensive jobs.

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3. *Person analysis*: Person analysis involves determining which employees require training and which employees do not need the particular type of training. Person analysis helps the organizations in several ways:
   (i) It helps in avoiding the mistake of sending all employees into training when some do not need it.
   (ii) It enables managers to determine what prospective trainees are able to do when they enter training so that the programmes can be designed to emphasize the areas in which they are deficient.

Phase 2: Designing the training programme: The second step is to design the type of learning environment necessary to enhance learning. The training design should focus on the following:

1. *Instructional objectives*: They describe the skills and knowledge to be acquired and the attitudes to be changed. A clear statement of instructional objectives will provide a sound basis for choosing methods and materials and for selecting the means for assessing whether the instruction will be successful or not.
2. *Trainee readiness*: For any training to be successful, the trainee should be prepared to receive the training. In order to achieve this, prospective trainees should be screened to determine that they have the background knowledge and skill necessary to absorb what will be presented to them.
3. *Principles of learning*: Since the success or failure of a training programme is frequently related to certain principles of learning, managers and employees should understand that different training methods or techniques vary in extent to which they utilize these principles.
4. *Characteristics of instructors*: The success of any training effort will depend to a large extent on the teaching skills of the instructors. A good instructor is one who shows a little more effort or demonstrates more instructional preparation.

Phase 3: Implementing the training programme: A major consideration in choosing among the various training methods is determining which one is more appropriate for the KSAs to be learned.

Phase 4: Evaluating the training programme: Training should be evaluated to determine its effectiveness. The four basic criteria available to evaluate training are: (i) reactions (ii) learning (iii) behaviour and (iv) results. These criteria can give a total picture of the training programme and help managers evaluate the success or otherwise of the training programme.

Training programme is a costly and time-consuming process. The following training procedure is essentially an adoption of the job instruction-training course. The following steps are usually considered necessary.

(a) Discovering or identifying the training needs: A training programme should be established only when it is felt that it would assist in the solution

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of specific problems. Identification of training needs must contain three types of analysis:

(i) Organizational analysis: Determines the organization's goals, its resources and the allocation of the resources as they relate to the organizational goals.

(ii) Operations analysis: Focuses on the task or job regardless of the employee doing the job.

(iii) Man analysis: Reviews the knowledge, attitudes and skills a person must acquire to contribute satisfactorily to the attainment of organizational objectives.

Armed with the knowledge of each trainee's specific training needs, programmes of improvement can be developed that are tailored to these needs. The training programme then follows a general sequence aimed at supplying the trainee with the opportunity to develop his skills and abilities.

(b) Preparing the instructor: The instructor is the key figure in the entire programme. He must know both the job to be taught and how to teach it. The job must be divided into logical parts so that each can be taught at a proper time without the trainee losing perspective of the whole. This becomes a lesson plan. For each part one should have in mind the desired technique of instruction, i.e., whether a particular point is best taught by illustration, demonstration or explanation.

(c) Preparing the trainee: This step consists of:

- Putting the learner at ease
- Stating the importance and ingredients of the job and its relationship to work flow
- Explaining why he is being taught
- Creating interest and encouraging questions, finding out what the learner already knows about his job or other jobs
- Explaining the 'why' of the whole job and relating it to some job the worker already knows
- Placing the learner as close to his normal position as possible
- Familiarizing him with the equipment, materials, tools and trade terms

(d) Presenting the operations: This is the most important step in a training programme. The trainer should clearly tell, show, illustrate and question in order to put across the new knowledge and operations. There are many ways of presenting the operation, such as explanation and demonstration. An instructor mostly uses the method of explanation. In addition, one may illustrate various points through the use of pictures, charts, diagrams and other training aids. Demonstration is an excellent device when the job

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is essentially physical in nature. The training programme may be followed as per the following steps:

(i) Explain the course of the job
(ii) Do the job step-by-step according to the procedure
(iii) Explain each step that he is performing
(iv) Have the trainee explain the entire job

Instructions should be given clearly, completely and patiently; there should be an emphasis on key points and one point should be explained at a time. The trainee should also be encouraged to ask questions in order to indicate that he really knows and understands the job.

(e) Try out the trainees' performance: Under this, the trainee is asked to go through the job several times slowly, and each step is explained. Mistakes are corrected, and if necessary, some complicated steps are done for the trainee the first time. Then the trainee is asked to do the job, gradually building up skill and speed. As soon as the trainee demonstrates that he can do the job in the right way, he is put on his own. The trainee, through repetitive practice, will acquire more skill.

(f) Follow-up: The final step in most training procedures is that of follow-up. This step is undertaken with a view to test the effectiveness of training efforts. The follow-up system should provide feedback on training effectiveness and on total value of training system. It is worth remembering that if the learner has not learnt, the teacher has not taught.

Comparison of on-the-job and off-the-job training programmes

Given below are the merits and demerits of on-the-job and off-the-job training programmer. This will enhance our understanding of the differences between the two programmes.

Merits of on-the-job training

The merits of on-the-job training are as follows:

(a) It permits the trainee to learn on the actual equipment and on-the-job environment.
(b) It is a relatively cheaper and less time consuming as no additional personnel or facilities are required for training.
(c) As the trainee gets a feeling of actual production conditions, it increases the effectiveness of training.

Demerits of on-the-job training

The demerits of on-the-job training are given below:

(a) The instruction in on-the-job training is often highly disorganized and haphazard.

(b) Trainees are often subjected to distractions of a noisy shop or office.

(c) There is low productivity.

Merits of off-the-job training

The merits of off-the-job training are given below:

(a) Off-the-job training can lead to generation of new ideas.

(b) As off-the-job training is expensive, employees who receive it may feel more valued by the company and therefore more motivated and loyal.

(c) Training is often high-quality as it is provided by a skilled expert

Demerits of off-the-job training

The demerits of off-the-job training are as follows:

(a) It can be expensive.

(b) There is a risk that the newly trained employee will leave the business.

(c) It leads to reduced productivity as the trainee is away from their role.

Training methods and their Suitability

The success of any training or development programme largely depends on the selection of the methods used. Here, it should be remembered that no single method can prove to be the best method. Various methods are suitable for various reasons. Table 8.1 shows the methods and their suitability for training.

Selection of a training method

The selection of an appropriate method depends upon the following factors:

(a) Nature of problem area: The choice of a training method depends upon the task to be done or the manner in which people interact with each other, i.e., the problem may be either an operational problem or a human relations problem.

(b) Level of trainees in the organization's hierarchy: The choice of a training method also depends upon the level of the participants.

(c) Method's ability to hold and stimulate the interest of trainees during the training period: A trainer has to consider alternative methods of presenting training material to participants also from the point of view of their ability to stimulate interest and facilitate retention of the matter.

(d) Availability of competent trainers: A training method is as effective as the ability of the trainer. He is the most important figure in the entire training programme. Therefore, before venturing into a training programme we have to first find a good trainer.

(e) Availability of finance: Availability of finance is crucial for any training programme. To make a training programme effective, adequate finance is necessary.

(f) **Availability of time:** Training cannot be done in a hurry. Adequate time is necessary to make the training programme a success.

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Table 8.1 *Suitability of Training Methods*

Technique of Training	*Suitability*
Lecture	For large groups. For orientation or easy to understand material.
Case study	For small groups. Requires discussion and participation by all participants. It may be used to develop group decision-making skills.
In-basket technique	For small groups. For developing analytical and decision-making skills.
Conferences and seminars	For broadening knowledge, stimulating new ideas and changing attitudes and for developing skills.
Programmed instruction and computer-assisted learning	For either large or small groups where cost is critical. Permits people to study at their own convenience.
Simulation and gaming	For group projects. For developing decision-making skills required the integration of many factors.
Laboratory training	For groups of almost any size. For changing an organization's attitudes. For increasing organizational problem-solving capabilities.
T-group sensitivity training	For developing better understanding and better perceptions of co-workers.

Check Your Progress

4. What is the objective of job training?
5. Why is refresher training given to employees?
6. What are the four basic criteria used for evaluating the training programme?
7. What are the demerits of on-the-job training programmes?

8.4 DESIGNING OF TRAINING PROGRAMME

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

(*i*) Planning for management development

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

(*ii*) Implementing management development

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

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

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

(*iii*) Maintaining replacement tables

The future needs of executives can be accomplished by maintaining replacement tables, indicating the present and future executive positions, their existing incumbents

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

(*iv*) Watching side-effects

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

8.5 EVALUATION OF TRAINING EFFECTIVENESS

Evaluation refers to the process of determining the value of something, such as quality of gold or quality of learning content, etc. Evaluation of training refers to the process of collecting data pertaining to training activities. The collected data is analysed to make decisions about training activities. The process of evaluation of training has to be undertaken with care because important organizational decisions are based on it. Prudent decisions to introduce, retain or discard particular training activities can have a major effect on the health of organizations, while poor decisions can have a negative impact on organizations. However, organizational decision-making involves a number of elements like organizational context, current operational status, future plans, etc., but it is the evaluation process, which provides vital inputs for decision-making. In fact, the evaluation process does not lead to decisions; it just provides the decision-maker with data on the basis of which he makes decisions.

Before we attempt to define the term training evaluation, it is necessary to distinguish evaluation from measurement, because most students consider both words to be synonymous. Although ‘evaluation’ and ‘measurement’ are linked, from training point of view they cannot be used interchangeably. Measurement is the process of ascribing a numerical value to different aspects of a training event. It is primarily focused on collecting data about a specific training event or a programme. Evaluation is the process of analysing the data and arriving at some form of judgment about the training event.

There are as many definitions as there are textbooks on training evaluation. But we shall be following the definition provided by *Glossary of Training and*

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Learning Terms produced by Institute of Training and Occupational Learning (ITOL), UK.

'The assessment of the total value of a training programme, training system or training course in both value and cost-effective terms (i.e. an effective ROI) differs from validation in that it is concerned with the overall benefit of the complete training programme and its implementation and not just the achievement of the laid-down objectives. It includes all the pre-course and post-course implementation of the learning by the learner at work.'

Another simple yet useful definition is provided by Hamblin:

> Any attempt to obtain information (feedback) on the effects of a training programme and to assess the value of training in the light of that information.

There are many levels at which a training event can be evaluated, but there are only two basic dimensions to evaluation. Warr, Bird and Rackham identified the two basic dimensions of evaluation as input evaluation and outcome evaluation. Input evaluation covers questions which need to be asked before the training event can be organized. Input evaluation considers those issues of training over which the trainer has choice and control such as:

- Training approach
- External or internal sources
- Format of the training event

Outcome evaluation is concerned with identifying from evidence changes which have occurred as a result of training.

Training evaluation is an ongoing process and is not something which is limited to end of the training event assessment. Trainers evaluate trainees during the session, at the end of the training event, and after the trainees report to the jobs.

- **During the session:** As trainees participate in skill practice, case studies, exercises and simulations, the trainer observes the degree to which trainees have mastered training content.
- **At the end of the session:** This is done to evaluate the trainees' learning and to ascertain their reactions to the training event.
- **After the training:** A couple of weeks or a month after the training event, the trainee's job performance is evaluated to determine whether he or she is applying the newly acquired skills to their jobs.
- **Purpose of evaluation:** Evaluation as a process generates data, while analysis and utility of evaluation as a process lies in the purpose it serves. Following are some purposes for conducting training evaluation–
- **To improve the design of the learning experience:** Evaluation process helps in verifying the needs assessment, training objectives, instructional

strategies, training delivery and training content. Verifying these aspects related to training helps in improving future training events.

- **To determine the achievement of training objectives:** Training objectives are stated in measurable terms and evaluation ascertains whether the specified objectives were met or not. Along with achievement, it is critical to know the extent of the achievement of objectives. This allows the trainer to focus on content reinforcement and improvement.
- **To determine the adequacy of the content:** Evaluation helps to identify content-related issues, such as its adequacy, quality, sequencing etc. It helps in making the content more job-oriented and more learning-oriented in terms of degree of difficulty. Evaluation identifies the alignment of content with training objectives.
- **To assess the effectiveness of instructional strategies:** Evaluation provides the trainer with an understanding of the effectiveness of instructional strategy used. It assesses the relevance of training techniques like case studies, role plays, etc. to the training objective. Evaluation helps to identify gaps in the delivery of training. Instructional strategies, when used as part of evaluation, can measure knowledge, skills and abilities the learning experience offers.
- **To reinforce learning:** Learning has to be reinforced by the trainer during the session, for effective learning. Some evaluation methods can reinforce learning. For example, a test or similar performance assessment can focus on content, so that content retention is measured and evaluated. The measurement process itself causes the trainee to reflect on the content, select the appropriate content area, and use it in the evaluation process.
- **To provide feedback to the trainer:** The process of evaluation is not only meant to evaluate the trainees, in fact it evaluates every aspect of training including the trainer or facilitator performance. Trainer evaluation provides the trainer with feedback in terms of content adequacy, his understanding of the training topic, his training skills, his presentation etc. In short, evaluation provides a performance feedback to the trainer, which helps the trainer in improving his facilitating skills.
- **To determine the appropriate pace and sequence:** Pace refers to the speed with which the trainer conducts his session and sequence refers to the arrangement of topics of the training course. The pace and sequence plays an important role in learning. It considers issues like amount of time required for effective completion of training, flow of content, etc.
- **To provide feedback to trainees on learning:** Giving feedback to trainees on learning aspects is the most important purpose of training. Evaluation provides feedback, which allows trainees to know the area of learning that requires more attention, to perceive any change in knowledge and skills etc. Evaluation feedback allows the trainee to know his learning status vis-à-vis training content.

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- **To identify trainees who are learning:** Evaluation can identify those trainees who are making progress in learning and those who are struggling to cope with the training course. Evaluation provides the trainer with data which allows him to identify and focus on trainees who have learning problems with content.
- **To determine business impact:** Evaluation enables identifying shifts in business metrics and contribution of training to organizational growth. Evaluation allows the organization to determine return on investment on training programme. In short, evaluation assesses the impact of training on the organization as a whole.
- **To identify learning that is being used on the job:** Evaluation identifies those knowledge and skills which are being used by trainees for effective performance of jobs. This data allows the organization to focus on those knowledge and skills which have utility value at job site for future training programmes.
- **To assess on-the-job environment to support learning:** Training success is not only achieving desired performance levels after the training event but it also ensures successful transfer of learning to job site. Evaluation identifies those factors which support transfer of learning, which could be management support or peer support etc.
- **To build relationships with management:** The whole evaluation process involves sizable management participation. The identification of the business metric, evaluation plan, collection of information, and communication of results, all involve management. This involvement allows the training department to build a constructive and working relationship with individuals who matter in the organization.

Evaluation is a lengthy process of data collection and analysis but the organizations conduct it as it serves the above mentioned purposes.

Check Your Progress

8. How can the future needs of executives be accomplished?
9. What is the difference between measurement and evaluation?

8.6 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The purpose of induction training is to orient new employees with the management, the organization structure and the organizational vision, mission and values.

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2. 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.
3. The advantage of outdoor training is that individual defences are lowered and barriers to learning are removed in a non-structured environment.
4. The objective of job training is to increase the knowledge of workers about the job with which they are concerned, so that their efficiency and performance are improved.
5. Refresher training is given to employees to provide them an opportunity to revive and also improve their knowledge. This is introduced because with the passage of time, employees may forget some of the methods, which were taught to them, or they may have become outdated because of technological development and improved techniques of management and production.
6. The four basic criteria available to evaluate training are: (i) reactions (ii) learning (iii) behaviour and (iv) results. These criteria can give a total picture of the training programme and help managers evaluate the success or otherwise of the training programme.
7. The demerits of on-the-job training are as follows:
   - The instruction in on-the-job training is often highly disorganized and haphazard.
   - Trainees are often subjected to distractions of a noisy shop or office.
   - There is low productivity.
8. The future needs of executives can be accomplished by maintaining replacement tables, indicating the present and future executive positions, their existing incumbents and individuals for promotion to those positions.
9. Measurement is the process of ascribing a numerical value to different aspects of a training event. It is primarily focused on collecting data about a specific training event or a programme. On the other hand, evaluation is the process of analysing the data and arriving at some form of judgment about the training event.

8.7 SUMMARY

- There are different types of training. They are inductive training, training in particular skills, human relations training, problem solving training, managerial and supervisory training, apprentice training, etc.
- Inductive training refers to the training conducted by organizations to initiate an employee into the organization. Induction training is normally a process

by which new employees are informed about the activities of the organization, the terms and conditions of employment, and his new duties and responsibilities.

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- All organizations conduct skill training programmes of some kind or the other for the employees to make them capable of accomplishing specific tasks. Skill training is directly related to the acquisition of technical or practical expertise.
- Human relations training refers to that training that has specific behavioural objectives. These objectives are related to aspects of managing style, awareness of behaviour, altering or shaping behaviour and improvement of interpersonal behaviour.
- Problem solving training provides a foundation for a continuous process or system improvement. 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.
- Managerial and supervisory training is aimed at making the manager conceptually clear and technically sound so that he is able to function effectively as a manager or supervisor.
- Apprenticeship training aims at providing basic skills to unskilled individuals so as to enable them to be employed gainfully.
- Classroom training is the most traditional type of training and the teaching method can vary from the classical method in which the trainer lectures on a chosen topic to the teaching method where the trainer acts as a facilitator.
- Outdoor training is widely used by the armed forces, particularly in such fields as leadership training and team building. Off late, corporates have started using outdoor training schedules for team building and other exercises.
- Computer Assisted Learning is basically a programmed learning method in which the learner progresses step by step. That is, the learner has to master one step before moving on to the next.
- With the growth of computer technology and the spread of the Internet, e-learning has become an increasingly accepted training and learning method.
- The different types of training methods are induction training, job instruction training, promotional training, refresher training, apprenticeship training, internship training and vestibule training.
- Induction training is the method of introducing a new employee into the organization with a view to gaining his confidence and developing a sense of cooperation in him.
- The objective of job training is to increase the knowledge of workers about the job with which they are concerned, so that their efficiency and performance are improved.

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- Many companies follow a policy of filling some of the vacancies at higher levels by promoting existing employees. When the existing employees are promoted to superior positions in the organization, they are required to shoulder new responsibilities. For this, training has to be given. This training is known as promotional training.
- With the passage of time, employees may forget some of the methods, which were taught to them, or they may have become outdated because of technological development and improved techniques of management and production. Hence, refresher training is arranged for existing employees in order to provide them an opportunity to revive and also improve their knowledge.
- Apprenticeship training system is widely in vogue today in many industries. It is a good source of providing the required personnel for the industry.
- Internship training is usually meant for such vocations where advance theoretical knowledge is to be backed up by practical experience on the job. Under this method, the professional institutes enter into arrangement with a big business enterprise for providing practical knowledge to its students.
- In vestibule training, actual work conditions are simulated in a class room. Material, files and equipment that are used in the actual job are used in the training programme too.
- While designing training programmes, the goal of the organization should be kept in mind. To make certain that investments in training and development have maximum impact on individual and organizational performance, a systems approach to training should be used.
- The systems approach to training has four phases which are as follows:
  1. Conducting the needs assessment
  2. Designing the training programme
  3. Implementing the training programme
  4. Evaluating the training programme
- The selection of an appropriate training method depends on the nature of the problem area, the level of trainees in an organization's hierarchy, and availability of time, finance and competent trainers.
- Skills required in managerial positions are developed by using the following procedures.
  a. Planning for management development
  b. Implementing management development
  c. Maintaining replacement tables
  d. Watching side-effects

- Evaluation of training refers to the process of collecting data pertaining to training activities. The collected data is analysed to make decisions about training activities. The process of evaluation of training has to be undertaken with care because important organizational decisions are based on it.
- Training evaluation is an ongoing process and is not something which is limited to end of the training event assessment. Trainers evaluate trainees during the session, at the end of the training event, and after the trainees report to the jobs.

8.8 KEY WORDS

- **Inductive training:** It refers to the training conducted by organizations to initiate an employee into the organization.
- **Apprenticeship training:** It refers to training that is aimed at providing basic skills to unskilled individuals so as to enable them to be employed gainfully.
- **E-learning:** It refers to learning system that relies on electronic resources.
- **Person Analysis:** It is the process of determining which employees require training and which employees do not need the particular type of training.

8.9 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What are the objectives of an induction programme?
2. Write a short note on refresher training.
3. What is vestibule training?
4. What do you mean by needs assessment?
5. What are the merits of on-the-job training programmes?

Long-Answer Questions

1. Discuss the different types of training.
2. Examine the four phases of the systems approach to training.
3. Analyse the factors affecting the selection of a training method.
4. Explain the purpose of conducting training evaluation.

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8.10 FURTHER READINGS

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BLOCK - III
EMPLOYEES COMPENSATION AND RETENTION

UNIT 9 EXECUTIVE DEVELOPMENT

NOTES

Structure

9.0 INTRODUCTION

Executive development is a process aimed at developing the skills of individuals who take up important executive and managerial positions in an enterprise. This concept is based on the principle that executives learn better from their experiences. They need to improve their performance and behaviour for the effective management of an enterprise. This unit offers an understanding of the process and techniques of executive development.

9.1 OBJECTIVES

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

- Understand the process and techniques of executive development
- Discuss the stages of career planning and development

9.2 EXECUTIVE DEVELOPMENT: PROCESS AND TECHNIQUES

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

According to Harold Koontz and Cyril O'Donnell,

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

According to G.R. Terry,

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

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

9.2.1 Nature and Scope of Executive Development

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

Deferred application of human resources

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

Preparing and helping managers in present and future jobs

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

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

Management development as a business-led process

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

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

9.2.2 Need and Importance of Executive Development

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

(a) There is a shortage of trained managers. The organization has to develop the talented employees and maintain an inventory of executive skills to meet the future demands.

(b) The performance of a company depends upon the quality of its managers. Executive development, therefore, is of paramount importance to have effective and desired managerial talents to meet the organization's demand.

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

9.2.3 Objectives of Executive Development

The objectives of executive development are as follows:

(a) To ensure a steady source of competent people at all levels to meet organizational needs at all times

(b) To prevent managerial obsolescence by exposing the managers to new concepts and techniques in their respective fields of specialization

(c) To prepare the employees for higher assignments so that they may be promoted from within

(d) To develop a second line of competent managers for future replacements

(E) To promote a high morale and good organizational climate

Methods of executive development

These can be classified into two broad categories:

(a) On-the-job methods

(b) Off-the-job methods

(a) On-the-job methods

(i) Coaching: This is learning through on-the-job experience. Coaching involves direct personal instructions and guidance usually with demonstration and continuous critical evaluation and correction. On-the-job coaching is given by a superior as he teaches job knowledge and skills to a subordinate.

The coaching method offers certain advantages:

- It provides an opportunity to a trainee to develop himself.
- It provides quick feedback to the trainee as well as the trainer on what they lack and what measures can be taken to overcome their shortcomings.

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(ii) Job rotation: Job rotation as a means of management development offers certain positive contributions. It allows the managers to appreciate the intricacies involved in difficult jobs and how their own jobs are affected by such intricacies. Further, managers may develop broader horizons and perspectives of a generalist rather than the narrower horizon of a specialist. The trainee is periodically rotated from job to job so that he acquires a general background of different jobs.

(iii) Special projects: Under this method, a trainee is assigned a project that is closely related to the objectives of his department. The trainee will study the problem and make recommendations upon it.

(iv) Committee assignments: Under this method, an ad-hoc committee is constituted and assigned a subject to discuss and make recommendations. The committee will make a study of the problem and present its suggestions to the departmental head. The trainees have to work together and offer solutions to the problem. This method helps trainees to solve an actual organizational problem. The advantage of committee assignments is to help trainees develop team spirit and work together towards common goals.

(b) Off-the-job methods

(i) Role playing: Role playing is a method of learning that involves human interaction in an imaginary situation. In drama and play, actors play various roles wherein they assume themselves to be persons whose role they play. This is similar to the case of role playing training where the trainee is given a role to play. The role-playing technique is used in groups where various individuals are given the roles of different managers who are required to solve a problem or to arrive at a decision. Role playing helps the trainees to develop a better perspective in performing their jobs because they may see the jobs from different angles. It also develops sensitivity amongst trainees which is quite helpful in maintaining better human relations.

(ii) Case study: Case method of learning has the following objectives:

- It introduces realism into formal instruction.
- It develops the decision-making ability in the trainee.
- It develops a cooperative approach and independent thinking in work-related situations.

- It demonstrates various types of goals, facts and conditions obtained from real organizational setting.

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The case study method of training employs simulated business problems for trainees to solve. The trainee is expected to study the information given in the case and make decisions based on the situation. Typically, the case method is used in the classroom with an instructor who serves as a facilitator.

The trainees may be given a problem to discuss which is more or less related to the principles already taught. This method gives the trainee an opportunity to apply his knowledge to the solution of realistic problems.

(iii) **Conference training:** In this method, the trainer delivers a lecture and involves the trainees in a discussion so that doubts, if any, are clarified. The conference method is a group-centred approach where there is a clarification of ideas, communication of procedures and standards to the trainees. The trainee as a member can learn from others. The conference is ideally suited to learning problems and issues, and examining them from different angles.

(iv) **Management games:** A management game is a classroom exercise in which teams of students compete against each other to achieve common objectives. The game is designed to be a close representation of real-life conditions. Here, two or more teams participate depending on the situation, with each team having four to seven participants. Each competing team is given a company to operate in light of the situation provided in the game. If designed and conducted properly, management games contribute to the development of participants in the following ways:

- The participants develop skills, particularly diagnostic decision-making skills and group-interaction skills.
- Participants learn to operate in a competitive environment.

(v) **Sensitivity training or T group training:** This is an experience in interpersonal relationships which results in change in feeling and attitudes towards oneself and others. In sensitivity training, a small group of ten to twelve people is assisted by a professional behavioural scientist who acts as a catalyst and trainee for the group. There is no specified agenda and a leaderless group discussion takes place where group members express their ideas and feeling freely. They can discuss anything they like. As the members discuss and engage in a dialogue, they are encouraged to learn about themselves and the way they should interact with others.

(vi) **In-basket exercise:** Also called 'In-tray' method of training, it is built around the 'incoming mail' of a manager. In this method, the participants are given a number of business papers such as memoranda, reports and telephone messages that would typically come to a manager's desk. One method is to present the exercise to the trainee and to note his reaction. A slight variation is that business papers are given to the participant and he is required to act on the information contained in these papers. Initially, assigning priority to each particular matter is required. Through feedback, the trainee comes to know his behavioural pattern and tries to overcome the one which is not productive or functional. Thus, he can learn techniques of giving priorities to various problems faced by him.

(vii) Syndicate method: This refers to a method of management development technique wherein groups of trainees consisting of members in each group are involved in the analysis of a problem. Each group is given a brief about the problem. Each group independently discusses the issues involved and presents its ideas. These are then evaluated by group members with the help of the trainer. Such exercises are repeated so as to enable the participants to look at the problems in the right perspectives. This enables trainees to develop decision-making skills.

(viii) Multi-management: Also known as 'Junior-Board of executives', it is a system in which permanent advisory committees are constituted to study problems of the organizations and make recommendations to top-level management. In multi-management, the constituted committees discuss actual problems and offer alternative solutions. The recommendations are made based on the best alternative.

(ix) Special courses: The executives may be required to attend special courses, which are formally organized by the enterprise with the help of experts from educational institutions.

Check Your Progress

1. What does executive management refer to?
2. List the activities in the process of management development.
3. What is the conference training method?

9.3 EXECUTIVE DEVELOPMENT PROGRAMMES (EDPs): TYPES, SEQUENCE AND PERIODICITY

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

9.3.1 Types of EDPs

Trickett has discussed the most frequently used methods and techniques of management development. These methods include group discussions or conferences, lectures by company executives, films and slides, outside reading and private study, lectures by outside speakers, case studies, panels, forums, role-

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playing and workshop. The developmental techniques include job experience, coaching, understudy positions, individual counselling, conferences and technical meetings at company expense, job rotation, in-company training classes, memberships in professional and technical associations, special 'trainee' positions, committee assignments, management courses in colleges and universities, other outside-company courses, planned visits to other companies, 'multiple management' plans and training by outside consultants.

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

(*i*) Job rotation

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

(*ii*) The syndicate system

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

(*iii*) Conference

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

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(*iv*) Role-playing

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

(*v*) Sensitivity training

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

(*vi*) Structured insight

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

(*vii*) Case and in-basket methods

Case method which has been discussed earlier in the chapter, is usually employed to enhance participation and interest among trainees.

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

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(*viii*) Business games

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

(*ix*) University courses

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

(*x*) Non-group methods

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

(a) Counselling. It helps the trainees to identify their weaknesses and involves measures to overcome them. It is related to periodic appraisals or ratings. Specifically, counselling purports to help the subordinates to perform a better job, provide a clear picture of how they are doing, build strong personal relationships, and eliminate, or at least minimize, anxiety. Such counselling is usually nondirective. Sometimes, attempts are made to develop managers through guided experience. Obviously, the guidance is based on counselling.

Box 9.1: Development of Mentor-protégé Relationship

Development of mentor-protégé relationship is very important in organizations. It helps in developing leadership and the careers of the protégées and in tackling projects. Armstrong defines mentoring as "the process of using especially selected and trained people to provide guidance and advice which will help to develop the careers of the protégées allocated to them." It is needed at all levels; it seeks to complement learning on the job, it also complements formal training.

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The mentors act as a parental figure with whom protégées can discuss their problems. They advice in drawing up self-development programmes. They offer guidance on how to accomplish new knowledge and skills to do a new job. They inculcate corporate culture in protégées.The superiors are expected to work as mentors. However, not all managers can make effective mentors and for those who have the aptitude, training programmes for mentorship can be useful. Indeed, the role of senior managers as mentors is to enable the junior managers to learn effectively and help them in their self-development. As mentors, the superior manager is required to extend his/her role beyond routine administrative activities. The mentor-protégée relationship between superior-subordinate managers promotes development of leadership. The development of this relationship, however, necessitates personal, and intimate interaction between them.

For the development of a mentor-protégé relationship it is necessary to ensure that there is a good 'chemistry' between them. The mentor must be willing to devote the time and effort required to develop the junior. Moreover, the junior must be willing to be subjected to constructive criticism. Although the mentor must be able to give frank and constructive criticism, he/she should be sensitive to individual learning habits of the protégées as well as willing to learn from them. The mentor sets high standards, provides supportive autonomy, adopts a joint problem-solving approach when inevitable mishaps occur and encourages his/her protégées to reflect on and consolidate the lessons of experience.The development of above qualities in mentors necessitates formal development programmes for them and on-the-job coaching by their own mentors. The good mentors must be identified and informed what is expected of them as mentors. They must be provided regular training in the behavioural as well as non-behavioural processes of mentoring. Moreover, there must be a provision for rewarding them which can be taken care of in the performance appraisal system.

References

1. Armstrong, M., *A Handbook of Human Resource Management Practice*, London, Kogan Page Ltd., 2000, pp. 838–839.
2. Manikutty, S., "Manager as a Trainer, a Coach and a Mentor", *Vikalpa*, April–June 2005, pp. 57–63.

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

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

In recent years, there is focus on 'monitoring' as a development method. Box 9.1 provides a brief description of the superior manager's role as a mentor in developing his/her subordinate managers.

Conclusion

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

9.3.2 Sequence of EDPs

The Executive Development Programmes follow the sequence as mentioned below:

1. **Analyzing the development needs:** Firstly, the development needs of the organization for the present as well as the future are determined. It is essential to evaluate the number of executives and the type of personnel required for the fulfillment of present and future requirements of the organization.
2. **Appraisal of the existing managerial talent:** A qualitative appraisal of the present executives in the organization is done to ascertain the kind of executive talent present within the establishment.
3. **Inventory of manpower in the management:** An inventory of the qualified manpower is prepared and a variety of development programmes is selected. This inventory helps in providing the data necessary to identify the qualified personnel for organizational development.
4. **Planning individual development programmes:** A development programme should be prepared for each personnel in the management as each individual consists of a unique set of emotional, physical and intellectual character traits.
5. **Establish a training and development programme:** It is the duty of HRD of an organization to prepare a comprehensive and well-structured training programme.
6. **Evaluating developing programmes:** An organization incurs a heavy expenditure in terms of monitory resources, time and effort for the executive development programmes (EDPs). Therefore, it is necessary for the management to keep a track of the achievement of programme objectives in order to justify the expenditures.

9.3.3 Periodicity of EDPs

Many organizations are not able to provide the kind of environment which promotes, nurtures and encourages the executive development. They are not able to develop an environment which supports the growth of executive development.

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There are many reasons for the failure of growth of executive development programmes:

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

Check Your Progress

4. What does the conference method permit trainees to do?
5. What does the structured insight method involve?
6. What is the disadvantage of the understudies system as a training method?

9.4 CAREER PLANNING AND DEVELOPMENT

The proper way to analyze and discuss careers is to look at them as made up of stages. We can identify five career stages that most people will go through during their adult years, regardless of the type of work they do. These stages are exploration, establishment, mid-career, late career and decline.

1. ***Exploration:*** Many of the critical choices individuals make about their careers, are made prior to entering the workforce on a paid basis. Very early in our lives, our parents and teachers begin to narrow our alternatives and lead us in certain directions. The careers of our parents, their aspirations for their children and their financial sources are crucial factors in determining our perception of what careers are open to us.

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The exploration period ends for most of us in our mid-twenties as we make the transition from college to work. From an organizational standpoint this stage has little relevance since it occurs prior to employment. However, this period is not irrelevant because it is a time when a number of expectations about one's career are developed, many of which are unrealistic. Such expectations may lie dormant for years and then pop up later to frustrate both the employee and the employer.

2. ***Establishment:*** The establishment period begins with the search for work and includes our first job, being accepted by our peers, learning the job and gaining the first tangible evidence of success or failure in the real world. It is a time which begins with uncertainties, anxieties and risks. It is also marked by making mistakes and learning from these mistakes and the gradual assumption of increased responsibilities. However, the individual in this stage has yet to reach his peak productivity and rarely gets the job that carries great power or high status.
3. ***Mid-career:*** Most people do not face their first severe dilemmas until they reach their mid-career stage. This is a time when individuals may continue their prior improvements in performance or begin to deteriorate. At this point in a career, one is expected to have moved beyond apprenticeship to worker-status. Those who make a successful transition, assume greater responsibilities and get rewards. For others, it may be a time for reassessment, job changes, adjustment of priorities or the pursuit of alternative lifestyles.
4. ***Late career:*** For those who continue to grow through the mid-career stage, the late career usually is a pleasant time when one is allowed the luxury to relax a bit. It is the time when one can enjoy the respect given to him by younger employees. During the late career, individuals are no longer learning, they teach others on the basis of the knowledge they have gained. To those who have stagnated during the previous stage, the late career brings the reality that they cannot change the world as they had once thought. It is a time when individuals have decreased work mobility and may be locked into their current job. One starts looking forward to retirement and the opportunities of doing something different.
5. ***Decline:*** The final stage in one's career is difficult for everyone but it is hardest for those who have had continued successes in the earlier stages. After several decades of continuous achievements and high levels of performance, the time has come for retirement. Managers should be more concerned with the match for new employees and those just beginning their employment careers. Successful placement at this stage should provide significant advantages to both the organization and the individual.

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Many employees lack proper information about career options. As managers identify career-paths that successful employees follow within the organization, they should publish this information. To provide information to all employees about job openings, managers can use job posting. Job posting provides a channel by which the organization lets employees know what jobs are available and what requirements they will have to fulfil to achieve the promotions to which they may aspire.

One of the most logical parts of a career development programme is career counselling. This can be made part of an individual's annual performance review. The career counselling process should contain the following elements:

(a) The employee's goals, aspirations and expectations with regard to his own career for the next five or six years;

(b) The manager's view of the opportunities available and the degree to which the employee's aspirations are realistic and match with the opportunities available;

(c) Identification of what the employee would have to do in the way of further self-development to qualify for new opportunities;

(d) New job assignments that would prepare the employee for further career growth.

Training and educational development activities reduce the possibilities that employees will find themselves with obsolete skills. When these development activities are properly aligned with an individual's aspirations and organizational needs, they become an essential element in an employee's career growth. In addition to encouraging employees to continue their education and training so as to prevent obsolescence and stimulate career growth, managers should be aware that periodic job changes can achieve similar ends. Job changes can take the form of vertical promotions, lateral transfers or assignments organized around new tasks.

Available evidence suggests that employees who receive challenging job assignments early in their careers do better on their jobs. The degree of stimulation and challenge in a person's initial job assignment tends to be significantly related to later career success and retention in the organization. Initial challenges, if they are successfully met, stimulate a person to perform well in later years. There are definite benefits for managers who correctly fill positions with individuals who have the ability and interest to satisfy the job's demands.

Check Your Progress

7. What happens during the mid-career stage of development?
8. Why do employees who receive challenging job assignments early in their career perform better?

9.5 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

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1. Executive or management development refers to a systematic effort to use the principles of planning, organizing, directing, coordinating and controlling in the selection and development of level of managers as opposed to the unsystematic methods based on the assumption that 'cream will come to the top'.
2. There are three activities in the process of management development—analysis of needs, evaluation of skills and competencies, and meeting the needs.
3. In this method, the trainer delivers a lecture and involves the trainees in a discussion so that doubts, if any, are clarified. The conference method is a group-centred approach where there is a clarification of ideas, communication of procedures and standards to the trainees.
4. Conference methods permit trainees to think about problems, express themselves, assess the opinion of others, understand teamwork and develop leadership as well as judgement skills.
5. This method involves systematic collection of data on the trainees' attitudes and assumptions regarding the motives, abilities and attitudes of others, especially subordinates.
6. The disadvantage of the understudies system as a training method is because of the possibility of an imitation of weak as well as strong points of the seniors.
7. The mid-career stage of development is the time when one can enjoy the respect given to him by younger employees. During the late career, individuals are no longer learning, they teach others on the basis of the knowledge they have gained. It is a time when individuals have decreased work mobility and may be locked into their current job
8. The degree of stimulation and challenge in a person's initial job assignment tends to be significantly related to later career success and retention in the organization. Initial challenges, if they are successfully met, stimulate a person to perform well in later years.

9.6 SUMMARY

- Development covers not only those activities that improve job performance, but also those which bring about growth of the personality; help individuals in the progress towards maturity and actualization of their potential capacities so that they become not only good employees but also better human beings.

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- Yoder *et al*., define management development as a programme of training and planned personal development to prepare and aid managers in their present and future jobs. Attempts are made to identify problems which managers are likely to confront, and to assist them in solving these problems.
- The management development process ensures that the enterprise has the effective managers it needs to accomplish its present and future requirements. It seeks to improve the performance of existing managers, by providing them with relevant opportunities to grow and develop. It also ensures that management succession within the organization is provided for.
- Under the committee assignments method, an ad-hoc committee is constituted and assigned a subject to discuss and make recommendations. The committee will make a study of the problem and present its suggestions to the departmental head. The trainees have to work together and offer solutions to the problem.
- Also known as 'Junior-Board of executives', multi-management is a system in which permanent advisory committees are constituted to study problems of the organizations and make recommendations to top-level management.
- Trickett has discussed the most frequently used methods and techniques of management development. These methods include group discussions or conferences, lectures by company executives, films and slides, outside reading and private study, lectures by outside speakers, case studies, panels, forums, roleplaying and workshop.
- The syndicate system permits an analysis of a problem by a committee of trainees and involves presentation of reports for comments by other executives. This method is associated with the Administrative Staff College at Henley-on-Thames.
- In-basket method, a variation of the case method, is used as a test as well as a training and development device. This method involves letters, notes, documents and reports purporting to provide on-the-job reality of the manager's in-basket. It purports to develop and measure decision-making ability of managers.
- The purpose of EDPs is to promote a sincere growth in the organization. In many cases, the EDPs for executives are arranged to provide them with a paid vacation.
- The establishment period begins with the search for work and includes our first job, being accepted by our peers, learning the job and gaining the first tangible evidence of success or failure in the real world.
- The final stage in one's career is difficult for everyone but it is hardest for those who have had continued successes in the earlier stages. After several decades of continuous achievements and high levels of performance, the time has come for retirement.

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- Training and educational development activities reduce the possibilities that employees will find themselves with obsolete skills. When these development activities are properly aligned with an individual's aspirations and organizational needs, they become an essential element in an employee's career growth.

9.7 KEY WORDS

- **Executive Development:** It is a long-term educational process utilizing a systematic and organized procedure by which managerial personnel learn conceptual and theoretical knowledge.
- **Career planning:** It is the process by which one selects career goals and the path to these goals. The major focus of career planning is on assisting the employees achieve a better match between personal goals and the opportunities that are realistically available in the organization.

9.8 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. List the capabilities of managers.
2. What are some of the objectives of executive training?
3. Write a short note on sensitivity training.
4. Write a short note on business games method.
5. Which elements should a career counselling process contain?

Long-Answer Questions

1. Discuss the on-the-job-methods of executive development.
2. Analyze the sequence of EDPs.
3. Explain the five stages of career development that people go through in their adult years.

9.9 FURTHER READINGS

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UNIT 10 EMPLOYEE COMPENSATION AND RETENTION

Structure

10.0 INTRODUCTION

Compensation and related benefits provided by employers ensure that the employees are satisfied and feel valued so that they choose to remain with the company. Subsequently, benefits such as incentives, bonus, fringe benefits etc. are closely linked to the retention of employees in the company. This unit focuses on activities related to wages and salary administration.

10.1 OBJECTIVES

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

- Understand the activities of wages and salary administration
- Discuss the concepts of fringe benefits and flexi systems

10.2 WAGES 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

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- Development and maintenance of the wage structure
- Establishing rules for administering wages
- Wage payments
- Incentives
- Profit sharing
- Wage changes-adjustments
- Supplementary payments
- Control of compensation and other related items

Nature and Purpose of Wage and Salary Administration

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

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

(i) For employees

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

(ii) To employers

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

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The 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

Factors Influencing Wage and Salary Structure and Administration

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

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

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

Principles of Wage and Salary Administration

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

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

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

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

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

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

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

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

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

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

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

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

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

10.2.1 Incentives

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

'It is a term which refers to objectives in the external situation whose function is to increase or maintain some already initiated activity, either in duration or in

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intensity.' According to *Hummel and Nicker son*: 'It refers to all the plans that provide extra pay for extra performance in addition to regular wages for a job.' Florence observes: 'It refers to increased willingness as distinguished from capacity.' Incentives do not create but only aim to increase the national momentum towards productivity.'

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

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

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

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

Objectives of Wage Incentive Plans

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

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

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

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

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

Merits of Wage Incentive Plans

Such plans are regarded as beneficial to both employers and workers. They are accepted as a sound technique for the achievement of greater production on the grounds that workers would work at their best if they were offered monetary

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rewards for good performance. For employers the need for a vigorous supervision is reduced, and consequently there is a cut in the expenditure on supervision.

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

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

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

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

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

Demerits of Wage Incentive Plans

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

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

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

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

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

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

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

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

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

- The management should recognize that the effectiveness of an incentive depends on the total situation, which includes worker-management confidence, relations with the trade union, the quality of communication and supervision and the traditions in an industry.
- The management should not introduce an incentive system until it has taken action to ensure full understanding of what is involved. This may call for

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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.

10.2.2 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.

Check Your Progress

1. What is the secondary objective of wage and salary administration?
2. How does the National Commission on Labour define wage incentives?
3. List two key points that a successful wage incentive plan should consist of.

10.3 FRINGE BENEFITS AND FLEXI SYSTEMS

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Different terms have been used for fringe benefits, such as 'welfare expenses', 'wage supplements', 'sub-wages', or 'social charges', 'perquisites other than wages', or 'trans-pecuniary incentives.' The other terms used are 'extra wages,' 'hidden pay roll', 'non-wage labour costs' or 'selected supplementary compensation practices'.

It is difficult to define what a fringe benefit is, for there is no agreement among the experts on its precise meaning, significance or connotation. The chief area of disagreement is between 'wages' on the one hand, and between 'fringes' and 'company personnel services' on the other. There are also differences on whether the benefits which have been legally provided for should be included among the 'fringes'.

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

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

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

(ii) Pension and group insurance; and welfare payments

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

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

Belcher defines these benefits as 'any wage cost not directly connected with the employees, productive effort, performance, service or sacrifice.' Cockman views employee benefits as 'those benefits which are supplied by an employer to or for the benefits of an employee, and which are not in the form of wages, salaries and time-rated payments.'

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

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Special Features of Fringe Benefits

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

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

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provision of better lighting facilities. Subsidized meals, however, definitely constitute a fringe benefit.

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

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

The Objectives of Fringe Benefits and Service Programmes

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

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

Today, mostly every company provides additional benefits to its employees along with the scheduled salary. Employees are attracted and get encouraged with these additional benefits and services. There are a lot of advantages of fringe benefits that attract the employees. Firstly, as most of the fringe benefits are not taxed benefits, they are not included in the taxable income. Another advantage of fringe benefits is that the employees can avail the fringe benefits, such as health and insurance with less expenditure. Companies also use these benefits to attract and maintain the existing employees by providing them additional benefits. Along with attracting the employees, fringe benefits such as vacations along with holidays and rest break also help the employees to get fresh and perform their duty with more encouragement. Therefore, we can say that the fringe benefits help to:

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

Principles of Fringe Benefits

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

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

Types of Fringe Benefits

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

Important Fringe Benefits

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

- Payment for the time employees have not worked
- Insurance benefits

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- 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 time payment and off-the-job free time payment. On-the-job free time includes lunch periods, coffee breaks, rest periods, get-ready times and wash-up times whereas off-the-job free time includes vacations, sick leaves, public holidays and casual leaves.
- ***Insurance benefits:*** Insurance benefits are also an important fringe benefit for the employees of a company. Nowadays, every company provides its employees the facility of purchasing insurance policies at prices, which is much less than the cost the employees have to pay for if they buy insurance themselves.
- ***Compensation benefits:*** Companies also provide compensation benefits to its workers against some disability or injuries to the employees or their family members. Other employees of the company contribute to the funds that are collected for the ill or injured employees. All these compensation benefits are synchronized by the Workmen's Compensation Act.
- ***Pension plans:*** Companies also provide supplementary income or pension to its employees after their retirement. These pension plans can be company paid or both company and employee paid. In addition to the pensions, companies also provide bonus to the employees reaching superannuation.

Flexi Systems

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

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

Check Your Progress

4. What does the word 'benefit' apply to?
5. What do fringe benefits help to do?
6. Under what act are compensation benefits synchronized?

10.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

NOTES

1. The secondary objective of wage and salary administration 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.
2. 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.'
3. A successful wage incentive plan should consist of the following:
   (i) It is essential that the management pay in proportion to output once this output rises above the required amount of guaranteed pay.
   (ii) 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.
4. The word 'benefit' applies to those items for which a direct monetary value to the employee can be easily ascertained, as in the case of holiday pay, pension, medical insurance or separation pay.
5. Fringe benefits help to:
   (i) Lessen fatigue
   (ii) Oppose labour unrest
   (iii) Satisfy employee objectives
   (iv) Promote recruitment
   (v) Minimize turnover
   (vi) Reduce overtime costs
6. 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.

10.5 SUMMARY

- The basic purpose of wage and salary administration is to establish and maintain an equitable wage and salary structure.

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- 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.
- 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.
- 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.
- The management should recognize that the effectiveness of an incentive depends on the total situation, which includes worker-management confidence, relations with the trade union, the quality of communication and supervision and the traditions in an industry.
- Different term have been used for fringe benefits, such as 'welfare expenses', 'wage supplements', 'sub-wages', or 'social charges', 'perquisites other than wages', or 'trans-pecuniary incentives.'
- One may define fringe benefit as primarily a means in the direction of ensuring, maintaining and increasing the income of the employee. It is a benefit which supplements workers' ordinary wages and which is of value to them and their families insofar as it materially increases their retirement.
- To be termed a fringe benefit, a labour cost should be intended by an employer as a benefit desired by his staff. It is a fringe benefit when it is enjoyed by all the employees. For example, a fringe benefit—subsidizing non-vegetarian meals taken in the factory canteen—is not a fringe benefit for vegetarian employees.
- Companies 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.
- Fringe benefits such as medical insurance and holiday pay that can be associated with money value are known as monetary benefits whereas benefits such as company newspaper and company service that cannot be associated with any money value are known as non-monetary benefits.
- Many organizations offer flexible salary structures. That is, while the basic salary, the HRA (House Rent Allowance) and DA Dearness Allowance may be fixed, the other allowances are flexible. The employees have the freedom to choose how they want part of their remuneration to come to them.

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10.6 KEY WORDS

- **Wage and salary administration:** It is a collection of practices and procedures used for planning and distributing company-wide compensation programs for employees.
- **Wage Incentive:** It refers to performance linked compensation paid to improve motivation and productivity. It is the monetary inducements offered to employees to make them perform beyond the acceptance standards.
- **Fringe benefits:** These are the additional benefits offered to an employee, above the stated salary for the performance of a specific service. It may be required by law, granted unilaterally by employers, or obtained through collective bargaining.

10.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. List the objectives of wage and salary administration for employees.
2. What are the objectives of wage incentive plans?
3. List the five categories of services and benefits included under the term fringe benefits by the United States Chamber of Commerce.
4. Write a short note on the principles of fringe benefits.

Long-Answer Questions

1. Discuss the principles of wage and salary administration.
2. Analyze the demerits of wage incentive plans
3. Elaborate upon the special features of fringe benefits.

10.8 FURTHER READINGS

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UNIT 11 LABOUR ATTRITION AND JOB EVALUATION SYSTEMS

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Structure

11.0 INTRODUCTION

Job evaluation refers to the assessment of different jobs in a company in order to develop and maintain a rational pay structure. It compares different job profiles to identify the worth or value of some jobs based on the skills and qualifications required. Labour attrition is a natural process through which a company may lose its employees. This unit discusses the types of job evaluation systems in addition to the causes of labour attrition

11.1 OBJECTIVES

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

- Understand the concept of sweat equity
- Analyze the types of job evaluation systems
- Discuss the causes and consequences of labour attrition

11.2 SWEAT EQUITY

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

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11.2.1 Promotion, Demotion and Transfers

A promotion can refer to the advancement of an employee's position, a demotion is a compulsory reduction in an employee's rank or job title within the organizational hierarchy of a company, while a transfer is lateral movement of employee in an organization by the employee. According to Wall Yoder, "A transfer involves the shifting of an employee from one job to another without changing the responsibilities or compensation".

Check Your Progress

1. What does sweat equity allow employees to do?
2. Define demotion.

11.3 JOB EVALUATION SYSTEMS

Determining the relative worth of all jobs in the enterprise is difficult. This is so, because jobs differ with respect to the demands made on the employees as well as the value of the job to the enterprise. The comparison and evaluation may be made on two bases:

I. Non-analytical or non-quantitative system

This system utilizes non-quantitative methods of listing jobs in the order of difficulty. The comparison and evaluation made on non-quantitative basis is made by ranking or classifying the jobs from the lowest to the highest. Non-analytical system is usually of two types. These are as follows:

(i) ***Ranking system:*** This is a very simple method of job evaluation. Under this system, the job raters simply rank one job against another without assigning point values. The ranking method consists of ranking the jobs in the organization from the lowest to the highest.

As the size and complexity of an organization increase, it becomes difficult to find raters acquainted with all jobs to be ranked.

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

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II. Analytical or quantitative system

In the ranking system and grading system, the relative ranking of jobs was determined without reference to any numerical values (points). However, in the quantitative system, various factors of a job are considered and points are assigned to them according to their relative worth. The analytical or quantitative systems of job evaluation are as follows:

(i) ***The point rating system:*** The point rating system is based on the assumption that it is possible to assign points to the different factors as well as to each degree of each factor involved in jobs and that the total of the points will give an index of the relative value of jobs. The method was originally designed and developed by the Western Electric Company. The point rating system is based on the assumption that it is possible to assign points to respective factors which are essential for evaluating an individual's job.

(ii) ***The factor comparison system:*** This system is similar to the point rating system. The factor comparison system was developed by Eugene J. Benge at the Philadelphia Rapid Transit Company in 1926. He developed this system in order to solve the two problems faced by the point rating system, i.e., determining the relative importance of factors and describing their degrees. This method begins by finding out the major factors which are present in more or less degree in all the jobs in a particular organization. Each job is ranked several times—once for each compensable factor selected. For example, jobs may be ranked first in terms of the factor skill. Then, they are ranked according to their mental requirements. Next, they are ranked according to their 'responsibility', and so forth. Then these ratings are combined for each job in an overall numerical rating for the job. Thereafter, it is easy to assign money value to these jobs in some direct proportion to the points assigned under evaluation.

Check Your Progress

3. What is a non analytical job evaluation system?
4. Which assumption is the point rating system based on?

11.4 LABOUR ATTRITION: CAUSES AND CONSEQUENCES

Organizations these days are facing a challenge of not only finding the right people but also retaining them. With youngsters becoming more and more ambitious and organizations offering competitive salaries, labour attrition and employee retention have become major issues.

Causes and Consequences of Labour Attrition

The main causes of labour attrition are as follows:

1. Personal causes
2. Unavoidable causes
3. Avoidable causes

1. Personal causes

These are causes that force a worker to quit. These include:

(a) Better opportunity

(b) Premature retirement owing to failing health or aging

(c) Family issues and responsibilities

(d) Unpleasant working environment

In points (a) to (c), the employee leaves of his own free will. It is a choice that he has made himself. Therefore, it is not possible to suggest a solution or a remedy. However, if the employee leaves because of unfavourable working environment, the employer can definitely try to improve the same. To take remedial measures, the cooperation of senior team members would be required.

2. Unavoidable causes

Such causes result from circumstances where the management is forced to ask the employee(s) to leave. This could happen in the following cases:

- If the business is of a seasonal nature
- If there is dearth of raw material
- If there is shortage of power
- If the demand for the concerned product is low
- If the location of the plant has changed
- If the employee has been rendered unfit for work due to some accident / disability
- If some disciplinary action is taken
- If the employee is getting married (especially women)

3. Avoidable causes

These causes require the management to attend to certain factors on a continuous basis in order to keep attrition levels low. These avoidable causes include the following:

- Dissatisfaction with salary
- Pressure / burden of work

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- Dissatisfaction with working conditions
- Lack of growth avenues
- Absence of recreational facilities
- Absence of training facilities

If the management reacts at the right time and in an efficient manner, these causes could be avoided.

Impact of attrition

- Production is disturbed.
- Precious time is wasted in finding replacements.
- Efficiency of new recruits is low at the beginning.
- Training and induction are not only time-consuming but require expenditure.
- New recruits take time to settle and get trained.
- New recruits also cause a lot of damage and wastage during training period.

Check Your Progress

5. List the personal causes of labour attrition.
6. What are the avoidable causes of labour attrition?

11.5 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Sweat equity allows employees to become part owners and participate in the profits, in addition to earning their salaries.
2. A demotion is a compulsory reduction in an employee's rank or job title within the organizational hierarchy of a company.
3. The non analytical job evaluation 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.
4. 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.
5. The personal causes of labour attrition are:
   (a) Better opportunity

(b) Premature retirement owing to failing health or aging
(c) Family issues and responsibilities
(d) Unpleasant working environment

6. Avoidable causes of labour attrition are:
   - Dissatisfaction with salary
   - Pressure / burden of work
   - Dissatisfaction with working conditions
   - Lack of growth avenues
   - Absence of recreational facilities
   - Absence of training facilities

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11.6 SUMMARY

- The Companies Act defines 'sweat equity shares' as shares issued to employees or directors at a discount, for providing know-how or making available intellectual property rights or value additions.
- Under the ranking 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.
- 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 factor comparison system was developed by Eugine J. Benge at the Philadelphia Rapid Transit Company in 1926. He developed this system in order to solve the two problems faced by the point rating system, i.e., determining the relative importance of factors and describing their degrees.
- The main causes of labour attrition are as follows:
  1. Personal causes
  2. Unavoidable causes
  3. Avoidable causes
- If the employee leaves because of unfavourable working environment, the employer can definitely try to improve the same. To take remedial measures, the cooperation of senior team members would be required.
- Avoidable causes require the management to attend to certain factors on a continuous basis in order to keep attrition levels low.

11.7 KEY WORDS

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- **Sweat Equity:** It refers to equity shares offered to the company's employees on favourable terms, as a kind of reward for their work.
- **Job Evaluation:** It is a systematic way of determining the value/worth of a job in relation to other jobs in an organization. It tries to make a systematic comparison between jobs to assess their relative worth for the purpose of establishing a rational pay structure.

11.8 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. How does the job classification system work?
2. Write a short note on factor comparison system.

Long-Answer Questions

1. Analyze the quantitative system of job evaluation.
2. Discuss the causes and consequences of labour attrition

11.9 FURTHER READINGS

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BLOCK IV
APPRAISAL AND TRADE UNION

UNIT 12 PERFORMANCE AND POTENTIAL APPRAISAL

Structure

12.0 INTRODUCTION

A performance appraisal is an evaluation of the performance and productivity of employees working in an organization. In this evaluation, the performance, strengths, weaknesses and future prospects of employees are taken into consideration as per established criteria and organizational objectives. Performance appraisal is a critical process that results in the improvement of performance, job satisfaction and better teamwork. This unit focuses on the concept, objectives and various methods and techniques of performance appraisal.

12.1 OBJECTIVES

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

- Understand the concept and objectives of performance appraisal
- Analyze the traditional and modern methods of performance appraisal
- Discuss how employee welfare and social security are ensured

12.2 PERFORMANCE APPRAISAL: CONCEPT, OBJECTIVES

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

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

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

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

From the above definitions, we can conclude that performance appraisal is the 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.

Objectives of Performance Appraisal

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

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

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

(ii) **Compensation Decisions:** It provides inputs to the system of rewards. The approach to compensation is at the heart of the idea that raises should be given for merit rather than for seniority.

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

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

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

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

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

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 individuals 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 records. It helps in improving the quality of supervision and the employee–employer relationship.

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Uses of Performance Appraisal

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

(i) Provide valuable information for personnel decisions such as pay increases, promotions, demotions, transfers and terminations. The information provided forms the basis for suitable personnel policies.

(ii) Provide feedback about the level of achievement and behaviour of subordinates, rectifying performance deficiencies and to set new standards of work, if necessary. It also identifies individuals with high potential who can be groomed up for higher positions.

(iii) Tell a subordinate how he is doing and suggest necessary changes in his knowledge, behaviour and attitudes. It thus provides information that helps to counsel the subordinate. It also serves to stimulate and guide the employee's development.

(iv) Analyze 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 a means for evaluating the effectiveness of devices used for the selection and classification of employees. It, therefore, helps to judge the effectiveness of recruitment, selection, placement and orientation systems of the organization.

(vi) It facilitates human resource planning and career planning; permanent performance appraisal records of employees help management to do human resource planning without relying upon personal knowledge of supervisors.

(vii) Performance appraisal promotes a positive work environment, which contributes to productivity. When achievements are recognized and rewarded on the basis of objective performance measures, there is improvement in the work environment. Performance appraisal, therefore, provide the rational foundation for incentives, bonus, etc. The estimates of the relative contributions of employees helps to determine the rewards and privileges rationally.

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

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(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.

Purpose of Performance Appraisal

Organizations use performance appraisals for three purposes:

(i) Administrative: It commonly serves as an administrative tool by providing employers with a rationale for making many personnel decisions, such as decisions relating to pay increases, promotions, demotions, terminations and transfers.

(ii) Employee Development: It provides feedback on an employee's performance. Appraisal data can also be used for employee development purposes in helping to identify specific training needs of individuals.

(iii) Programme Assessment: Programme assessment requires the collection and storage of performance appraisal data for a number of uses. The records can show how effective recruitment, selection and placement have been in supplying a qualified workforce.

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

(a) To create and maintain a satisfactory level of performance;

(b) To meet an individual's development needs;

(c) To bring about better operational or business needs;

(d) To facilitate fair and equitable compensation based on performance;

(e) To help the superiors to have a proper understanding about their subordinates;

(f) To provide information useful for manpower planning by identifying employees with a potential for advancement; and

(g) To facilitate for testing and validating selection tests, interview techniques through comparing their scores with performance appraisal ranks.

Need of Performance Appraisal

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

(i) Creating and maintaining a satisfactory level of performance of employees in their present job.

(ii) Fixation of salary, allowances, incentives and benefits.

(iii) Evaluating the effectiveness of training and development programmes.

(iv) Assessing the strengths and weaknesses of human resource (HR).

(v) Performance appraisal helps employees to improve by giving them feedback.

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Check Your Progress

1. What is the evaluative purpose of performance appraisal concerned with?
2. How does the existence of a regular appraisal system improve supervision?
3. List three purposes that performance appraisal serves.

12.3 TRADITIONAL AND MODERN METHODS

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

(i) **Job Analysis, Job Description and Job Specification:** Performance appraisal is a process not to be undertaken in isolation of various human resources functions. It begins with job analysis, job description and job specification. These help in establishing the standard performance.

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

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

(iii) **Communicating Performance Standards to Employees**: Performance appraisal involves at least two parties; the appraiser who does the appraisal and the appraisee whose 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.'

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

Performance measures may be objective or subjective.

(a) *Objective Performance Measures:* Objective performance measures are indications of job performance that can be verified by others and are usually quantitative. Objective criteria include the following:
- Quality of production
- Degree of training needed
- Accidents in a given period
- Absenteeism
- Length of service

(b) *Subjective Performance Measures:* Subjective performance measures are ratings that are based on the personal standards of opinions of those doing the evaluation and are not verifiable by others. Subjective criteria include:
- Ratings by supervisors
- Knowledge about overall goals
- Contribution to socio-cultural values of the environment

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

(v) **Comparing Actual Performance with Standards and Discuss the Appraisal with Employees:** Actual performance is compared with the predetermined performance standards. The actual performance may be better than expected and sometimes it may go off track. Deviations if any from the set standards are noted. Along with the deviations, the reasons behind them are also analyzed 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

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appraisee. Any appraisal based on subjective criteria is likely to be questioned by the appraisee and leave him quite dejected and unhappy when the appraisal turns out to be negative.

(vii) **Initiating Corrective Action, if any**: The last step in the process is to initiate corrective action essential to improve the performance of the employee. Corrective action is of two types:

(a) The employee can be warned so that he himself can make necessary attempts to improve his performance. But this is not enough or proper.

(b) Through mutual discussions with employees, the steps required to improve performance are identified and initiated. The reasons for low performance are identified and initiated. The reasons for low performance should be probed. The employee is taken into confidence and motivated for better performance. Training, coaching, counselling, and so on, are examples of corrective actions that help to improve performance.

Essentials of a Good Appraisal System

A sound appraisal system should comply with the following:

(i) **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, reliable and valid information and data which can be used to defend the organization — even in legal challenges.

(ii) **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 it should be done periodically rather than once a year.

(iii) **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.

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(iv) **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.

(v) **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.

(vi) **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.

(vii) **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.

(viii) **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.

(ix) **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.

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(x) **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.

(xi) **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 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.

12.3.1 Methods or Techniques 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

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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) Avoids 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 the 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 the 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 an 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 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

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approved by the 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.

(ii) 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 ratees 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.

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

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others have enriched the concept and made it more acceptable as an appraisal technique.

The MBO process has the following four steps:

(a) The first step is to establish the objectives by the superiors that each employee should attain. These objectives are used to evaluate the performance of each employee in the organization.

(b) The second step is to set the standards for evaluating the performance of the employees. As employees perform, they know fairly well the standards against which their performance is to be judged.

(c) The third step is to compare the actual level of attained objectives with the objectives set by the organization. The evaluator depicts the reasons for the objectives that were not met. This step helps 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.

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(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 may demoralize an employee. It may have an adverse effect on the behaviour and work of an employee who is not promoted.

(d) Promotes unhealthy competition: It promotes strong and unhealthy competition among the employees that are assessed.

(e) Overemphasis on centre results: This method lays overemphasis on the result of the centre, which is based on judgement of employees over a short span of time.

(iv) **Human Resource Accounting Method:** Human resources are a valuable asset of any organization. This asset can be valued in terms of money. When competent, and well-trained employees leave an organization the human asset is decreased and vice versa.

Human resource accounting deals with cost of and contribution of human resources to the organization. Cost of the employee includes cost of manpower, planning, recruitment, selection, induction, placement, training, development, wages and benefits, etc. Employee contribution is the money value of employee service which can be measured by labour productivity or value added by human resources. Difference between cost and contribution will reflect the performance of the employees.

Human resource accounting method is still in the transition stage. The contribution made by an employee can be measured in terms of output.

If the cost incurred on an employee is greater than the contribution made then finding out the causes of low performance, analyzing them and then making a proper check to control such causes. A review for future reference is also required of the contribution is more or equivalent to the cost incurred.

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)

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- 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 tests, 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 decision-making 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 analyzing the collected information.

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12.3.2 Limitations of Performance Appraisal Methods

None of the methods for appraising performance is absolutely valid or reliable. Each has its own strengths and weaknesses. In spite of knowing that a completely error-free performance appraisal can only be an idealized model, we can isolate a number of factors that significantly impede objective evaluation. The major problems in performance appraisal are:

(i) **Rating Biases:** Most appraisal methods involve judgements. The performance appraisal process and techniques 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.

(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.

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They follow play safe policy because of answerability to management or lack of knowledge about the job and person he is rating or least interest in his job. This type of rating will create problems, especially if the information is used for pay increases.

(d) **Personal prejudice:** The rater's personal prejudice can influence the objectivity of performance appraisals. If the rater dislikes an employee, he may rate him poorly.

(e) **Consequence of appraisal:** If the evaluator knows that a poor appraisal could significantly hurt the employee's future (particularly opportunities for promotion or a salary increase) the evaluator may be reluctant to give a realistic appraisal.

(f) **The recency effect:** Raters generally remember the recent actions of the employee at the time of rating. If a favourable action has taken place recently, the employee will be given a high rating. Conversely, he will be given a poor rating if an unfavourable action has taken place recently.

(ii) **Opportunity Bias**: This results when the amount of output is influenced by factors beyond the control of employees. Some employees have better working conditions, supportive supervisors, more experienced co-workers, and hence their output may be greater than others working on identical tasks.

(iii) **Group Cohesiveness:** Cohesive groups with high morale can produce more than less cohesive groups with low morale.

(iv) **Knowledge of Predictor Bias**: A rater's knowledge of the performance of an employee on predictors can influence his appraisal ratings. An employee who topped in the selection list might leave the impression that he is the best among the employees and, hence, the rater may rate him as 'good' when his performance is moderate.

(v) **Similarity Error:** When evaluators rate other people in the same way that the evaluators perceive themselves, they are making a similarity error. Based on the perception that evaluators have of themselves, they project those perceptions on others. For example, the evaluator who perceives himself as aggressive may evaluate others by looking for aggressiveness.

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

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(b) The appropriateness of the appraisal method for the special jobs to which the appraisal system will apply.

(ii) **Multiple Raters**: As the number of raters increases, the probability of getting accurate information increases. If a person has had ten supervisors, nine have rated him excellent and one poor, we can discount the value of the one poor evaluation. Therefore, by moving employees about within the organization so as to gain a number of evaluations, we increase the probability of achieving more valid and reliable evaluation.

(iii) **Training Appraisers**: If you cannot find good raters, the alternative is to make good raters. Evidence indicates that the training of appraisers can make them more accurate raters. Common errors such as halo and leniency have been minimized or eliminated in workshops where managers can practice observing and rating behaviours.

(iv) **Ongoing Feedback:** Employees like to know how they are doing. If managers share with the subordinate both expectations and disappointments on a day-to-day basis by providing the employee with frequent opportunities to discuss performance before any reward or punishment consequences occur, there will be no surprises at the time of the annual formal review.

(v) **Selective Rating:** It has been suggested that appraisers should rate in those areas in which they have significant job knowledge. If raters make evaluation on only those dimensions in which they are in a good position they 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 insights to each other 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.

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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 flaw.

To conclude, we can say that performance evaluations are an integral part of every organization. If Properly developed and implemented, the performance evaluation can help an organization achieve its goals by developing productive employees.

Check Your Progress

4. What does the measurement of actual performance require?
5. Which objectives should an appraisal system fulfil?
6. What is the drawback of man-to-man comparison method?
7. List any two drawbacks of the assessment centre method.
8. What is the halo effect?

12.4 MAINTENANCE: OVERVIEW OF EMPLOYEE WELFARE, HEALTH AND SAFETY

There are various laws and acts that have been passed since Independence to govern the functioning of a company. These laws act as a type of statutory benefit for employees of a company. For example, the Employees' State Insurance Act 1948, Employees' State Insurance Act, 1952, The Workmen's Compensation Act, 1923, The Maternity Benefit Act, 1961, the Industrial Disputes Act, 1947, and so on.

Health and Safety

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

(a) Physical health: Bad health of employees increases absenteeism and, hence, affects the production process. On the other hand, healthy employees help in increasing production. Therefore, we can say that healthy employees are more productive, confident in their work and are always regular. The common health hazards that affect the employees physically are given in Table 12.1.

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Table 12.1 *Health Hazards*

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

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

Check Your Progress

9. List some acts that have been formulated to provide statutory benefits to employees.
10. What are the factors that increase mental health problems of employees?

12.5 SOCIAL SECURITY

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

(i) Medical care

(ii) Sickness benefit

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

Social Security in India

Social security schemes may be of two types:

1. **Social assistance:** Under social assistance the state government finances the entire cost of the facilities and benefits provided. Here, benefits are paid after testing the financial position of the beneficiary.
2. **Social insurance:** Under social insurance, the state organizes the facilities financed by contributions from both the workers and employers, with or without a subsidy from the State. Here, the benefits are paid on the basis of the contribution record of the beneficiary without testing his means. At present both types of social security schemes are in vogue in India.

Drawbacks of social security schemes in India

Social security schemes in India have the following drawbacks:

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

Check Your Progress

11. What are the components of social security?
12. What does the government provide under social assistance?

12.6 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

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1. The evaluative purpose of performance appraisal is concerned primarily with looking back at how employees have performed over a given time period, compared with the required standards of performance.
2. 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.
3. 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;
4. Measurement of actual performance requires choosing the right technique of measurement, identifying the internal and external factors influencing performance and collecting information on the results achieved.
5. An appraisal system 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.
6. The drawback of man-to-man comparison method 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.
7. The drawbacks of assessment centre method are:
   (a) Promotes unhealthy competition: It promotes strong and unhealthy competition among the employees that are assessed.
   (b) 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.
8. 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.
9. Some of these acts are the Employees' State Insurance Act 1948, Employees' State Insurance Act, 1952, The Workmen's Compensation Act, 1923, The Maternity Benefit Act, 1961, the Industrial Disputes Act, 1947, and so on.

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10. There are three factors that affect the mental health of employees. The first factor is the mental breakdown that occurs because of the result of pressures and tensions. The second factor is the mental disturbance of different types, which results in reduced productivity, and hence, decreases the company profit. The third factor is the mental illness, which arises due to personal disputes, among the employees and high employee turnover.
11. According to the Social Security (Minimum Standards) Convention (No. 102), adopted by the ILO in 1952, the following are the nine components of social security:
    (i) Medical care
    (ii) Sickness benefit
    (iii) Unemployment benefit
    (iv) Old-age benefit
    (v) Employment injury benefit
    (vi) Family benefit
    (vii) Maternity benefit
    (viii) Invalidity benefit
    (ix) Survivor's benefit
12. Under social assistance the state government finances the entire cost of the facilities and benefits provided. Here, benefits are paid after testing the financial position of the beneficiary.

12.7 SUMMARY

- Performance appraisal is a method of evaluating the behaviour of employees in the work spot, normally including both the quantitative and qualitative aspects of job performance.
- Performance appraisal 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.
- 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.
- Performance appraisal 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.

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- 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.
- 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.
- 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.
- 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.
- 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.
- Forced Choice Method was developed during World War II for evaluating the performance of American army personnel. 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.
- Under the Critical Incidents Method, 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).
- 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).
- 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.
- 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.
- 360 Degree Appraisal 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.

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- 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.
- 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'.
- 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.
- The health of the employees working in an organization plays a vital role in the production. If the workers are not in good health, they will not be able to give good output, and this will directly affect production. Hence, we can say that the health of employees and production are directly proportional to each other.
- Under social insurance, the state organizes the facilities financed by contributions from both the workers and employers, with or without a subsidy from the State. Here, the benefits are paid on the basis of the contribution record of the beneficiary without testing his means.

12.8 KEY WORDS

- **Performance Appraisal:** It refers to 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.
- **Behaviourally Anchored Rating Scale (BARS):** is a measuring system which rates employees or trainees according to their performance and specific behavioural patterns.
- **Management by Objectives** (**MBO**): It is a personnel management technique where managers and employees work together to set, record and monitor goals for a specific period of time.
- **Central Tendency Error:** It refers to the tendency of not using extreme scale scores on the judgement scale; most of the rates are clustered in the middle. Raters who are prone to the central tendency error are those who continually rate all employees as average.
- **Recency effect:** It is the rater's tendency to allow more recent incidents, either effective or ineffective, of employee behaviour to have too much bearing on evaluation of performance. Thus, the *employee's* most recent behaviour becomes the primary focus of the review.

12.9 SELF ASSESSMENT QUESTIONS AND EXERCISES

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Short-Answer Questions

1. List any three objectives of performance appraisal.
2. How does performance appraisal create a positive work environment?
3. What is performance appraisal concerned with?
4. List the two types of corrective action.
5. Write a short note on paired comparison method.
6. How does the free essay method work?
7. List the disadvantages of confidential report method.
8. What are the steps involved in the MBO process?
9. Write a short note on the drawbacks of social security schemes in India.

Long-Answer Questions

1. Discuss the uses of performance appraisal.
2. Analyze some essentials of a good appraisal system.
3. Elaborate upon any two modern methods of performance appraisal.
4. Explain some limitations of the performance appraisal method.
5. Evaluate the ways for improving performance appraisals.

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UNIT 13 EMPLOYEE RETENTION

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Structure

13.0 INTRODUCTION

Every organization attempts to retain its employees as it invests a significant amount in their selection and training. In order to retain the employees, various methods are used as well as certain benefits and perks are provided. Redressal of employee grievances is done and facilities such as sickness, medical and dependents' benefit are provided in addition to a number of other aids. Implementation of laws and acts that aim to provide employees with assistance and a good living standard is ensured. This unit attempts to provide a detailed analysis of the methods and dimensions of employee retention.

13.1 OBJECTIVES

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

- Understand the need for and programs of employee retention
- Analyze the concepts of employee welfare, safety and accident prevention
- Discuss the dimensions of employee grievances and their redressal
- Understand the issues related to industrial relations

13.2 EMPLOYEE RETENTION: NEED AND PROGRAMS

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

Some of the common problems that employees face include:

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

Various Retention Methods

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

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

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

1. **Workplace culture:** The employers should ensure that the employees end up loving their workplace so much that they look forward to coming to work every day. They should associate work with good experience. Policies that are not rigid and dress codes that are not stifling, for example, go a long way in making the workplace culture inviting.
2. **Involvement:** The employers should make the employees feel as if they belong. The employees should be given a chance to lend their opinions and suggestions in important issues and decisions.
3. **Orientation:** The new recruits should be given a memorable welcome and a carefully thought out orientation that would reflect the culture of the organization. The orientation should also get the new recruits excited and eager to begin work.

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4. **Learning:** The organization should have a policy of helping employees who wish to study further or take classes. The employees should be made to feel that progress and willingness to learn are encouraged in the organization.
5. **Reward:** Good performers should be rewarded and appreciated for their performance. Such performance incentives could be given on a daily or weekly basis to bring about a healthy competitive spirit.
6. **Transparent performance and appraisal system:** Clarity in performance appraisal enhances retention.

Methods and Importance of the Employee Retention Control Process

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

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

Implication of Job Change

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

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Check Your Progress

1. How do employee retention programmes help employers?
2. List some actions that can be taken to reduce labour turnover.

13.3 EMPLOYEE WELFARE, SEPARATION: WELFARE, SAFETY, AND ACCIDENT PREVENTION

There have been various laws and acts that have been passed since independence for the benefit of employees as well as for their safety. The following are some of the important laws and acts:

- The Employees' State Insurance Act, 1948
- The Employees' Provident Fund Act, 1952
- The Workmen's Compensation Act, 1923
- The Maternity Benefit Act, 1961
- The Industrial Disputes Act, 1947

Let us discuss these in detail.

The Employees' State Insurance Act, 1948

The Employees' State Insurance Act was passed in 1948 to make available various social welfare facilities available to the employees of a company through one agency. The Employees' State Insurance Scheme (ESIS) is a compulsory and causative scheme for the well-being of the employees. According to this Act, a company should provide medical benefits, such as medical attendance, treatment, drugs and injections to the insured employees having net salary less than 6,500 and their family members. This Act is applicable only to the companies that employ more than 20 employees in the company.

The ESIS is a breakthrough in the history of social security in India. The main objective of this scheme is to launch social insurance for the employees of a company in order to provide them social security during situations, such as illness, long-term sickness or any other health hazard. According to this scheme, medical facilities are also provided to the retired insured individuals and permanently disabled workers and also to their spouses at a minimal payment of ₹ 10 per month.

The ESIS Act is monitored by the Employees' State Insurance Corporation (ESIC), which is established by Central Government. ESIC has its own funds, known as ESI fund that provides cash benefits to insured persons, medical benefits, such as hospitals and dispensaries. The following are the benefits provided by this act:

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- **Sickness benefit**: 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 medical treatment at a hospital maintained by the company. Extended sickness benefit is also given to the insured employees who are suffering from long-term diseases. In this case, an employee can get sickness benefit for a 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. Employees also get 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. An employee gets this benefit at an ESI hospital or dispensary of the doctor from whom the worker is getting treatment. The family of the insured worker also avails this benefit. Workers suffering from critical diseases, such as T.B., Cancer, Leprosy and mental diseases are provided special facilities.
- **Maternity benefit**: It is in the form of cash payment to the insured women for confinement, miscarriage or illness arising out of pregnancy. This benefit is calculated at half of average daily wages. If the insured woman dies during the period of confinement, the nominee gets the benefit for the whole period.
- **Disablement benefit**: This is given in case of permanent disablement of an employee. The benefit is given when an employee is caught in an industrial accident within the factory. The annual benefits depend on the nature of disablement. For the temporary disablement, full pay is given to the employee for the period of disablement. For permanent disablement, the employee is given cash benefit for life at a percentage of full rate.
- **Dependents' benefit**: It is given to the dependents 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 upto 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 employees except in Jammu and Kashmir. This Act is not applicable to 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 a salary of ₹ 5,000 per month.

According to this Act, the employees need to contribute 8.33 percent of their basic salary and dearness allowances comprising of cash value of food allowances and maintenance allowances given to the employees. Now, the government has increased the rate of employee contribution to 10 per cent. The government has introduced various provident fund schemes but the contributory fund scheme became more popular than others. According to the contributory provident fund scheme, both employer and employee contribute equal portion of the basic salary of the employee for provident fund. The total contribution of the provident fund is then deposited with the Provident Fund Commissioner or any trust. The employees get the provident fund after their retirement. The employees also get 8 to 12 per cent interest on the provident fund. Under this scheme, individual pension and family pension are provided to the employees of the company.

The government has introduced various schemes under this act. These are as follows:

- **Employees' Pension Scheme, 1995**: It was introduced for the individual employees of a company in the year 1995. Under this scheme, employees are provided 50 per cent of the salary as their pension after retirement or superannuation after completing 33 years of 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 exceed ₹ 1,000 per month.
- **Gratuity scheme:** It was a scheme introduced under the Payment of Gratuity Act, 1972, meant for factories, mines, oil fields, plantations, ports, railways, and other companies. This act is applicable for the employees that obtain salary less than or equal to ₹ 3,500 per month.
- **Employees' Deposit-Linked Insurance Scheme:** It was launched for the members of Employees' Provident Fund and the exempted Provident Funds on 1 August, 1976. According to this scheme, after the expiry of the member of the provident fund, the individual allowed to obtain the provident fund deposits would be given an extra payment equal to the average balance in the provident fund account of the deceased person during the 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

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facility is given to the employees that work with an employer without evidence of insurability. Following are the features of group life insurance:

- o Insurance is provided to the employees without any evidence of insurability.
- o The insurance contract is signed between the insurance company and the employer. There is no direct interaction of the employee with the insurance company.
- o It is yearly renewable insurance plan.
- o If any employee of the company suffers from an injury or death, then the claim received by the employer from the insurance company is given to the nominee of the employee.
- o The premium of the insurance is either paid by 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 compensation only if the accident or the injury to the employee has been caused during the course of employment.
- This Act also provides overtime pay and the value of concessions or benefits in the form of food, clothing and accommodation.
- The amount of compensation that a company needs to pay to an employee depends upon the type of injury or disablement suffered by the employee.
- The minimum amount of compensation that must be paid to an employee on the occurrence of permanent disablement or death is ₹ 60,000 and ₹ 50,000 respectively. However, the maximum amount of compensation that must be paid to an employee on the occurrence of permanent disablement or death is ₹ 2.28 lakh and ₹ 2.74 lakh respectively.

This Act is applicable for all the employees that work in railways, factories, mines and other companies. It also applies to all the companies that are involved in an industry specified in Schedule II of the Act.

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The Maternity Benefit Act, 1961

The Maternity Benefit Act was launched in 1961. This is a compensation given against the loss of salary to a woman who discontinues to work during the period of pregnancy. The following are the main objectives of this Act:

- Enable the female employee of a company to withdraw her services during the 6 weeks before her expected confinement date
- Allow the female employee to discontinue her services after 6 weeks of confinement
- Provide free medical treatment to a female employee during her pregnancy
- Provide an expected female employee the facility of public funds along with cash benefit so that she can take good care of herself and her child
- Disallow the dismissal of a female employee during her pregnancy period
- Allow the female employee 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 than 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 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, 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 employees. 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, 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, 1976, penalty for termination, and retrenchment without any prior notification and penalty of closure.

Industrial accidents

The life of an industrial worker is a hazardous one. An industrial accident may be defined as 'an occurrence which interferes with the orderly progress of work in an industrial establishment.' According to the Factories Act, industrial accident is 'an occurrence in an industrial establishment causing bodily injury to a person which makes him unfit to resume his duties in the next 48 hours.'

Causes of accidents: Accidents are usually the result of a combination of factors. According to safety experts there are three basic causes. These are:

1. **Unsafe conditions:** Also known as 'technical causes.' They arise when there are improper or inadequate safety guards on machines, when mechanical or construction designs are defective and unsafe; or when there is an absence of proper maintenance and supervision of these devices.
2. **Unsafe acts:** These acts may be the result of lack on the part of the employee or certain bodily defects or wrong attitudes on the part of the employee.
3. **Other causes:** These refer to unsafe situational and climate conditions and variations – such as bad working conditions, rough and slippery floors, excessive glare, etc.

Accident prevention

According to the National Safety Council, USA, accident prevention depends on three E's.

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

Accident prevention can be achieved through two basic activities:

1. Reducing unsafe conditions, i.e., removing and reducing physical hazards
2. Reducing unsafe acts. This can be implemented through proper selection and placement of employees, providing training to new employees in safety practices, and through persuasion and propaganda

Occupational diseases

Occupational diseases are the result of physical conditions and the presence of industrial poisonous and non-poisonous dust in the atmosphere. They usually develop over an extended period of time. They are slow and generally cumulative in their effect. These 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 factor that influences the general health of the worker is the working environment that tends to produce ill health. Every employer should protect his employees against health hazards by:

(i) Devoting adequate attention to working conditions.

(ii) Substituting a less toxic substance for the hazardous one.

(iii) Providing protective clothing.

Sections 11 to 20 of the Factories Act provide detailed instructions.

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 arises from the social responsibility of industries, a desire for upholding democratic values and a concern for employees.

The Oxford Dictionary defines labour welfare as ‘efforts to make life worth living for workmen’. The report of the committee on labour welfare set up by the Government of India in 1969 refers to welfare as a broad concept, a condition of well-being. It suggests the measures which promote ‘the physical, psychological and general well-being of the working population.’

The ILO defines labour welfare as ‘such services, facilities and amenities as adequate canteens, rest and recreation facilities, arrangements for travel to and from work, and for the accommodation of workers employed at a distance from their houses, and other such services, amenities and facilities contribute to improve the conditions under which workers are employed.’

Labour welfare its origin either in some statute formed by the state or in some local custom or in a collective agreement or in the employer’s own initiative.

Today, welfare has been generally accepted by the employers. Each employer, depending on his priorities, gives varying degrees of importance to labour welfare. The state only intervenes to 'widen the area of applicability'. It is now accepted that labour welfare is a social right.

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Need for labour welfare

1. **From the point of view of workers:** Welfare measures must eliminate risk and insecurity. The organization, besides providing a fair day's wages, must also provide facilities like medical aid, crèches, subsidized food and transport required by workers.
2. **From employer's point of view:** Employers provide amenities to discharge their social responsibility, raise the employee's morale, use the workforce more effectively and reduce turnover and absenteeism. Welfare helps build a positive image of the organization and makes it easier for them to attract and hire competent personnel.
3. **From union's point of view:** The role of trade unions in labour welfare stems from worker's need for welfare services. Unions feel that welfare services ought to be provided whether by the government or the employers. However, much depends on the initiative of the unions, their bargaining strength and the priority given by them to the rights of the workers.

Principles of labour welfare

The following principles should be borne in mind while setting up a labour welfare service:

1. First determine the employees' real needs. The welfare service should satisfy the real needs of the workers.
2. Due to differences in sex, age, income levels of employees, a mix of benefits is suggested so that the choice is left to each individual employee.
3. The cost of the service should be calculated and its financing established on a sound basis.

Provisions of Factories Act regarding labour welfare

The Factories Act, 1948, under Sections 42 to 49, contains certain provisions for the welfare of the labour working in factories. The following are some of the provisions mentioned under this act:

1. ***Washing facility (Section 42):*** Every factory should provide adequate facilities for washing. Separate and suitable facilities should be provided for both male and female workers.
2. ***Storing and drying clothes (Section 43):*** The state government, with respect to factories, has made rules to provide the facility to workers for keeping their clothes not worn during working hours. This section also enables factories to provide facility to the workers for drying wet clothes.

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3. ***Sitting arrangement (Section 44):*** Every factory should have proper sitting arrangements for the workers who have to work in a standing position.
4. ***First aid applications (Section 45):*** Every factory should maintain sufficient first aid facility for the workers. The first aid boxes should be equipped with prescribed contents, and there should be at least one box for every 150 workers. Every company having more than 500 workers must have an ambulance room properly equipped with all the equipments and having nursing staff as well.
5. ***Canteen (Section 46):*** Every factory having more than 250 workers must provide a canteen facility to their employees.
6. ***Shelters, rest rooms and lunch rooms (Section 47):*** Every factory having more than 150 workers must contain suitable facilities for shelters, rest rooms and lunch rooms. The lunch rooms must contain proper arrangements for drinking water and sitting plan for workers.
7. ***Creches (Section 48):*** Every factory employing more than 30 workers must contain rooms for the use of their children under the age of six years. Such rooms must be have proper lighting and ventilation facilities. The rooms must have trained women to take care of the children.
8. ***Welfare officers (Section 49):*** Every factory employing more than 500 workers must have welfare officers. The state government decides the duties and qualification of these workers.

Check Your Progress

3. Which benefits should a company provide according to the Employees' State Insurance Act, 1948?
4. What is the Employees' Provident Fund Act, 1952?
5. What is the main objective of The Workmen's Compensation Act, 1923?
6. What does Section 25-C of the Industrial Disputes Act, 1947, state?

13.4 EMPLOYEE GRIEVANCES AND THEIR REDRESSAL

The concept of grievance has been defined in several ways by different scholars. According to Dale Bearch, 'grievance is any dissatisfaction or feeling of injustice in connection with one's employment situation that is brought to the attention of the management.'

Flippo defined it as 'a type of discontent which must always be expressed. A grievance is usually more formal in character than a complaint. It can be valid or ridiculous, and must grow out of something connected with company operations or policy. It must involve interpretation of application of the provisions of the labour contract.'

Grievances give rise to unhappiness, frustration, discontent, indifference to work and poor morale and ultimately lead to inefficiency and low productivity. An HR manager should therefore, see to it that grievances, are redressed at the earliest.

Features of grievance

An analysis of the above-mentioned definitions reveals the following features:

1. 'Grievance' is a term used to refer to any form of discontentment or dissatisfaction with regard to any aspect of the organization.
2. Discontentment or dissatisfaction is a result of issues related to the work place or employment and has nothing to do with personal or family life.
3. Dissatisfaction could either be expressed or implied. It is easier to note and identify expressed grievances as they are reflected through gossip, active criticism, arguments, poor performance and other ways. On the other hand, unexpressed grievances can be seen in indifference to work, laziness, absenteeism, etc.
4. It is not necessary for discontentment to be always true, rational or legitimate. It may or may not be valid. In fact, at times it may be altogether irrational. The important thing is that at the moment a grievance is noticed, it is not possible for the management to overlook or dismiss it as being irrational or invalid.
5. A grievance can be traced to the employees' perception of unfulfilled expectations from the employers/organization.
6. A grievance results from a feeling of injustice experienced by the employee(s).
7. In the absence of timely redressal, grievances end up lowering morale and reducing employee productivity.

Understanding employee grievance

The best way to handle grievances is to prepare to tackle them in anticipation. Steps should be taken to tackle them even before grievances take on huge proportions. The normal practice for an ordinary manager is to redress grievances as and when they are brought to his notice. A very good manager will anticipate grievances and prevent them. A good manager will be able to sniff out simmering grievances even before they get transformed into actual grievances through several ways. They are:

1. **Observations:** If an employee lacks compatibility with his colleagues, is always late for work, fails to meet deadlines, is slow and damages office property, then his behaviour is noticed by his seniors or superiors and reported to the higher authorities.

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2. **Opinion surveys:** An organization may conduct regular surveys to find out the opinions and views of its employees with regard to the policies and procedures of the organization. Regular meetings, group sessions, periodical interviews with workers and collective bargaining sessions help to reveal employee discontent, if any, and helps check its growth into a grievance(s).
3. **Gripe boxes:** If a worker resents the company's policies but is uncomfortable voicing his grievances openly, then there should be a facility for him to submit a written complaint or drop it in a gripe box. The complainant should be allowed to maintain anonymity. This allows employees to express themselves freely. Such gripe boxes should be available at prominent locations inside the factory.
4. **Exit interview:** Exit interviews must be conducted when employees leave the company. Exit interviews should be conducted with precision to know why the employee is leaving the organization. By conducting such interviews, the organization can gauge the workers' grievances. The employee must be encouraged to express his opinion regarding the organization freely and frankly. In case the company cannot elicit such information because of the employees' reluctance to speak truthfully, he should be provided with a questionnaire and his dues must be given only after he has filled up the same.
5. **Grievance procedure:** A company should have an organized and planned grievance redressal system which the employees can use to express their grievances. Management must persuade the employees to use it because if this does not happen then they will pent up complaints whenever they have anything to say, instead of expressing them. In the absence of such a mechanism, the pent up grievances of the employees may erupt some day for the management to sit up and take notice.
6. **Open door policy:** Some organizations generally invite their employees to drop in to meet their managers, informally, at any time of the day and discuss their grievances. The managers then confirm the validity of the grievance and crosscheck the details. This process helps the management keep a finger on the pulse of the workforce. At first glance, this policy may appear attractive but it also has disadvantages as follows:
   (i) It works only in very small organizations.
   (ii) It bypasses the frontline supervisor.
   (iii) The top management may not be familiar with the work situation.
   (iv) While physically the doors may be kept open, there exist psychological as well as social barriers which prevent employees walking in.

Need for a Grievance Handling Procedure

Without an analysis of their nature and pattern, the causes of employee dissatisfaction cannot be removed. The HR manager should help the top

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management and line managers, particularly foremen and supervisors, in the formulation and implementation of the policies, programmes and procedures which would best enable them to handle employees' grievances. These policies, programmes and procedures are generally known as the grievance redressal procedure. The grievance redressal procedure is a device by which grievances are settled, generally to the satisfaction of the trade union or the employees and the management. The adoption of the grievance handling procedure is essential for a variety of reasons. These are given in Table 13.1.

Table 13.1 *Reasons for Adoption of a Grievance Handling Procedure*

1. Most grievances seriously disturb the employees. This may affect their morale, productivity and their willingness to cooperate with the organization. If an explosive situation develops, this can be promptly attended to if a grievance handling procedure is already in existence.
2. It is not possible that all the complaints of the employees would be settled by first-line supervisors, for these supervisors may not have had a proper training for the purpose, and they may lack authority. Moreover, there may be personality conflicts and other causes as well.
3. It serves as a check on the arbitrary action of the management because supervisors know that employees are likely to see to it that their protest does reach higher management.
4. It serves as an outlet for employee gripes, discontent and frustrations. It acts like a pressure valve on a steam boiler. The employees are entitled to legislative, executive and judicial protection and they get this protection from the grievance redressal procedure, which also acts as a means of upward communication. The top management becomes increasingly aware of employee problems, expectations and frustrations. It becomes sensitive to their needs, and cares for their well-being. This is why the management, while formulating plans that might affect the employees—for example, plant expansion or modification, the installation of labour-saving devices, and so on, should take into consideration the impact that such plans might have on the employees.
5. The management has complete authority to operate the business as it sees fit – subject, of course to its legal and moral obligations, and the contracts it has entered into with its workers or their representative trade union. However, if the trade union or the employees do not like the way the management functions, they can submit their grievance in accordance with the procedure laid down for that purpose.

Source: C.B. Mamoria and S.V. Gankar, *Personnel Management Text and Cases*. Bombay: Himalaya Publishing House, 2001, pp. 745–46.

According to T.O. Amstrong, if properly designed, a grievance procedure should be able to offer the following:

1. A path which the aggrieved employee may take to express his grievance.
2. A procedure to ensure systematic handling of each grievance.
3. A method by which an aggrieved employee can give vent to his feelings of dissatisfaction with the work he is assigned, the conditions of work, etc, with the management.
4. A means of ensuring a certain degree of promptness in grievance handling

Nature and causes of grievances

Just about any factor involving wages, hours or conditions of employment has and can be used as the basis of grievance. Calhoon observes 'Grievances exist in the minds of individuals, are produced and dissipated by situations, are fostered or healed by group pressures, are adjusted or made worse by supervisors, and are nourished or dissolved by the climate in the organization which is affected by all the above factors and by the management.'

Causes of grievances relate to interpretation of all personnel policies. National Commission on Labour states, 'complaints affecting one or more individual workers in respect of their wage payments, overtime, leave, transfer, promotion, seniority, work assignment and discharge would constitute grievances'. The causes of grievances include the interpretation of areas like placement, transfer, promotion, and so on.

Preconditions for sound grievance handling

The efficiency of a grievance procedure depends upon the fulfilment of certain prerequisites. These are as follows:

(i) **Conformity with prevailing legislation:** The procedure should be in conformity with the existing law. It should be designed to supplement the statutory provisions. In other words, the existing grievance machinery as provided by law must be made use of. The procedure may be incorporated in the standing orders or collective bargaining agreement of the organization.

(ii) **Acceptability:** The grievance procedure must be acceptable to all and should, therefore, be developed with mutual consultation among management, workers and the union.

(iii) **Clarity:** There should be clarity regarding each and every aspect of the grievance procedure. An aggrieved employee must be informed about the person to whom a representation can be made, the form of submission (written or oral), the time limit for the redressal of grievance, and so on.

(iv) **Promptness:** The grievance procedure must aim at speedy redressal of grievances. The promptness with which a grievance is processed adds further to the success of the grievance procedure. Since justice delayed is justice denied, the procedure should aim at rapid disposal of the grievances. Promptness can be ensured in the following ways:

   (a) As far as possible, the grievance should be settled at the lowest level.

   (b) There should be only one appeal.

   (c) Time limit should be prescribed and rigidly enforced at each level.

   (d) Different types of grievances may be referred to appropriate authorities.

(v) **Simplicity:** The grievance procedure should be simple. The procedure should consist of as few steps as possible. If there are too many stages in the procedure, too many forms to be filled up, too much going around and

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so on, the very purpose of the procedure is defeated. Instead of resorting to the formal procedure, an employee may ignore it. Information about the procedure should be communicated to the employees.

(vi) **Training:** The success of the procedure also depends upon imparting training to the supervisors and union representative in handling grievances. This will help to ensure effective working of the grievance procedure.

(vii) **Follow up:** The working of the grievance procedure should be reviewed at periodical intervals by the HR department. The department should periodically review the procedure and introduce the essential structural changes making it more effective.

Check Your Progress

7. What is the best way of handling grievances?
8. What should a company do if an employee is reluctant to talk at the time of an exit interview?
9. List the disadvantages of open door policy.

13.5 INDUSTRIAL RELATIONS

Industrial relations is a dynamic socio-economic process characterized by cooperation and conflict. The state today has an increasing role to play, with its emphasis on welfare, in maintaining a balance between labour and management, especially in India where the former is inadequately organized.

The issues

Industrial relations is a 'designation of a whole field of relationships that exist because of the necessary collaboration of men and women in the employment processes of industry.' It is not the cause but an effect of social, political and economic forces.

It has two faces like a coin—cooperation and conflict. The relationship, to use Hegal's expression, undergoes change from thesis to antithesis and then to synthesis. Thus, the relationship starting with cooperation soon changes into conflict and after its resolution again changes into cooperation. This changing process becomes a continuous feature in the industrial system.

The relationship between labour and management is based on mutual adjustment of interests and goals. It depends upon economic, social and psychological satisfaction of the parties. Higher the satisfaction, healthier the relationship. In practice it is, however, found that labour and capital constantly strive to maximize their pretended values by applying resources to institutions. In this effort, they are influenced by and are influencing others. Both of them try to

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augment their respective income and improve their power position. The major issues involved in the industrial relations process are terms of employment (wages, dearness allowances, bonus, fringe benefits), working conditions, (leave, working hours, health, safety and welfare); non-employment such as job security, personnel issues such as discipline, promotional opportunities and among others, recognition of trade unions. However, in view of sharply divided and vociferously pressed rival claims, the objectives of labour and management are not amenable to easy reconciliation. This is all the more so because the resources are limited. Be that as it may, the means adopted to achieve the objectives which vary from simple negotiation to economic warfare adversely affect the community's interest in maintaining an uninterrupted and high level of production. Further, in a country like India where labour is neither adequately nor properly organized, unqualified acceptance of the doctrine of 'free enterprise' particularly between labour and management strengthens the bargaining position of the already powerful management.

It is apparent that the State, with ever-increasing emphasis on welfare aspect of governmental activity, cannot remain a silent and helpless spectator in the economic warfare. The legislative task of balancing the conflicting interest in the arena of labour management relations proves to be an extremely difficult one, in view of mutually conflicting interests of labour and management. The substantive issues of industrial relations are of a perennial nature and, thus, there can never be a 'solution for all times to come'. There can only be broad norms and guidelines as criteria in dealing with issues of industrial relations. The law plays an important role in shaping the structure of industrial relations. It represents the foundation from which the present system and procedure flow to deal with the problems of industrial relations.

Emergence of the industrial relations problem

Labour problems in factories or even retail handicraft types of industrial organizations do not attract public attention. The workers, wherever employed, are few in number, maintain close contact with the management and the relative position of the management and workers is such that the conflicts, if any, are generally resolved by mutual negotiations. Even where they cannot be resolved, the impact of their conflict on the community is negligible. However, it need hardly be emphasized that our laws must ensure social justice to them.

Problems affecting labour management relations assume significance in the field of wholesale handicraft and get increasingly complicated as we proceed from the independent phase of the wholesale handicraft to the factory phase of centralized production. Helped by industrial revolution and buttressed by energy evolution, it has become possible for the employer to engage thousands of workers at one and the same time. These employers cannot, and do not maintain personal contact with the workers, who are not infrequently drawn from entirely different regions and who do not even appreciate the implications of the emerging industrial civilization. The loss of workers' individuality and impersonality are the factors which, among others, aggravate labour–management relations.

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Check Your Progress

10. What are the major issues involved in the industrial relations process?
11. In which field do the problems affecting labour management relations assume significance?

13.6 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Employee retention programmes help employers hang on to their best performers, who are naturally valuable assets for the organization.
2. The following actions may be taken to reduce labour turnover:
   - Increase pay levels to meet competition.
   - Introduce procedures for relating rewards to performance.
   - Provide better career opportunities.
3. According to The Employees' State Insurance Act, 1948, 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.
4. 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 employees except in Jammu and Kashmir.
5. The main objective of the Workmen's Compensation Act, 1923 is to apply a commitment on the employers to offer compensation to the employees against the accidents that occur during the course of employment.
6. Section 25-C of the Industrial Disputes Act, 1947, 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 50 per cent of her/his basic salary.
7. The best way to handle grievances is to prepare to tackle them in anticipation. Steps should be taken to tackle them even before grievances take on huge proportions.

8. In case the company cannot elicit information because of the employees' reluctance to speak truthfully, he should be provided with a questionnaire and his dues must be given only after he has filled up the same.
9. The open door policy has the following disadvantages:
   (i) It works only in very small organizations.
   (ii) It bypasses the frontline supervisor.
   (iii) The top management may not be familiar with the work situation.
   (iv) While physically the doors may be kept open, there exist psychological as well as social barriers which prevent employees from walking in.
10. The major issues involved in the industrial relations process are terms of employment (wages, dearness allowances, bonus, fringe benefits), working conditions, (leave, working hours, health, safety and welfare); non-employment such as job security, personnel issues such as discipline, promotional opportunities and among others recognition of trade unions.
11. Problems affecting labour management relations assume significance in the field of wholesale handicraft and get increasingly complicated as we proceed from the independent phase of the wholesale handicraft to the factory phase of centralized production.

13.7 SUMMARY

- When a good performer or worker leaves, a company loses out a lot in terms of productivity, manpower and expenses. Think of all the effort that went into selecting, interviewing and appointing that worker; the time that went into training that worker; the effort that went into evaluating his performance and giving feedback.
- The organization should have a policy of helping employees who wish to study further or take classes. The employees should be made to feel that progress and willingness to learn are encouraged in the organization.
- Upward job change is known as promotion, downward change is termed as demotion and lateral change is identified as transfer. Any type of job change results in a change in role and responsibilities for the employee, a change of classification and/or grade level, as well as a change in remuneration.
- Sickness benefits are given to the employees under the ESIS Act for a 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.

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- The Employees' Provident Fund Act, 1952 is not applicable to 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.
- 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 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.
- 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 an year with the company.
- 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.'
- 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 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.'
- Grievances give rise to unhappiness, frustration, discontent, indifference to work and poor morale and ultimately lead to inefficiency and low productivity. An HR manager should therefore, see to it that grievances, are redressed at the earliest.
- Regular meetings, group sessions, periodical interviews with workers and collective bargaining sessions help to reveal employee discontent, if any, and helps check its growth into a grievance(s).
- The relationship between labour and management is based on mutual adjustment of interests and goals. It depends upon economic, social and psychological satisfaction of the parties.

13.8 KEY WORDS

- **Employee Retention:** It refers to the efforts by which employers attempt to retain the employees in their workforce.

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- **Labour Welfare:** It refers to 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 that contribute to improve the conditions under which workers are employed.
- **Employee Grievance:** It refers any dissatisfaction or feeling of injustice in connection with one's employment situation that is brought to the attention of the management.'
- **Gripe Box:** It is a box that may be kept at prominent locations in the organization for lodging anonymous complaints pertaining to any aspect relating to work.

13.9 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. List some of the issues that employees face in the workplace.
2. Name the organization that monitors the ESIS Act.
3. What do sections 25-M and 25-N of the Industrial Disputes Act, 1947, state with regard to the termination and retrenchment of the employees by a company?
4. List the causes of industrial accidents.
5. What is a grievance redressal procedure?
6. List any two reasons for the adoption of a grievance handling procedure.

Long-Answer Questions

1. Discuss the factors that employers should keep in mind for ensuring employee retention.
2. Analyze the benefits and provisions provided under the Employees' Pension Scheme, 1955.
3. Evaluate the important features of the Workmen's Compensation Act.
4. Discuss the need for labour welfare from different points of view.
5. Describe the preconditions for sound grievance-handling.

13.10 FURTHER READINGS

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UNIT 14 TRADE UNIONS

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Structure

14.0 INTRODUCTION

Trade unions are organizations formed by workers to safeguard their rights and attain a number of objectives such as fair wages, implementation of safety measures, good working conditions and so on. These organizations have the power to influence management decisions to a great extent as discontent among workers leads to reluctance with regard to work. The Trade Unions Act, 1926 provides a framework for the formation and management of a trade union. This unit begins with an analysis of trade unions and goes on to elaborate upon concepts like workers' participation in management, Human Resource Information System (HRIS), personnel research and audit.

14.1 OBJECTIVES

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

- Understand the concept of trade unions
- Evaluate the concept of workers' participation in management
- Analyze the need for and methods of separation
- Discuss the dimensions and aspects of Human Resource Information System
- Understand the concepts of personnel audit and research

14.2 TRADE UNIONS: MULTIPLICITY OF TRADE UNIONS

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Under the Trade Unions Act, 1926, employees (including association of employers) are registered to form trade unions for collective bargaining. The Act gives the registered trade unions certain protection and privileges.

Scope and coverage

The extent of this Act is the entire country. All kinds of unions aiming at regularizing the labour–management relations come under the fold of this Act. According to Section 2(h) of the Act, a 'trade union' regulates not only the relations between employees and employers but also between employees and their colleagues.

The Act is a central enactment but it is administered by and large, by the state governments. Trade unions whose objectives are not restricted to one state, are the subject of the Central Government. The state government shall appoint a Registrar of trade unions assisted by Additional or Deputy Registrars, for each State. The state government shall also make regulations for enforcing the provisions of the Act.

Although it is not necessary to register a trade union, it is desirable since a trade union which is 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 members 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 have been convicted by a court of law.

Cancellation of registration

The registration of a trade union can be cancelled if an application has been forwarded for its cancellation. The Registrar can cancel a trade union by giving at least 2 months' notice under any of the following circumstances.

(a) if registration has been obtained by fraud or mistake

(b) if the union has ceased to exist

(c) if it has wilfully contravened any of the provisions of the Act; or

(d) if any rule which is required under Section 6, has been deleted.

Legal status of a Registered Trade Union

(i) A trade union is a corporate body with perpetual succession and a common seal.

(ii) It can acquire, hold, sell or transfer any movable or immovable property and can be a party to contracts.

Dissolution of Trade Union

A notice of dissolution signed by any seven members and the secretary of the Union should be sent to the Registrar within 14 days of the dissolution. If the Registrar is satisfied, the notice will be registered and the union will be dissolved.

Obligations

1. The registered trade union should spend its fund on payment of salaries, allowances and expenses of its office-bearers, expenditure incurred on administration and audit, allowances for death, old age, sickness, accident or unemployment of its members, publication of labour journals, etc. A separate political fund to further civic and political interests may be set up.
2. The account books and membership register of the trade union should be kept open for inspection by any of its members or office-bearers.
3. The Registrar should receive a copy of every alteration made in the rules within a fortnight of making the alternation.
4. The Registrar should receive annual statement of receipts and expenditures and assets and liabilities of the union for the year ending on 31st December.

Rights of Registered Trade Unions

A trade union has a right to demonstrate. A trade union has a right to appeal against an order of the Registrar either refusing or cancelling registration, to the Civil Court/High Court, within the prescribed time.

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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, initiate arguments, file suits and even bargain with employers. As there are no limits to the formation of unions in one organization, small sections of workers form separate unions.

Although a strong union fights for the welfare and interest of the workers, and helps in organizational stability and growth, the existence of several trade unions in one institution may act as a barrier in collective bargaining. As a result, the growth and welfare of 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 a 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. Multiple trade unions, therefore, make the bargaining power of the workers very weak.
- **Inter-union opposition:** Multiple trade unions in an institution also lead to inter-union contention. Unions try every possible measure to get a stronger hold on the workers. This results in the loss of interest of the workers in unionism. In such situations, deceitful employers take advantage of this rivalry and may refuse to bargain saying that there is a lack of a strong representative union.

Check Your Progress

1. What does section 2(h) of the Trade Unions Act state?
2. List the circumstances under which the registrar can cancel a trade union.

14.3 WORKERS' PARTICIPATION IN MANAGEMENT

Workers' participation is a broad concept. It has been differently viewed by sociologists, psychologists, economists and lawyers. Sociologists view workers' participation as an instrument of varying potentialities to improve industrial relations and promote industrial peace. Psychologists consider participation as a mental and emotional involvement of a person in a group situation which encourages workers to share managerial responsibility.

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Being a dynamic subject, no rigid limits can be laid down for workers' participation for all industries and for all times. It can be elastic enough to include workers' representation even at the top level, namely, board of directors. It can also be confined to the extremely limited domain of consultation at the lowest level such as 'to promote measures for securing and preserving amity and good relations between the employer and workmen and to that end, to comment upon matters of their interest or concern and endeavour to compose any material difference of opinion in respect of such matters.'

Workers' participation in management has been classified into five stages. These are informative, consultative, associative, administrative and decisive participations, the extent of each depending upon the quality of management and the character of the employee.

K.C. Alexander has, however, suggested different modes of workers' participation, viz. (i) collective bargaining, (ii) joint administration, (iii) joint decision-making, (iv) consultation, and (v) information sharing.

According to Kenneth F. Walker, various forms of workers' participation in management are ascending participation, descending participation, disjunctive participation and informal participation. In ascending participation, workers may be given an opportunity to influence managerial decisions at higher levels, through their elected representatives to works committee, shop or joint council or board of the establishment. In descending participation, they may be given more powers to plan and make decisions about their own work. They may participate through collective bargaining. They may also participate informally, when for example, a manager adopts a participative style of supervision of workers. These and other forms of participations have played a significant role in transforming the scope and concept of workers' participation.

Check Your Progress

3. What are the five stages of workers' participation in management?
4. What opportunity can workers be given in ascending participation?

14.4 SEPARATION: NEEDS AND METHODS

Employee separation is a process which ensures that an employee who is leaving the organization makes his exit in a structured and systematic manner. Several companies take this process very seriously and therefore have a dedicated department to handle the exit of employees from the organization. There are two types of employee exits. They are:

- Voluntary separation
- Involuntary separation

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- **Voluntary separation:** When an employee leaves the company on his or her own accord, it is known as voluntary separation. This type of separation is the most common in organizations. In this type of separation, an employee gets most of the benefits and perquisites due to him or her.
- **Involuntary separation:** However, in times of recession, the act of the management's request to an employee to leave the organization has become quite common. This type of employee separation is known as involuntary separation. In this type of separation, a separation package might be given to the employee. However, if the separation is due to a disciplinary issue, the employee might not get anything at all.

The Process of Employee Separation

The employee separation process begins from the moment the employee puts forward his notice to the employer about his intention to leave the organization. In earlier times, this process, usually known as 'putting in one's papers', was done by submitting a formal resignation letter. However, in recent times, resignation is generally given through email.

Once the employee gives his/her notice to leave the organization, the human resource (HR) department of the company 'freezes' all the financial transactions and records of the employee. The employee's manager is responsible for ensuring that the employee has properly handed over or completed the tasks assigned to him/her.

The notice period usually ranges from one to three months. However, this depends on the level at which the employee is working and the policies of the organization. Moreover, the employee's manager should have a proper handover plan, which should cover all aspects of closing out on the work that the employee was assigned.

Participants in the Employee Separation Process

Usually, the process of employee separation takes place along two parallel tracks. One track involves the employee and the manager who is responsible for ensuring that the tasks assigned to the employee have been handed over or completed properly. The other track involves the employee and the HR department dedicated for the separation process, who handle the employee benefits, such as provident fund (PF), gratuity (if applicable), etc.

The separation process requires the HR manager at every step and in the final exit interview. The final exit interview is conducted to assess the reasons as to why the employee is leaving the company. It also takes the views of the employee on work and in general. The employee is also asked to give the 'de-motivating factors', if any, that might have been the reason for him/her to leave.

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

Dismissal

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

Lay-off

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

Retrenchment

Retrenchment means the termination of service of an employee for any reason; but it certainly isn't a punishment imposed as a disciplinary action. The job can be either terminated due to economy, installation of labour-saving machinery or other any such industrial or trade reasons. Usually, the employee is given a month's notice in writing or is offered payment in place of such notice.

Termination

Termination of job can be of 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 death of a 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.

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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

5. What do the two tracks of employee separation process involve?
6. What is the meaning of golden handshake?

14.5 HUMAN RESOURCE INFORMATION SYSTEM

Human resource information system (HRIS) is a system used by an organization to collect, analyze and report information about its people and jobs. It applies to information needs at the macro and micro levels. HRIS is simply a database system offering important information about employees in a central and accessible location. When such information is required, the data can be retrieved and used to facilitate human resource planning decisions.

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Information needs in HRM

A human resource manager requires a lot of information and data pertaining to all aspects of human resource management (HRM). HRIS ensures that this information, which is essential for planning, controlling, decision-making and preparing reports, is made available to them. The information needed to satisfactorily perform various functions of human resource management are:

- **Procurement function**
    - o Inventory of present and future manpower
    - o Possible changes influencing manpower utilization
    - o Cost of recruitment and replacement
    - o Matching of required skill with the available skill
- **Development function**
    - o Cost of training programmes and the benefits from them
    - o Plans related to career and succession
    - o Performance measurement
- **Compensation function**
    - o Costs of employees in terms of turnover
    - o Connection between productivity and wages
    - o Effect of money on work motivation
- **Maintenance function**
    - o Causes and costs of employee separation
    - o Absenteeism, turnover and other indicators of organizational health
    - o Incentives needed for voluntary separation (VRS), if necessary
- **Integration function**
    - o Causes of change in productivity level
    - o Cost of adoption to environmental changes
    - o Impact of changes in technology and markets

Computerized HRIS

A computerized HRIS is an information system that makes use of computers to monitor, control and influence the movement of human beings from the time they indicate their intention to join an organization till the time they leave the organization. According to S. Chandrashekar, it consists of the following subsystems:

- **Recruitment information:** It includes advertisement module, applicant's profile, appointment and placement data.
- **Personnel administration information:** It consists of personnel needs of an employee concerning leaves, transfer, promotion, increment, etc.

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- **Manpower planning information:** It offers data that could help human resource mobilization, career planning, succession planning and inputs for skill development.
- **Training information:** It provides information for designing course material, arranging need-based training and appraising the training programme, etc.
- **Health information:** It consists of data related to health, welfare and safety of employees.
- **Payroll information:** It provides data regarding wages, salaries, incentives, allowances, fringe benefits, deductions for provident fund, etc.
- **Personnel research information:** It is a bank of historic and current data about employee attitude, turnover, **absenteeism**, which may be used for different types of analyses

Need, Objectives and Advantages of HRIS

The need for HRIS is felt for the following reasons:

- The personnel records, when kept manually, do not offer up-to-date information at short notice.
- The manual transfer of data from one record to another may increase the chances of error.
- The clerical work involved is quite labour intensive and costly.
- The manual analysis of data is time-consuming and quite often not readily available for decision-making purpose.
- Information is not available at a central, easily accessible place since records are kept at separate locations, handled by different persons in different departments.

Objectives of HRIS

The objectives of HRIS are as follows:

- To supply up-to-date information at a reasonable cost
- To offer an adequate and comprehensive information system about human resources
- To offer data security through passwords and elaborate codes. Thus, it helps in maintaining privacy

Advantages of HRIS

The advantages of HRIS are as follows:

- For large organizations that employ very large number of people, it becomes necessary to employ HRIS.

- In a geographically dispersed company, every office requires timely and accurate information about manpower. If information is stored in multiple locations, costs and inaccuracy will increase.
- Modern-day compensation package is complex consisting of many allowances and deductions. HRIS helps in easy calculation of these.
- An employer has to comply with several labour laws. A computerized information system would store and retrieve data quickly and correctly enabling the employer to comply with statutory requirements.
- With the help of a computerized personnel information system, employee records and files can be integrated for fast retrieval, cross-referencing and forecasting.
- Necessary flexibility for adaptation to changes in environment can be built into a mechanized information system.

Designing a modern HRIS

The steps involved in the development of a sound HRIS are as follows:

- **Preliminary systems analysis:** It involves definition of the problem, specification of objectives and operational needs, constraints affecting the system, making feasibility study and submission of the report.
- **Systems design:** Alternatives to meet the objectives are described and evaluated. The requirements of the chosen alternatives are specified and its effects on people are estimated.
- **Systems engineering:** The study of engineering components and their cost- effectiveness is made. This study will help the top management to make the right choice.
- **Systems testing and implementation:** The HRIS along with its subsystems should be installed and tested.
- **Systems monitoring and evaluation:** The performance of the system is measured and evaluated so that modifications may be done to solve the human problems in systems design and control.

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.

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According to Woodruff Jr, Vice-President of R.G Barry Corporation, 'Human resource accounting is an attempt to identify and report investments made in human resources of an organization that are presently not accounted for in conventional accounting practice. Basically it is an information system that tells the management what changes over time are occurring to the human resources of the business.'

Stephen Knauf defines HRA as 'The measurement and quantification of human organizational inputs such as recruiting experience and commitment.'

From the above definitions, we may define HRA as the measurement and reporting of the costs incurred for recruiting, hiring, training and developing employees and their present economic value to the organization. It involves the assessment of the costs and value of the people as organizational resources.

Objectives of HR accounting

According to Rensis Likert, one of the earliest proponents of HRA system, it fulfils the following objectives:

1. Provide cost value information about acquiring, developing, allocating and maintaining human resources so as to meet organizational goals
2. Enable management to effectively monitor the use of human resources
3. Find whether human assets are appreciating or depreciating over a period of time
4. Assist in the development of effective management practices by classifying the financial consequences of various practices

To these objectives of HRA, the following may be added:

1. Better decisions about human resources on improved information system
2. Better human resource planning, enabling long-term opportunity for planning and budgeting
3. To attract good, competent and efficient personnel to work for the organization
4. In taking decisions regarding promotion, transfer, training, retirement and retrenchment of such resources
5. For fixing the right person for the right job
6. In evaluating the expenditure, if any, incurred by the organization in giving further training and in evaluating the return on such investment in human resources
7. To motivate individual persons in the organization to increase their worth by training
8. In planning physical resources vis-à-vis human resources by giving valuable information

Advantages and limitations of HR accounting

The following are the advantages and limitations of human resource accounting:

Advantages of HR accounting

Human resource accounting helps in knowing whether human asset is being built up in the business or not. An executive may show good results in producing goods, etc., but he might not have built the human resources properly. A good manager keeps the morale of his subordinates high so that they can contribute their best in achieving the organizational objectives. The following advantages are derived from an HRA system:

1. It throws light on the strengths and weaknesses of the existing workforce in an organization. This in turn, helps the management in recruitment planning, whether to hire people or not. It thus provides useful information about the value of human capital which is essential to managers for taking the right decisions, e.g., choice between:
   - Direct recruitment and promotion
   - Transfer and retention
   - Retrenchment and retention
2. The management can evaluate the effectiveness of its policies relating to human resources. For instance, high costs of training may indicate the need for changes in policy for reducing labour turnover. The management can also judge as to whether there is an adequate return on investment in human resources. HRA provides feedback to manager on his own performance.
3. It helps potential investors to judge a company better on the strength of the human assets utilized therein. If two companies offer the same rate of return on capital employed, information on human resources can help investors decide which company to be picked up for investment. The present law does not require the value of the human asset to be shown in the balance sheet.
4. It helps the management in taking appropriate decisions regarding the use of human assets in an organization, that is, whether to hire new recruits or promote people internally, transfer people to new locations or hire people locally, incur additional training costs or hire consultants keeping the impact on the long-run profitability in mind.
5. The return on investment (ROI) can realistically be calculated only when investment on human resources is also taken into account. The return on investment may be good because there is an investment on human beings. On the other hand, a low investment may be the reason of low investment on human asset. So ROI can give accurate results only when expenditure on employees is treated as an asset.

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6. HRA may help to improve the motivation and morale of employees by creating a feeling that the organization cares for them. HRA will also help in improving the efficiency of employees. The employees come to know of the cost incurred on them and the returns given by them in the form of output, etc.
7. It can be seen whether the business has made proper investments in human resources in terms of money or not. If the investment is excessive then efforts should be made to control it.
8. HRA will give the cost of developing human resources in the business. This will enable the management to ascertain the cost of labour turnover also. There may be a high labour turnover and the management may not take it seriously in the absence of cost figures of human resources. Though it is not possible to eliminate labour turnover but in case the cost of labour turnover is high, then the management should try to reduce it as far as possible.

Limitations of HR accounting

HRA is a source of essential information not just for the management but also for the investors. Yet, its development and application have not really been very encouraging. This is so because HRA has the following drawbacks:

1. **Not easy to value human assets:** No guidelines are available to differentiate between the 'cost' and 'value' of human resources. The existing valuation system has many negative points. Once the task of valuating human resources in a particular way has been completed, many human resources may just leave the organization. Human life itself is uncertain. Therefore, it is not right to evaluate the asset under such hazy conditions. An organization cannot own human assets like physical assets. They cannot use or retain them at their own sweet will either. Therefore, it would be inappropriate to treat them as 'asset' in the true sense of the word. Once these 'assets' gain experience, they may simply leave the organization causing immense damage.
2. **Results in dehumanizing human resources**: There is always a chance of HRA leading to employees being manipulated or dehumanized. A person from the lower rungs may, for instance, lack motivation, which will affect his performance and productivity.
3. **No evidence:** There is no empirical evidence to support the hypothesis that HRA is an effective managerial technique for improving the management of human resources.
4. **HR is full of measurement problems:** The accountants and financial professionals do not agree on any one measurement process. They have yet to come up with a common solution with regard to the form and manner in which the process should be undertaken, and their value in the financial statements.

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To further add to the problems, there is the question of making a decision regarding the recovery rates. How should the human resources be amortized in order to be able to valuate them? What about the rate of amortization? Should it be constant, decreasing or increasing? Should the rate differ from one category of personnel to the other?

5. **Employees and unions may not like the idea:** There is a constant fear that the trade unions may oppose HR accounting. Placing a value on employees may lead them to expect rewards/compensation based on such valuation. HRA may result in division among the ranks of employees. A group of employees may be valued lower than their real worth due to manipulations by the management. Such manipulative practices will be protested against by the unions.

Check Your Progress

7. List two advantages of HRIS.
8. What does a preliminary systems analysis involve?

14.6 PERSONNEL AUDIT

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

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

(i) the measurement of the effectiveness of the HR management's mission, objectives, strategies, policies, procedures, programmes and activities; and thereafter

(ii) the determination of what should or should not be done in the future.

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

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

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Objectives of Human Resource Audit

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

The objectives of HR audit are:

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

Need for HR Audit

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

1. To increase the size of the organization and personnel in several organizations,
2. To change the philosophy of management towards HR,
3. To increase the strength and influence of trade unions,
4. To change HR management philosophy and thereby personnel policies and practices throughout the world, and
5. To increase the dependence of the organization on the HR system and its effective functioning.

Significance of HR Audit

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

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

Benefits of HR Audit

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

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

Scope of HR Audit

The HR audit has a very wide scope. It assumes that the management of human resources involves much more than the practice of recruiting, hiring, retaining and firing employees. It examines the concept of 'people management' by supervisors at all levels. It covers areas like HR philosophy, policies, programmes, practices and personnel results. As per the National Industrial Conference Board of the United States, 'The top management is interested in auditing all the programmes relating to employees, regardless of where they originate, or the channels through which they are administered'.

The major areas of HR audit include:

1. Programming, forecasting and scheduling to meet organization and personnel needs
2. Areas of recruitment, selection, careers, promotions, training and development

3. Areas of leadership, welfare, grievances, performance appraisal, employee mobility, and industrial relations.

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Check Your Progress

9. Why is a critical evaluation of manpower programmes required?
10. List one objective of HR audit.

14.7 PERSONNEL RESEARCH

Research is carried out to find out things. Rational managerial decisions can't be made without knowing about the current state of things and how they relate to each other. The use of scientific research methods helps us in learning the real state of things, rather than just inferring how they are.

Basic personnel research gives a complete understanding of human behaviour in the context of organizations. With the aid of this research, organizations could be designed optimally which would make people more content and hence, more productive. As a result, organizations can become more successful.

There are two types of personnel research: (i) basic and (ii) applied.

(i) Basic research is a general term that attempts to reveal the truth about personnel that is applicable across various people and institutions. Generally, academics perform this research, which is published in scholarly journals.

(ii) Applied research has a more focused 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.

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Check Your Progress

11. What does the use of scientific research methods help us in learning?
12. What does applied research seek to find out?

14.8 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Section 2(h) of the Trade Unions Act states that, a 'trade union' regulates not only the relations between employees and employers but also between employees and their colleagues.
2. The Registrar can cancel a trade union by giving at least 2 months' notice under any of the following circumstances.
   (a) if registration has been obtained by fraud or mistake
   (b) if the union has ceased to exist
   (c) if it has wilfully contravened any of the provisions of the Act; or
   (d) if any rule which is required under Section 6, has been deleted.
3. The five stages of workers' participation in management are informative, consultative, associative, administrative and decisive participations, the extent of each depending upon the quality of management and the character of the employee.
4. 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.
5. One track of the employee separation process involves the employee and the manager who is responsible for ensuring that the tasks assigned to the employee have been handed over or completed properly. The other track involves the employee and the HR department dedicated for the separation process, who handle the employee benefits, such as provident fund (PF), gratuity (if applicable), etc.
6. 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. It is usually offered for loss of employment through layoffs, firing or even retirement.
7. The advantages of HRIS are:
   (i) For large organizations that employ very large number of people, it becomes necessary to employ HRIS.
   (ii) Modern-day compensation package is complex consisting of many allowances and deductions. HRIS helps in easy calculation of these.

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8. A preliminary systems analysis involves definition of the problem, specification of objectives and operational needs, constraints affecting the system, making feasibility study and submission of the report.
9. A critical evaluation of manpower programmes is required to identify the areas where improvements are needed to set things in order.
10. An objective of HR audit is to locate the gaps, lapses, shortcomings in the implementation of the policies, procedures, practices, directives of the HR department and to know the areas where non implementation and/or wrong implementation has hindered the planned programmes and activities.
11. The use of scientific research methods helps us in learning the real state of things, rather than just inferring how they are.
12. Applied research 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.

14.9 SUMMARY

- 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.
- 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.
- 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.
- Sociologists view workers' participation as an instrument of varying potentialities to improve industrial relations and promote industrial peace.
- Employee separation is a process which ensures that an employee who is leaving the organization makes his exit in a structured and systematic manner. Several companies take this process very seriously and therefore have a dedicated department to handle the exit of employees from the organization.
- 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.
- A human resource manager requires a lot of information and data pertaining to all aspects of human resource management (HRM). HRIS ensures that this information, which is essential for planning, controlling, decision-making and preparing reports, is made available to them.

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- HR accounting throws light on the strengths and weaknesses of the existing workforce in an organization. This in turn, helps the management in recruitment planning, whether to hire people or not.
- Once the task of valuating human resources in a particular way has been completed, many human resources may just leave the organization. Human life itself is uncertain. Therefore, it is not right to evaluate the asset under such hazy conditions.
- A critical evaluation of manpower programmes is required to identify the areas where improvements are needed to set things in order. Audit is an important aspect of managerial control.
- The HR audit has a very wide scope. It assumes that the management of human resources involves much more than the practice of recruiting, hiring, retaining and firing employees. It examines the concept of 'people management' by supervisors at all levels.
- 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.

14.10 KEY WORDS

- **Retrenchment**: It means the termination of service of an employee for any reason; but it certainly isn't a punishment imposed as a disciplinary action. The job can be either terminated due to economy, installation of labour-saving machinery or other any such industrial or trade reasons.
- **Human Resource Information System (HRIS):** It is a system used by an organization to collect, analyze and report information about its people and jobs. It applies to information needs at the macro and micro levels.
- **Human Resource Accounting:** It is the process of identifying and reporting investments made in the human resources of an organization that are presently unaccounted for in the conventional accounting practice.
- **Human Resource Audit:** It is a comprehensive method of objective and systematic verification of current practices, documentation, policies and procedures prevalent in the HR system of the organization.

14.11 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What should the rules of a trade union clearly mention?
2. List any two obligations of a trade union.

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3. Write a short note on involuntary separation.
4. Why was the Voluntary Retirement Scheme initiated?
5. List any two objectives of HR accounting.
6. What are some of the benefits of HR audit?

Long-Answer Questions

1. Elaborate upon the process of employee separation.
2. Discuss the information needed to satisfactorily perform various functions of human resource management.
3. Elaborate upon the advantages of HR Accounting.

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