



ALAGAPPA UNIVERSITY

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

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

KARAIKUDI – 630 003



Directorate of Distance Education

B.Sc. (Psychology)

V - Semester

119 51

HUMAN RESOURCE MANAGEMENT

Reviewer

Dr. R. Ganapathi	Assistant Professor, DDE, Alagappa University, Karaikudi, Tamil Nadu.
-------------------------	---

Authors:

PG Aquinas, *Professor and Dean, Aloysius Institute of Business Administration, St. Aloysius College, Mangalore*
Units (1, 2.2, 3.2.1-3.7, 4, 5.0-5.3.6, 5.4-5.8, 6, 7.0-7.1, 7.2.1, 7.3-7.8, 9, 10, 11, 12.0-12.2, 14)

R.S. Dwivedi, *Ex-Chairman and Dean, Faculty of Commerce and Management, Kurukshetra University, Haryana*
Units (2.3, 5.3.7, 8)

Prof S. C. Srivastava, *Secretary General of the National Labour Law Association*
Units (12.3-12.9, 13)

Vikas Publishing House, Units (2.0-2.1, 2.4-2.8, 3.0-3.1, 3.2, 7.2)

"The copyright shall be vested with Alagappa University"

All rights reserved. No part of this publication which is material protected by this copyright notice may be reproduced or transmitted or utilized or stored in any form or by any means now known or hereinafter invented, electronic, digital or mechanical, including photocopying, scanning, recording or by any information storage or retrieval system, without prior written permission from the Alagappa University, Karaikudi, Tamil Nadu.

Information contained in this book has been published by VIKAS® Publishing House Pvt. Ltd. and has been obtained by its Authors from sources believed to be reliable and are correct to the best of their knowledge. However, the Alagappa University, Publisher and its Authors shall in no event be liable for any errors, omissions or damages arising out of use of this information and specifically disclaim any implied warranties or merchantability or fitness for any particular use.



VIKAS® is the registered trademark of Vikas® Publishing House Pvt. Ltd.

VIKAS® PUBLISHING HOUSE PVT. LTD.

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

Phone: 0120-4078900 • Fax: 0120-4078999

Regd. Office: A-27, 2nd Floor, Mohan Co-operative Industrial Estate, New Delhi 1100 44

• Website: www.vikaspublishing.com • Email: helpline@vikaspublishing.com

Work Order No. AU/DDE/DE12-27/Preparation and Printing of Course Materials/2020 Dated 12.08.2020 Copies - 500

SYLLABI-BOOK MAPPING TABLE

Human Resource Management

Syllabi	Mapping in Book
BLOCK I: NATURE OF HUMAN RESOURCE MANAGEMENT	
UNIT 1: Introduction to Human Resource Management: Definition– Objectives and Functions.	Unit 1: Introduction to Human Resource Management (Pages 1-9);
UNIT 2: Function of Human Resource: Role and Structure of Human Resource Function in Organizations- Challenges in Human Resource Management.	Unit 2: Function of Human Resource (Pages 10-18);
UNIT 3: Approaches: Approaches to Human Resource Management.	Unit 3: Approaches (Pages 19-26)
BLOCK II: CONCEPT OF HUMAN RESOURCE MANAGEMENT	
UNIT 4: Human Resource Planning: Personnel Policy - Characteristics	Unit 4: Human Resource Policy (Pages 27-34);
UNIT 5: HR Planning: Need, Scope and Process – Job analysis – Job Description – Job Specification- Succession Planning.	Unit 5: HR Planning (Pages 35-54);
UNIT 6: Recruitment and Selection Process: Sources of Recruitment- Internal Vs. External; Domestic Vs. Global Sources- Selection Process.	Unit 6: Recruitment and Selection Process (Pages 55-70);
UNIT 7: Placement and Induction – Training and Development: Need Assessment- Training Methods for Operatives and Supervisors.	Unit 7: Placement, Induction, Training and Development (Pages 71-88);
UNIT 8: Executive Development: Need and Programs.	Unit 8: Executive Development (Pages 89-97)
BLOCK III: ADMINISTRATION	
UNIT 9: Employee Compensation and Retention: Wages and Salary Administration – Bonus – Incentives – Fringe Benefits –Flexi Systems.	Unit 9: Employee Compensation and Retention (Pages 98-111);
UNIT 10: Sweat Equity- Job Evaluation Systems –Promotion – Demotions – Transfers- Labour Attrition: Causes and Consequences.	Unit 10: Promotion, Demotion, Transfers and Labour Attrition (Pages 112-127);
UNIT 11: Employee Retention: Need and Programs.	Unit 11: Employee Retention (Pages 128-134)

BLOCK IV: WELFARE, UNIONS AND SYSTEM

UNIT 12: Employee Welfare, Separation: Welfare and Safety – Accident Prevention – Employee Grievances and their Redressal – Industrial Relations.

UNIT 13: Trade Unions - Multiplicity of Trade Unions – Workers Participation in Management- Separation: Need and Methods.

UNIT 14: Human Resource Information System- Personnel Records/ Reports- e- Record on Employees – Personnel Research and Personnel Audit – Objectives – Scope and Importance.

Unit 12: Employee Welfare, Separation

(Pages 135-153);

Unit 13: Trade Unions

(Pages 154-164);

Unit 14: Human Resource

Information System

(Pages 165-178)

CONTENTS

INTRODUCTION

BLOCK I: NATURE OF HUMAN RESOURCE MANAGEMENT

UNIT 1 INTRODUCTION TO HUMAN RESOURCE MANAGEMENT 1-9

- 1.0 Introduction
- 1.1 Objectives
- 1.2 Definition and Objectives of Human Resource Management (HRM)
 - 1.2.1 Nature and Scope
 - 1.2.2 Objectives of HRM
- 1.3 Functions of Human Resource Management
- 1.4 Answers to Check Your Progress Questions
- 1.5 Summary
- 1.6 Key Words
- 1.7 Self Assessment Questions and Exercises
- 1.8 Further Readings

UNIT 2 FUNCTION OF HUMAN RESOURCE 10-18

- 2.0 Introduction
- 2.1 Objectives
- 2.2 Role and Structure of Human Resource Function in Organizations
 - 2.2.1 Staff Role of HR Department
- 2.3 Challenges in Human Resource Management
 - 2.3.1 At the Organizational Level
 - 2.3.2 At the Workplace Level
 - 2.3.3 At HRM Department Level
- 2.4 Answers to Check Your Progress Questions
- 2.5 Summary
- 2.6 Key Words
- 2.7 Self Assessment Questions and Exercises
- 2.8 Further Readings

UNIT 3 APPROACHES 19-26

- 3.0 Introduction
- 3.1 Objectives
- 3.2 Approaches to Human Resource Management
 - 3.2.1 HRM Models
- 3.3 Answers to Check Your Progress Questions
- 3.4 Summary
- 3.5 Key Words
- 3.6 Self Assessment Questions and Exercises
- 3.7 Further Readings

BLOCK II: CONCEPT OF HUMAN RESOURCE MANAGEMENT

UNIT 4 HUMAN RESOURCE POLICY

27-34

- 4.0 Introduction
- 4.1 Objectives
- 4.2 Personnel Policy: Characteristics
 - 4.2.1 Meaning of Human Resource Policies
 - 4.2.2 Need for HR Policy
 - 4.2.3 Factors Influencing HR Policy
 - 4.2.4 Essential Characteristics of a Sound HR Policy
 - 4.2.5 Advantages of HR Policies
 - 4.2.6 Principles of HR Policies
- 4.3 Answers to Check Your Progress Questions
- 4.4 Summary
- 4.5 Key Words
- 4.6 Self Assessment Questions and Exercises
- 4.7 Further Readings

UNIT 5 HR PLANNING

35-54

- 5.0 Introduction
- 5.1 Objectives
- 5.2 Need, Scope and Process of HR Planning
 - 5.2.1 Characteristics of HR Planning
 - 5.2.2 Objectives of HR Planning
 - 5.2.3 Importance of HR Planning
 - 5.2.4 Process of HR Planning
 - 5.2.5 Advantages of HR Planning Programmes
 - 5.2.6 Limitations of HR Planning
 - 5.2.7 Responsibility for HR Planning
- 5.3 Job Analysis
 - 5.3.1 Purpose and Uses of Job Analysis
 - 5.3.2 Contents of Job Analysis
 - 5.3.3 Methods of Collecting Job Analysis Data
 - 5.3.4 Job Design
 - 5.3.5 Job Description
 - 5.3.6 Job Specification
 - 5.3.7 Succession Planning
- 5.4 Answers to Check Your Progress Questions
- 5.5 Summary
- 5.6 Key Words
- 5.7 Self Assessment Questions and Exercises
- 5.8 Further Readings

UNIT 6 RECRUITMENT AND SELECTION PROCESS

55-70

- 6.0 Introduction
- 6.1 Objectives
- 6.2 Meaning of Recruitment and Selection
 - 6.2.1 Forecasting
- 6.3 Sources of Recruitment
 - 6.3.1 Internal Sources
 - 6.3.2 External Sources

- 6.3.3 Promotion from Within: Sources
- 6.3.4 Domestic Vs Global Sources
- 6.3.5 IT and Recruiting on the Internet
- 6.4 Selection Process
 - 6.4.1 Essential Elements of Selection Procedure
 - 6.4.2 Developing and Using Application Forms
 - 6.4.3 Building Employee Commitment
- 6.5 Answers to Check Your Progress Questions
- 6.6 Summary
- 6.7 Key Words
- 6.8 Self Assessment Questions and Exercises
- 6.9 Further Readings

UNIT 7 PLACEMENT, INDUCTION, TRAINING AND DEVELOPMENT 71-88

- 7.0 Introduction
- 7.1 Objectives
- 7.2 Placement
 - 7.2.1 Induction
- 7.3 Training and Development
 - 7.3.1 Need Analysis
 - 7.3.2 Training Techniques
 - 7.3.3 Need Assessment
 - 7.3.4 Training Methods for Operatives and Supervisors
- 7.4 Answers to Check Your Progress Questions
- 7.5 Summary
- 7.6 Key Words
- 7.7 Self Assessment Questions and Exercises
- 7.8 Further Readings

UNIT 8 EXECUTIVE DEVELOPMENT 89-97

- 8.0 Introduction
- 8.1 Objectives
- 8.2 Executive Development: Need and Programs
 - 8.2.1 Nature of Executive Development
 - 8.2.2 Need and Importance of Executive Development
 - 8.2.3 Executive Development Programmes
- 8.3 Answers to Check Your Progress Questions
- 8.6 Summary
- 8.7 Key Words
- 8.8 Self Assessment Questions and Exercises
- 8.9 Further Readings

BLOCK III: ADMINISTRATION

UNIT 9 EMPLOYEE COMPENSATION AND RETENTION 98-111

- 9.0 Introduction
- 9.1 Objectives
- 9.2 Wages and Salary Administration
 - 9.2.1 Incentives
 - 9.2.2 Bonus
 - 9.2.3 Fringe Benefits and Flexi Systems

- 9.3 Answers to Check Your Progress Questions
- 9.4 Summary
- 9.5 Key Words
- 9.6 Self Assessment Questions and Exercises
- 9.7 Further Readings

**UNIT 10 PROMOTION, DEMOTION, TRANSFERS AND
LABOUR ATTRITION**

112-127

- 10.0 Introduction
- 10.1 Objectives
- 10.2 Career Management
 - 10.2.1 Sweat Equity
 - 10.2.2 Promotion, Demotion and Transfers
 - 10.2.3 Job Evaluation Systems
 - 10.2.4 Labour Attrition: Causes and Consequences
- 10.3 Answers to Check Your Progress Questions
- 10.4 Summary
- 10.5 Key Words
- 10.6 Self Assessment Questions and Exercises
- 10.7 Further Readings

UNIT 11 EMPLOYEE RETENTION

128-134

- 11.0 Introduction
- 11.1 Objectives
- 11.2 Employee Retention: Need and Programs
 - 11.2.1 Various Retention Methods
 - 11.2.2 Methods and Importance of the Employee Retention Control Process
 - 11.2.3 Implication of Job Change
- 11.3 Answers to Check Your Progress Questions
- 11.4 Summary
- 11.5 Key Words
- 11.6 Self Assessment Questions and Exercises
- 11.7 Further Readings

BLOCK IV: WELFARE, UNIONS AND SYSTEM

UNIT 12 EMPLOYEE WELFARE, SEPARATION

135-153

- 12.0 Introduction
- 12.1 Objectives
- 12.2 Welfare, Safety, and Accident Prevention
- 12.3 Employee Grievances and their Redressal
 - 12.3.1 Features of Grievance
 - 12.3.2 Understanding Employee Grievance
 - 12.3.3 Need for a Grievance Handling Procedure
 - 12.3.4 Nature and Causes of Grievances
 - 12.3.5 Preconditions for Sound Grievance Handling
- 12.4 Industrial Relations
 - 12.4.1 Issues

- 12.5 Answers to Check Your Progress Questions
- 12.6 Summary
- 12.7 Key Words
- 12.8 Self Assessment Questions and Exercises
- 12.9 Further Readings

UNIT 13 TRADE UNIONS

154-164

- 13.0 Introduction
- 13.1 Objectives
- 13.2 Trade Unions: Multiplicity of Trade Unions
 - 13.2.1 Scope and Coverage
 - 13.2.2 Rights of Registered Trade Unions
 - 13.2.3 Workers Participation in Management
- 13.3 Separation: Needs and Methods
 - 13.3.1 Process of Employee Separation
- 13.4 Answers to Check Your Progress Questions
- 13.5 Summary
- 13.6 Key Words
- 13.7 Self Assessment Questions and Exercises
- 13.8 Further Readings

UNIT 14 HUMAN RESOURCE INFORMATION SYSTEM

165-178

- 14.0 Introduction
- 14.1 Objectives
- 14.2 Human Resource Information System: Personnel Records and E-Records of Employees
 - 14.2.1 Need, Objectives and Advantages of HRIS
- 14.3 Human Resource Accounting: Objectives, Scope and Importance
 - 14.3.1 Objectives of HR Accounting
 - 14.3.2 Advantages and Limitations of HR Accounting
 - 14.3.3 Personnel Audit
 - 14.3.4 Personnel Research
- 14.4 Answers to Check Your Progress Questions
- 14.5 Summary
- 14.6 Key Words
- 14.7 Self Assessment Questions and Exercises
- 14.8 Further Readings

INTRODUCTION

NOTES

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 competitive differentiation or not. It is here that people provide organizations with a sustained competitive advantage. Organizations are required to adopt proactive development programmes towards the attainment of corporate objectives by nurturing a development oriented culture. 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.

BLOCK - I
NATURE OF HUMAN RESOURCE MANAGEMENT

*Introduction to Human
Resource Management*

**UNIT 1 INTRODUCTION TO
HUMAN RESOURCE
MANAGEMENT**

NOTES

Structure

- 1.0 Introduction
- 1.1 Objectives
- 1.2 Definition and Objectives of Human Resource Management (HRM)
 - 1.2.1 Nature and Scope
 - 1.2.2 Objectives of HRM
- 1.3 Functions of Human Resource Management
- 1.4 Answers to Check Your Progress Questions
- 1.5 Summary
- 1.6 Key Words
- 1.7 Self Assessment Questions and Exercises
- 1.8 Further Readings

1.0 INTRODUCTION

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

NOTES

1.1 OBJECTIVES

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

- Understand the concept of human resource management
- Discuss the definition of the human resource management
- Describe the objectives and functions of the human resource management

1.2 DEFINITION AND OBJECTIVES OF HUMAN RESOURCE MANAGEMENT (HRM)

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

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

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

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

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

- According to Ivancevich and Glueck, 'HRM is the function performed in organizations that facilitates the most effective use of people (employees) to achieve organizational and individual goals.'
- Byars and Rue say that 'HRM encompasses those activities designed to provide for and coordinate the human resources of an organization.'
- According to Dale Yoder, 'The management of human resources is viewed as a system in which participants seek to attain both individual and group goals.'
- According to Flippo, HRM is 'the planning, organizing, directing and controlling of the procurement, development, compensation, integration, maintenance and reproduction of human resources to the end that individual, organizational and societal objectives are accomplished'.

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

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, 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

NOTES

- More limited supplies of highly trained labour
- Rapidly changing government legislation and regulations
- Increased globalization of industries

NOTES

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

1.2.2 Objectives of HRM

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
- 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

NOTES

1.3 FUNCTIONS OF HUMAN RESOURCE MANAGEMENT

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

1. Operative functions

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

- (i) Procurement:** Procuring means recruiting the required number of employees with due qualifications and experience keeping in view the importance of achieving the objectives set before the organization. It is mainly concerned with hiring the right people, in the right place, at the right time. It includes activities like manpower planning, selection and placement.
- (ii) Development:** Development means the activities meant to increase the efficiency and skills of the workers through training and education. It includes activities like training, seminars, group discussions, education, etc.
- (iii) Compensating:** It includes the activities which deal with the method and standard of remuneration and terms of employment.

NOTES

- (iv) **Utilizing:** Utilizing means using the services of the employees to the best possible extent. It includes incentive schemes and the schemes for sharing the profits from higher productivity.
- (v) **Maintaining:** It aims at maintaining good working conditions for the employees. It includes preparation and implementation of health schemes, safety systems, etc.

2. Managerial functions

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

Let us briefly discuss these six functions:

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

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

Role and Functions of a Human Resource Manager

The Human Resource Manager leads and directs the routine functions of the Human Resources (HR) department including hiring and interviewing staff, administering pay, benefits, and leave, and enforcing company policies and practices. The following are the supervisory roles of the human resource manager.

Supervisory Roles

- Recruit, interview, hire, and train new staff in the department.
- Oversees the daily workflow of the department.
- Provide constructive and timely performance evaluations.
- Handle discipline and termination of employees in accordance with company policy.

The following are the general functions of the human resource manager.

- Partner with the leadership team to understand and execute the organizations human resource and talent strategy particularly as it relates to current and future talent needs, recruiting, retention, and succession planning.
- Provide support and guidance to HR generalists, management, and other staff when complex, specialized, and sensitive questions and issues arise; may be required to administer and execute routine tasks in delicate circumstances such as providing reasonable accommodations, investigating allegations of wrongdoing, and terminations.
- Manage the talent acquisition process, which may include recruitment, interviewing, and hiring of qualified job applicants, particularly for managerial, exempt, and professional roles; collaborates with departmental managers to understand skills and competencies required for openings.
- Analyze trends in compensation and benefits; researches and proposes competitive base and incentive pay programs to ensure the organization attracts and retains top talent.
- Create learning and development programs and initiatives that provide internal development opportunities for employees.
- Oversee employee disciplinary meetings, terminations, and investigations.
- Maintain compliance with federal, state, and local employment laws and regulations, and recommended best practices; reviews policies and practices to maintain compliance.
- Maintain knowledge of trends, best practices, regulatory changes, and new technologies in human resources, talent management, and employment law.

NOTES

NOTES

Check Your Progress

1. Define HRM.
2. What is the primary aim of HRM?
3. List the functional areas of HRM as outlined by Northcott.

1.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. 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.'
2. 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.
3. The functional areas of HRM as outlined by Northcott are as follows:
 - (a) Employment
 - (b) Selection and Training
 - (c) Employee Services
 - (d) Wages
 - (e) Industrial Relations
 - (f) Health and Safety
 - (g) Education

1.5 SUMMARY

- HRM is about managing people and processes of the organization in such a way that the organization can achieve its plans and become successful.
- 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.
- 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 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.
- HRM involves two categories of functions: (i) operative functions and (ii) managerial functions.

- The operative functions essentially belong to activities the concerned with procuring, developing compensating, utilizing and maintaining an efficient workforce.
- The managerial functions include planning, organizing, coordinating, directing, motivating and controlling. These functions are common to all managers and therefore known as managerial functions.

NOTES

1.6 KEY WORDS

- **Workforce:** It refers to the total number of workers employed by a company on a specific job, project, etc.
- **Mediator:** It refers to the one that mediates, especially one that reconciles differences between disputants.

1.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What are the major principles to the approach of managing people?
2. How would you explain the scope of the HRM?

Long-Answer Questions

1. Discuss the objectives of HRM in detail.
2. Describe the operative and managerial functions of HRM.

1.8 FURTHER READINGS

- Aquinas, P. G. 2005. *Human Resources Management: Principles and Practice*. New Delhi: Vikas Publishing House Pvt Ltd.
- Decenco, David A. and Stephen P. Robbins. 1989. *Personnel/HRM*, 3rd Edition. New Delhi: Prentice-Hall of India.
- Flippo, Edwin B. 1984. *Personnel Management*, 4th Edition. New York: McGraw Hill.
- Bernardin, John. 2004. *Human Resource Management—An Experimental Approach*. New Delhi: Tata McGraw Hill Ltd.
- Beardwell, Ian and Len Holden. 1995. *Human Resource Management*. London: Macmillan.
- Byars, Loyd L. and Leaslie W. Rue. 1997. *Human Resource Management*. Chicago: Irwin.

UNIT 2 FUNCTION OF HUMAN RESOURCE

NOTES

Structure

- 2.0 Introduction
- 2.1 Objectives
- 2.2 Role and Structure of Human Resource Function in Organizations
 - 2.2.1 Staff Role of HR Department
- 2.3 Challenges in Human Resource Management
 - 2.3.1 At the Organizational Level
 - 2.3.2 At the Workplace Level
 - 2.3.3 At HRM Department Level
- 2.4 Answers to Check Your Progress Questions
- 2.5 Summary
- 2.6 Key Words
- 2.7 Self Assessment Questions and Exercises
- 2.8 Further Readings

2.0 INTRODUCTION

The role of human resource management is to plan, develop and implement policies and programmes intended to enable expeditious use of an organisation's human capital. It is the part of management which is interested in the people at work and with their relationship within an organisation. In this unit, we will discuss the role and structure of human resource function in organizations. We will also focus on the challenges in HRM.

2.1 OBJECTIVES

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

- Understand the role of human resource function in organizations
- Discuss the structure of human resource function in organizations
- Describe the challenges in HRM

2.2 ROLE AND STRUCTURE OF HUMAN RESOURCE FUNCTION IN ORGANIZATIONS

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.

2.2.1 Staff Role of HR Department

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

- (a) **Policy formulation:** The HR department assists and counsels other departments in policy formulation. It prepares programmes concerning recruitment, selection, training, appraisal, and so on, of employees in consultation with other departments.
- (b) **Advising:** The HR department advises all other departments in areas relating to the management of human resources, industrial relations, and so on. The department acts in an advisory capacity offering suggestions.
- (c) **Assistance and service:** The HR department provides secretarial and executive support services like securing and scrutinizing applications, conducting tests and interviews, arranging orientation and training. It helps in developing collaboration between management and trade unions.
- (d) **Monitoring and control:** The HR department evaluates actual performance in the light of established personnel policies and procedures and suggests appropriate corrective actions whenever necessary. The department conducts personnel audit and helps other departments in proper implementation of personnel policies and programmes.

2.3 CHALLENGES IN HUMAN RESOURCE MANAGEMENT

Bhatia classifies challenges in HRM under three categories:

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

NOTES

NOTES

2.3.1 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 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.

NOTES

- (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

NOTES

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

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

2.3.2 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 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.

NOTES

NOTES

2.3.3 At HRM Department Level

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

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

Check Your Progress

1. In terms of policy formulation, what is the role of the HR department?
2. How can challenges of HRM be classified?
3. What are the organizational challenges in HRM?

2.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The HR department prepares programmes concerning recruitment, selection, training, appraisal, and so on, of employees in consultation with other departments.
2. Bhatia classifies challenges in HRM under three categories:
 - (a) Challenges at organizational level,
 - (b) Challenges at workplace level, and
 - (c) Challenges at HRM department level.
3. 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.

NOTES

2.5 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. In a small firm, there may be an HR section within the office.
- 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.
- Bhatia classifies challenges in HRM under three categories: At organizational level, workplace level, and HRM department level.
- There are varied challenges in the domain of wage and salary administration, especially in public sector enterprises in India.
- 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.

2.6 KEY WORDS

- **Wage:** It means payment for labour or services to a worker, especially remuneration on an hourly, daily or weekly basis.

- **Industrial relations:** It means the relations between the management of an industrial enterprise and its employees.

NOTES

2.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What is the staff role of the HR department?
2. Write a short-note on the organizational challenges of HRM.

Long-Answer Questions

1. The HR manager plays multiple roles like that of a researcher, counsellor, bargainer, mediator, peacemaker, problem solver, etc. Elaborate.
2. Discuss the challenges in HRM at the workplace level.

2.8 FURTHER READINGS

- Aquinas, P. G. 2005. *Human Resources Management: Principles and Practice*. New Delhi: Vikas Publishing House Pvt Ltd.
- Decenco, David A. and Stephen P. Robbins. 1989. *Personnel/HRM*, 3rd Edition. New Delhi: Prentice-Hall of India.
- Flippo, Edwin B. 1984. *Personnel Management*, 4th Edition. New York: McGraw Hill.
- Bernardin, John. 2004. *Human Resource Management—An Experimental Approach*. New Delhi: Tata McGraw Hill Ltd.
- Beardwell, Ian and Len Holden. 1995. *Human Resource Management*. London: Macmillan.
- Byars, Loyd L. and Leaslie W. Rue. 1997. *Human Resource Management*. Chicago: Irwin.

UNIT 3 APPROACHES

Structure

- 3.0 Introduction
- 3.1 Objectives
- 3.2 Approaches to Human Resource Management
 - 3.2.1 HRM Models
- 3.3 Answers to Check Your Progress Questions
- 3.4 Summary
- 3.5 Key Words
- 3.6 Self Assessment Questions and Exercises
- 3.7 Further Readings

NOTES

3.0 INTRODUCTION

HRM was an unwanted and uninvited guest in the corporate environment till recently, being more of a statutory requirement than a business necessity. HRM had its roots in welfare and personnel administration without much focus on business objectives and strategic goals. C.K. Prahlad once noted that the problem of HRM was not only with HR professionals but also with HRM as a management discipline because it had no solid theoretical foundation. However, recently we see various literature cropping up on this subject. There are various approaches to manage human resources which define HRM from various perspectives. In this unit, we will discuss these approaches to human resource management in detail.

3.1 OBJECTIVES

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

- Understand the approaches to human resource management
- Discuss the significance of different approaches to human resource management
- Describe the various models of HRM

3.2 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

NOTES

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.

3.2.1 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.

NOTES

NOTES

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.

NOTES

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.

NOTES

Check Your Progress

1. What do you mean by strategic approach to HRM?
2. What is the purpose of employee assistance?

3.3 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. 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.
 2. The employee assistance focuses on providing mechanism for personal problem solving and counselling individual employees.
-

3.4 SUMMARY

- C.K. Prahlad once noted that the problem of HRM was not only with HR professionals but also with HRM as a management discipline because it had no solid theoretical foundation.
- There are now many different approaches to human resource management. These approaches define HRM from different perspectives.
- 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.
- Employee training is a specialized function and is one of the fundamental operative functions of human resource management.
- 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 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.
- 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.

- 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.

NOTES

3.5 KEY WORDS

- **Job Design:** It is a core function of human resource management and it is related to the specification of contents, methods and relationship of jobs in order to satisfy technological and organizational requirements as well as the social and personal requirements of the job holder or the employee.
- **Industrial Relations:** Also called employment relations, it is the multidisciplinary academic field that studies the employment relationship; that is, the complex interrelations between employers and employees, labour/ trade unions, employer organizations and the state.

3.6 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What do you mean by the commodity approach to HRM?
2. What is the difference between proactive and reactive approaches to HRM?

Long-Answer Questions

1. Discuss the selection and staffing model of HRM in detail.
2. Explain how personnel research and compensation are significant as a model of HRM.

3.7 FURTHER READINGS

- Aquinas, P. G. 2005. *Human Resources Management: Principles and Practice*. New Delhi: Vikas Publishing House Pvt Ltd.
- Decenco, David A. and Stephen P. Robbins. 1989. *Personnel/HRM*, 3rd Edition. New Delhi: Prentice-Hall of India.

NOTES

Flippo, Edwin B. 1984. *Personnel Management*, 4th Edition. New York: McGraw Hill.

Bernardin, John. 2004. *Human Resource Management—An Experimental Approach*. New Delhi: Tata McGraw Hill Ltd.

Beardwell, Ian and Len Holden. 1995. *Human Resource Management*. London: Macmillan.

Byars, Loyd L. and Leslie W. Rue. 1997. *Human Resource Management*. Chicago: Irwin.

BLOCK II
CONCEPT OF HUMAN RESOURCE MANAGEMENT

**UNIT 4 HUMAN RESOURCE
POLICY**

NOTES

Structure

- 4.0 Introduction
- 4.1 Objectives
- 4.2 Personnel Policy: Characteristics
 - 4.2.1 Meaning of Human Resource Policies
 - 4.2.2 Need for HR Policy
 - 4.2.3 Factors Influencing HR Policy
 - 4.2.4 Essential Characteristics of a Sound HR Policy
 - 4.2.5 Advantages of HR Policies
 - 4.2.6 Principles of HR Policies
- 4.3 Answers to Check Your Progress Questions
- 4.4 Summary
- 4.5 Key Words
- 4.6 Self Assessment Questions and Exercises
- 4.7 Further Readings

4.0 INTRODUCTION

Human resource planning is the predetermination of the future course of action chosen from a number of alternative courses of action for procuring, developing, managing, motivating, compensating, career planning, succession planning and separating the human element of enterprise. The starting point of effective human resource planning is the organisations' overall purpose or mission. Strategic plans are as unique as the organisations that develop them. In this unit, we will discuss the concept of human resource planning in detail, along with the characteristics of personnel policy.

4.1 OBJECTIVES

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

- Understand the concept of human resource planning
- Discuss the meaning of personnel policy
- Describe the characteristics of personnel policy

4.2 PERSONNEL POLICY: CHARACTERISTICS

NOTES

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

- According to Flippo, ‘A policy is a man-made rule of pre-determined course of action that is established to guide the performance of work toward the organization objectives. It is a type of standing plan that serves to guide subordinates in the execution of their tasks’.
- Yoder is of the opinion that, ‘Policy is a pre-determined selected course established as a guide towards accepted goals and objectives. They (policies) establish the framework of guiding principles that facilitate delegation to lower levels and permit individual managers to select appropriate tactics or programmes’.
- According to James Bambrick, ‘Policies are statements of the organization’s overall purposes and its objectives in the various areas with which its operations are concerned – personnel, finance, production, marketing and so on’.
- In the words of Calhoun, ‘Policies constitute guides to actions. They furnish the general standards or bases on which decisions are reached. Their genesis lies in an organization’s values, philosophy, concepts and principles’.

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

4.2.1 Meaning of Human Resource Policies

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

organization's intentions in recruitment, selection, promotion, development, compensation, etc. HR policies serve as a road map for managers.

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

HR policies:

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

4.2.2 Need for HR Policy

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

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

4.2.3 Factors Influencing HR policy

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

1. **Laws of the Country:** The various laws and legislations pertaining to labour have to be taken into consideration. Policies should be in conformity with

NOTES

NOTES

the laws of the country otherwise they are bound to cause problems for the organization.

2. **Social Values and Customs:** Social values and customs have to be respected otherwise the employees may be offended. Thus, the values and customs of all communities should be taken into account while framing policies.
3. **Management Philosophy and Values:** Management philosophy and values influence its action on matters concerning the employees. Therefore, without a clear broad philosophy and set values, it would be difficult for the employees to understand management.
4. **Financial Impact:** HR policies cost money, which will reflect in the price of the product. Thus, the prices set the absolute limit to organization's HR policies.

4.2.4 Essential Characteristics of a Sound HR Policy

HR policies should possess the following characteristics:

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

7. The HR policy must provide a two-way communication system between the management and the employees. It should be communicated in writing so as to remove any confusion. This is necessary to prevent misunderstanding and to ensure uniformity of application.
8. The HR policy should be consistent with public policy.
9. A good HR policy should recognise individual differences and respect human dignity. It should be based on consistency in treatment to all employees without any favouritism or discrimination.

NOTES

4.2.5 Advantages of HR Policies

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

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

4.2.6 Principles of HR Policies

HR policies are based on the following principles:

1. **Principle of Common Interest:** The management as well as workers should think that their interests are not separate and that they can be achieved only through common effort. Personnel policies must be based on the principle of common interest.
2. **Principle of Participation:** Workers should be allowed to participate not only in the formulation of policies but also in their implementation. Problems can be minimised with the co-operation of workers.

NOTES

3. **Principle of Security:** Policies set patterns of behaviour and permit employees to work more confidentially. Arbitrary actions are minimised. As a result employees feel a sense of security.
4. **Principle of Work and Accomplishment:** Workers not only want security but they also desire good pay, satisfaction and appraisal of their work. The policy should fulfil the above cited aspirations of the workers.
5. **Principle of Development:** Workers should be given proper occasions for development so that their social and economic status is increased. The worker should feel responsibility towards himself and towards the organization.
6. **Principle of Recognition:** A well-prepared set of personnel policies enables workers to see the overall picture and how their actions relate to the organization's goals. Participation of employees in policy formulation promotes mutual understanding throughout the organization.

Check Your Progress

1. Define policy.
2. What are the factors influencing HR policies of an organization?
3. What are implicit policies?

4.3 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The dictionary meaning of policy is a plan of action. Policy is a predetermined and accepted course of thoughts and actions established as a guide towards accepted goals and objectives.
2. The HR policy of an organization is affected by many factors which include laws of the country, social values and customs, management philosophy and values and financial impact.
3. Implicit policies are not formally expressed. They are inferred from the behaviour of managers. These policies are also known as implied policies.

4.4 SUMMARY

- The dictionary meaning of 'policy' is a 'plan of action'. Policy is a predetermined and accepted course of thoughts and actions established as a guide towards accepted goals and objectives.
- Policies are the statements of the organization's overall purpose and its objectives in the various areas with which its operations are concerned.

- A policy is a predetermined course of action established to guide the performance of work towards accepted objectives. It is a type of a standing plan that serves to guide subordinates in the execution of their tasks.
- Simply issuing a written statement of HR policy does not automatically make it policy. For the policy to be issued is one phase; when it is accepted, understood and used as a guide to decisions in actions that is another phase.
- A policy is a formal statement on corporate thinking, which serves as a guideline for action. It is meant to establish consistency in the application of the policies over a period of time so that each one in the organization gets a fair deal.

NOTES

4.5 KEY WORDS

- **Decision-Making:** In the wider process of problem-solving, decision making involves choosing between possible solutions to a problem. Decisions can be made through either an intuitive or reasoned process, or a combination of the two.
- **Labour Laws:** These laws mediate the relationship between workers, employing entities, trade unions and the government. Collective labour law relates to the tripartite relationship between employee, employer and union. Individual labour law is concerned with employees' rights at work.

4.6 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. State the different factors that influence the HR policy of an organization?
2. What are the advantages of HR policies?

Long-Answer Questions

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

4.7 FURTHER READINGS

- Aquinas, P. G. 2005. *Human Resources Management: Principles and Practice*. New Delhi: Vikas Publishing House Pvt Ltd.
- Decenco, David A. and Stephen P. Robbins. 1989. *Personnel/HRM*, 3rd Edition. New Delhi: Prentice-Hall of India.

NOTES

Flippo, Edwin B. 1984. *Personnel Management*, 4th Edition. New York: McGraw Hill.

Bernardin, John. 2004. *Human Resource Management—An Experimental Approach*. New Delhi: Tata McGraw Hill Ltd.

Beardwell, Ian and Len Holden. 1995. *Human Resource Management*. London: Macmillan.

Byars, Loyd L. and Leaslie W. Rue. 1997. *Human Resource Management*. Chicago: Irwin.

UNIT 5 HR PLANNING

Structure

- 5.0 Introduction
- 5.1 Objectives
- 5.2 Need, Scope and Process of HR Planning
 - 5.2.1 Characteristics of HR Planning
 - 5.2.2 Objectives of HR Planning
 - 5.2.3 Importance of HR Planning
 - 5.2.4 Process of HR Planning
 - 5.2.5 Advantages of HR Planning Programmes
 - 5.2.6 Limitations of HR Planning
 - 5.2.7 Responsibility for HR Planning
- 5.3 Job Analysis
 - 5.3.1 Purpose and Uses of Job Analysis
 - 5.3.2 Contents of Job Analysis
 - 5.3.3 Methods of Collecting Job Analysis Data
 - 5.3.4 Job Design
 - 5.3.5 Job Description
 - 5.3.6 Job Specification
 - 5.3.7 Succession Planning
- 5.4 Answers to Check Your Progress Questions
- 5.5 Summary
- 5.6 Key Words
- 5.7 Self Assessment Questions and Exercises
- 5.8 Further Readings

NOTES

5.0 INTRODUCTION

Since every organization is made up of people, acquiring their services, developing their skills, motivating them to higher levels of performance and ensuring that they continue to maintain their commitment to the organization are essential to achieve organizational objectives. Those organizations that are able to acquire, develop, stimulate and keep outstanding workers will be both effective and efficient. On the other hand, those organizations that are ineffective or inefficient have the risk of stagnating or going out of business. Human resource thus creates organizations and makes them survive and prosper. If human resources are neglected or mismanaged, the organization is unlikely to do well. Human resource planning has thus become a crucial requirement in every organization. It involves predetermining the future path of action selected from a number of different courses of action to acquire, build up, administer and stimulate the human element of enterprise. It identifies a deliberate choice of patterns of the humanization of work milieu in an organization. In this unit, we will discuss the need, scope and process of HR planning. We will also focus on the concepts of job analysis, job description, job specification, and succession planning.

5.1 OBJECTIVES

NOTES

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

- Understand the need, scope and process of HR planning
- Discuss the concepts of job analysis and job description
- Describe the significance of job specification and succession planning

5.2 NEED, SCOPE AND PROCESS OF HR PLANNING

Human resource planning is the predetermination of the future course of action chosen from a number of alternative courses of action for procuring, developing, managing, motivating, compensating, career planning, succession planning and separating the human element of enterprise. It determines a conscious choice of staffing decisions in an organization.

5.2.1 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 5.1.

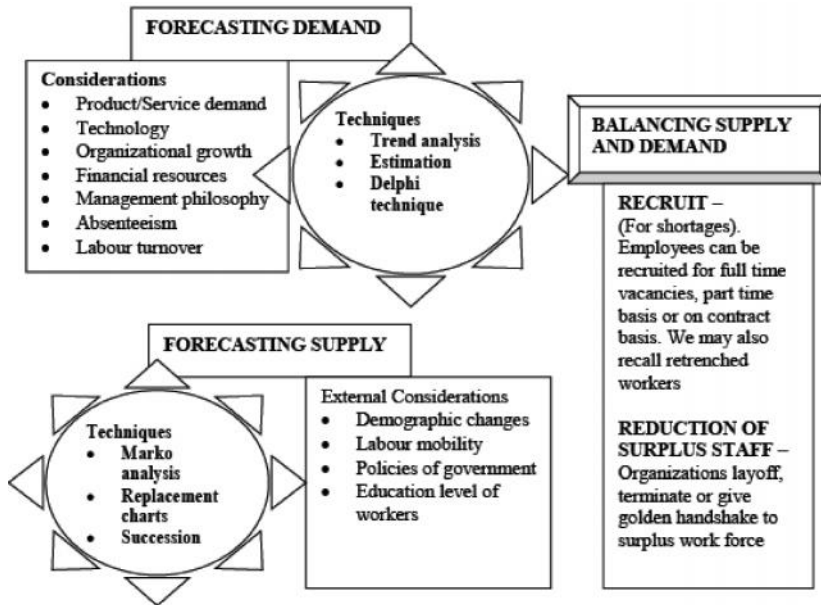


Fig. 5.1 Flow Chart Depicting 'Human Resource Planning Model'

5.2.2 Objectives of HR Planning

From Figure 5.1, 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.

NOTES

5.2.3 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:

NOTES

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.

5.2.4 Process of HR Planning

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

- (i) **Analysing organizational plans and deciding on objectives:** Before undertaking the HR planning of an organization the short-term and long-term objectives should be analysed. The process of HR planning should start with analysing the organizational plans and programmes. They help in forecasting the demand for human resources as it provides the quantum of future work activity.

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

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

Demand and supply forecasting are discussed in detail in section 1.5.

(iii) **Developing employment plans:** After determining the number of personnel for each job in the organization, the HR department has to spell out the job description and job specification.

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

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

5.2.5 Advantages of HR Planning Programmes

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

- (a) **Improvement of labour productivity:** Manpower or HR as a factor of production differs from other factors of production. As it is subject to its free will, the productivity of labour can be improved if the workers are kept satisfied. In other words, just as the satisfied workers can be productive, dissatisfied workers can even be destructive. Therefore, through proper

NOTES

NOTES

HR planning we can improve the morale of the labour and thereby labour productivity.

- (b) **Recruitment of qualified HR:** Talented and skilled labour has become a scarce resource, especially in developing countries. Therefore, for the survival of the firm it is essential to recruit the best labour force through proper manpower planning.
- (c) **Adjusting with rapid technological changes:** With the advancement in technology, job and job requirements are changing. Therefore, it is necessary to forecast and meet the changing manpower, which can withstand the challenges of the technological revolution. This can be done through effective manpower planning.
- (d) **Reducing labour turnover:** Labour turnover refers to the mobility of labour out of the organization due to various factors, such as dissatisfaction, retirement, death, etc. Due to labour turnover a firm loses experienced and skilled labour force. This loss can be minimized through efficient manpower planning.
- (e) **Control over recruitment and training costs:** Highly skilled personnel are in short supply and it is costly to hire, train, and maintain them. A company has to incur heavy costs in processing applications, conducting written tests, interviews, etc., and in the process providing adequate training facilities. In consideration of these costs it is essential to plan carefully vis-à-vis manpower so as to minimize costs.
- (f) **Mobility of labour:** Today, it is difficult to retain qualified personnel in an organization as they move from one job to another in search of better prospects. In a free society, people enjoy unrestricted mobility from one part of the country to the other. Therefore, in order to reduce the loss of experienced and skilled labour, every organization must have a sound system of manpower planning.
- (g) **Facilitating expansion programmes:** In these days of rapid industrial development every company goes for expansion of its activities. With the increase in company size, the demand for HR also increases. This necessitates proper manpower planning so as to ensure the continued supply of the required manpower for the firms' activities.
- (h) **To treat manpower like real corporate assets:** Today it is being increasingly felt by the practicing managers and psychologists that employees in an organization must be treated as the most significant assets. The productivity of a company can be improved only through manpower planning, recognizing the significance of the human factor in business. A proper manpower planning is based on the realization that satisfied workers can contribute to the overall profitability of the firm through improved productivity.

5.2.6 Limitations of HR Planning

The main hurdles in the process of HR planning are:

- (a) **Inaccuracy:** HR planning involves forecasting the demand for and supply of HR. Projecting manpower needs over a period of time is a risky task. It is not possible to track the current and future trends correctly and convert the same into meaningful action guidelines. Longer the time taken, greater is the possibility of inaccuracy. Inaccuracy increases when departmental forecasts are merely aggregated without critical review. Factors such as absenteeism, labour turnover, seasonal trends in demand, competitive pressures, technological changes etc., may reduce the rest of manpower plans as fashionable, decorative pieces.
- (b) **Uncertainties:** Technological changes and market fluctuations are uncertainties, which serve as constraints to HR planning. It is risky to depend upon general estimates of manpower in the face of rapid changes in environment.
- (c) **Lack of support:** Support from management is lacking. The latter is unwilling to commit funds for building an appropriate HR Information System. The time and effort involved with no tangible and immediate gains often force them to look the 'other way'.
- HR planning grows slowly and gradually. In some cases, sophisticated technologies are forcefully introduced just because competitors have adopted them. These may not yield fruit unless matched with the needs and environment of the particular enterprise.
 - Planning is generally undertaken to improve overall efficiency. In the name of cost cutting it also helps management weed out unwanted labour at various levels. The few efficient ones that survive such frequent onslaughts complain about increased workload.
- Support from management is lacking. The latter is unwilling to commit funds for building an appropriate HR information system. The time and effort involved – with no tangible, immediate gains – often force them to look the 'other way'. HR planning grows slowly and gradually. In some cases, sophisticated technologies are forcefully introduced just because competitors have adopted them. These may not yield fruit unless matched with the needs and environment of the particular enterprise.
- (d) **Numbers' game:** In some companies, HR planning is used as a numbers' game. The focus is on the quantitative aspect to ensure the flow of people in and out of the organization. Such an exclusive focus overlooks the more important dimension, i.e. the quality of human resources. HR planning, in the long run, may suffer due to an excessive focus on the quantitative aspects. Aspects such as employee motivation, morale, career prospects, training avenues, etc may be totally discounted.

NOTES

NOTES

- (e) **Employees resistance:** Employees and trade unions feel that due to widespread unemployment people will be available for jobs as and when required. Moreover they feel that HR planning increases their workload and regulates them through productivity bargaining.
- (f) **Employers resistance:** Employers may also resist HR planning on the ground that it increases the cost of manpower.
- (g) **Lack of purpose:** Managers and HR specialists do not fully understand the human planning process and lack a strong sense of purpose.
- (h) **Time and expense:** Manpower planning is a time-consuming and expensive exercise. A good deal of time and costs are involved in data collection and forecasting.
- (i) **Inefficient information system:** In most of the organizations, human resource information system has not been fully developed. In the absence of reliable data, it is not possible to develop effective HR plans.

5.2.7 Responsibility for HR Planning

HR planning is the responsibility of the personnel department. The department has to recommend relevant personnel policies in respect of HR planning, devise methods and procedures and determine the quantitative aspects of HR planning. Geisler has enumerated the responsibility of the personnel department with regard to HR planning in the following words:

1. To assist, counsel and pressurise the operating management to plan and establish objectives.
2. To collect and summarise data in total organizational terms and to ensure consistency with long-range objectives and other elements of the total business plan.
3. To monitor and measure performance against the plan and keep the top management informed about it.
4. To provide the research necessary for effective manpower and organizational planning.

Check Your Progress

1. Define human resource planning.
2. State one benefit of HR planning.
3. What is demand forecasting?

5.3 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.

5.3.1 Purpose and Uses of Job Analysis

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

- (i) **Organization and Manpower Planning:** It is helpful in organizational planning, for it defines labour needs in concrete terms and coordinates the

NOTES

NOTES

activities of the workforce, and clearly divides duties and responsibilities.

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

5.3.2 Contents of Job Analysis

A job analysis provides the following information:

- (i) **Job identification:** Its title, including its code number.
- (ii) **Significant characteristics of a job:** Its location, physical setting, supervision, union jurisdiction, hazards and discomforts.

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

NOTES

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

5.3.3 Methods of Collecting Job Analysis Data

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

- (i) **Personal observation:** The materials and equipment used, the working conditions and probable hazards, and an understanding of what the work involves are the facts which should be known by an analyst. Direct observation is especially useful in jobs that consist primarily of observable physical ability, like the jobs of draftsman, mechanic, spinner or weaver.
- (ii) **Sending out questionnaires:** This method is usually employed by engineering consultants. Properly drafted questionnaires are sent out to job-holders for completion and are returned to supervisors. However, the information received is often unorganized and incoherent. The idea in issuing questionnaires is to elicit the necessary information from job-holders so that any error may first be discussed with the employee and, after due corrections, may be submitted to the job analyst.

NOTES

- (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.

5.3.4 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.

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.

5.3.5 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.
- (ii) It aids in the development of job specifications, which are useful in planning recruitment, in training and in hiring people with required skills.
- (iii) It can be used to orient new employees towards basic responsibilities and duties.
- (iv) It is a basic document used in developing performance standards.
- (v) It can be used for job evaluation, a wage and salary administration technique.

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

- (i) Job grading and classification
- (ii) Transfers and promotions
- (iii) Adjustments of grievances
- (iv) Defining and outlining promotional steps
- (v) Establishing a common understanding of a job between employers and employees
- (vi) Investigating accidents
- (vii) Indicating faulty work procedures or duplication of papers
- (viii) Maintaining, operating and adjusting machinery
- (ix) Time and motion studies
- (x) Defining the limits of authority
- (xi) Indicating case of personal merit
- (xii) Facilitating job placement
- (xiii) Studies of health and fatigue
- (xiv) Scientific guidance
- (xv) Determining jobs suitable for occupational therapy

NOTES

- (xvi) Providing hiring specifications
- (xvii) Providing performance indicators

NOTES

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.
- (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.

NOTES

NOTES**Limitations of job description**

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

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

5.3.6 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.

5.3.7 Succession Planning

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

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

Objectives of succession planning

There are two important objectives of succession planning:

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

Check Your Progress

4. How is job description different from performance assessment?
5. How is the job summary useful?
6. How is job specification developed?

5.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Human resource planning is 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.
2. One benefit of HR planning is that it defines future manpower needs and this becomes the basis of recruiting and developing personnel.

NOTES

NOTES

3. Demand forecasting means forecasting the overall HR requirements in accordance with the organizational plans.
4. 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.
5. Job summary serves two important purposes. (i) It provides a short definition which is useful as an additional identification information when a job title is not adequate. (ii) It serves as a summary to orient the reader towards an understanding of detailed information which follows. It gives the reader a 'quick capsule explanation' of the content of a job usually in one or two sentences.
6. Job specification is developed with the cooperation of the personnel department and various supervisors in the whole organization.

5.5 SUMMARY

- Human resource planning is the predetermination of the future course of action chosen from a number of alternative courses of action for procuring, developing, managing, motivating, compensating, career planning, succession planning and separating the human element of enterprise.
- HR planning is a highly important and useful activity. Without clear-cut planning, an estimation of the organization's human resource needs is reduced to mere guesswork.
- 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.
- Before undertaking the HR planning of an organization, the short-term and long-term objectives should be analysed.
- The process of HR planning should start with analysing the organizational plans and programmes.
- The existing job design and analysis may be reviewed thoroughly keeping in view the future capabilities, knowledge and skills of present employees.
- After determining the number of personnel for each job in the organization, the HR department has to spell out the job description and job specification.
- HR planning involves forecasting the demand for and supply of HR. Projecting manpower needs over a period of time is a risky task.

- Technological changes and market fluctuations are uncertainties, which serve as constraints to HR planning.
- The plan must meet the changing needs of the organization and should enjoy consistent support from top management.
- A separate manpower planning division must be created, especially in large organizations to coordinate manpower planning exercise at various levels.
- HR planning is the responsibility of the personnel department. The department has to recommend relevant personnel policies in respect of HR planning, devise methods and procedures and determine the quantitative aspects of HR planning.
- Job analysis is a procedure by which pertinent information is obtained about a job, i.e., it is a detailed and systematic study of information relating to the operations and responsibilities of a specific job.
- Job description is a written record of the duties, responsibilities and requirements of a particular job. It 'is concerned with the job itself and not with the work'.
- Job specification is a standard of personnel and designates the qualities required for an acceptable performance. It is a written record of the requirements sought in an individual worker for a given job.
- Job design is the division of the total task to be performed into manageable and efficient units— positions, departments and divisions—and to provide for their proper integration.
- A comprehensive JA programme is the major input to forecasting future human resource requirements, job modifications, job evaluation, determination of proper compensation and the writing of job descriptions.
- 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.

NOTES

5.6 KEY WORDS

- **Employee:** It refers to a person employed for wages or salary, especially at non-executive level.
- **Manpower:** It is the number of people working or available for work or service.

5.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

NOTES

Short-Answer Questions

1. State the characteristics and objectives of HR planning.
2. Why is HR planning important?
3. What are the purposes and uses of job analysis?
4. What is job design? What are the two approaches to job design?

Long-Answer Questions

1. Discuss the process of HR planning in detail.
2. Explain the advantages and limitations of HR planning programmes.
3. Discuss the methods for collecting job analysis data.
4. Explain the meaning of job specification with its characteristic features.

5.8 FURTHER READINGS

- Aquinas, P. G. 2005. *Human Resources Management: Principles and Practice*. New Delhi: Vikas Publishing House Pvt Ltd.
- Decenco, David A. and Stephen P. Robbins. 1989. *Personnel/HRM*, 3rd Edition. New Delhi: Prentice-Hall of India.
- Flippo, Edwin B. 1984. *Personnel Management*, 4th Edition. New York: McGraw Hill.
- Bernardin, John. 2004. *Human Resource Management—An Experimental Approach*. New Delhi: Tata McGraw Hill Ltd.
- Beardwell, Ian and Len Holden. 1995. *Human Resource Management*. London: Macmillan.
- Byars, Loyd L. and Leaslie W. Rue. 1997. *Human Resource Management*. Chicago: Irwin.

UNIT 6 RECRUITMENT AND SELECTION PROCESS

NOTES

Structure

- 6.0 Introduction
- 6.1 Objectives
- 6.2 Meaning of Recruitment and Selection
 - 6.2.1 Forecasting
- 6.3 Sources of Recruitment
 - 6.3.1 Internal Sources
 - 6.3.2 External Sources
 - 6.3.3 Promotion from Within: Sources
 - 6.3.4 Domestic Vs Global Sources
 - 6.3.5 IT and Recruiting on the Internet
- 6.4 Selection Process
 - 6.4.1 Essential Elements of Selection Procedure
 - 6.4.2 Developing and Using Application Forms
 - 6.4.3 Building Employee Commitment
- 6.5 Answers to Check Your Progress Questions
- 6.6 Summary
- 6.7 Key Words
- 6.8 Self Assessment Questions and Exercises
- 6.9 Further Readings

6.0 INTRODUCTION

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

NOTES

6.1 OBJECTIVES

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

- Understand the recruitment and selection process
- Discuss the various sources of recruitment
- Describe the significance of selection process

6.2 MEANING OF RECRUITMENT AND SELECTION

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

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

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

Once the employer has decided that external recruitment is necessary, a cost effective and appropriate method of recruitment must be selected. Recruitment or employee selection is the first step in the employment of labour and the methods through which labour is brought into the organization has much to do with the ultimate success or failure of the company. Recruitment is a process that not only helps to fill a vacancy physically, mentally and temperamentally but also helps to develop an employee into a desirable asset. The selection process finds persons with potential to grow in the organization.

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

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

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

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.

NOTES

NOTES

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

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

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

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

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

Check Your Progress

1. What are the three categories under which recruitment needs fall?
2. How is selection for public sector undertakings carried out?

6.3 SOURCES OF RECRUITMENT

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.

6.3.1 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.

NOTES

NOTES

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.

6.3.2 External Sources

Some of the external sources of recruitment are:

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

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

- **Advertisement:** Advertisement in newspapers is the most widely used method for attracting qualified and experienced personnel. The higher the position in the organization, the more widely dispersed the advertisement is likely to be. When qualified and experienced persons are not available through other sources, advertising in newspapers and professional and technical journals is resorted to. Whereas all types of advertisements can be made in newspapers, only particular types of posts should be advertised in the professional and technical journals. For example, only accounting jobs should be advertised in the journal of Chartered Accountants. In preparing an advertisement, great care has to be taken to ensure that only qualified people will think of applying. If the advertisement is clear and to the point, candidates can assess their abilities and suitability for the post and only those who possess the requisite qualifications will apply. Important newspapers like the Statesman, The Hindu, the Times of India publish classified advertisements and certain days of the week are fixed for recruitment advertising. Many firms use what is called 'blind advertisement,' in which the organization does not reveal its identity. Blind advertisements use Box NO. and do not publish the name of the company that is advertising. Respondents are asked to reply to a Box No. The use of box number will prevent a large number of applicants from canvassing for the job but they do not attract good candidates who feel that it is not worthwhile to apply without knowing the name of the organization. That is why large organizations with a national reputation do not use blind advertisement.
- **Casual applications:** Candidates send applications for jobs on their own initiative or after learning about vacancies from reliable sources. The personnel

manager should see all such casual callers, for sometimes a most desirable type of employee could be discovered in this way. This source is clearly inexpensive and it can fill vacancies, particularly of the clerical variety.

- **Candidates of present employees:** Candidates introduced by present employees may be a good source from which employees may be drawn and many firms recruit such persons as something of their background is known. Moreover, if the candidate of an existing employee gets preference in the matter of recruitment, it is sure to develop a sense of belonging amongst workers. Many organizations actively encourage 'employee referrals.' This, however, is likely to encourage nepotism i.e., persons of one's own community or caste may only be employed. This may create problems for the organization.
- **Educational institutes:** Educational institutions are an important source of recruitment. For technical, managerial and professional jobs, specialized institutes like the IITs and IIMs and university departments are used. The specialized institutes have a placement officer who normally provides help in attracting employers and arranging for campus interviews. College recruitment which is one of the important sources of recruitment in the USA is completely neglected in India. This may be due to excess of supply over demand for college graduates.
- **Employment agencies:** These days special agencies or consultants are emerging for searching out suitable candidates for their clients. They are retained by companies to select suitable candidates for vacancies. Very often these agencies also recruit on behalf of the organization without necessarily disclosing the identity of the organizations. They go as far as short-listing the candidates for the organization, but the final selection is made by the 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%

NOTES

NOTES

jobs in the public sector are to be reserved for scheduled castes, scheduled tribes and other backward classes.

A large number of companies in India are family-controlled. In these companies managerial personnel are selected from among members of the controlling family and their position as well as upward mobility is determined by family considerations. Thus in many Indian firms, managers are selected not on the basis of degree but by pedigree. The required qualifications for managerial posts are 'good family connections' or recommendation by an influential minister. Since Indian companies encourage aristocracy instead of meritocracy, of rewarding status rather than talent, many well qualified young men without pedigree feel frustrated. Since widespread nepotism is found prevailing in them is well-known, they cannot attract talented people from the market. However, the employer in this country is not always free to choose the best candidate. Agreement with unions may influence the selection process. Sometimes, it may be necessary to take candidates from the union. Moreover, the Government's influence in the recruiting process should not be overlooked. In public sector appointments, a small percentage of posts are kept reserved for schedule castes and tribes, OBCS and sometimes for the physically handicapped.

- **Headhunting:** Very senior managers are sometimes recruited by a process known as 'executive search' or 'headhunting.' Its advocates believe that the best candidates are not only those who reply to advertisements or look for new jobs but also those who are successful in their present jobs and are not thinking of moving elsewhere. On receipt of a commission from a client the headhunter will search for potential candidates:
 - (i) In competing businesses
 - (ii) In the membership lists of professional bodies, newspapers
 - (iii) Through confidential headhunting network

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

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

Headhunting has its disadvantages.

- (i) Headhunting is highly disruptive to successful business, which stands to lose expensively trained senior managers
- (ii) 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.

- (iii) An unsuitable candidate might bribe the headhunter to recommend him for the vacant job.

6.3.3 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

NOTES

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.

NOTES

6.3.4 Domestic Vs Global Sources

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

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

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

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

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.

6.3.5 IT and Recruiting on the Internet

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

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

NOTES

NOTES

- **Leased employees:** Leased employees tend to be with a firm for a long time. They work are employed with the organization in accordance with a leasing arrangement. If a firm is on the lookout for employees who are specifically skilled, it gets in touch with leasing firms. These firms cater them with leased employees. Leased employees are trained well. The leasing firm screens them, as required and gives them proper training. They are assigned to organizations with absolute guarantee. In case a leased employee does not perform, the organization is given a replacement or the paid fee is returned. This is also beneficial to the employee who is being leased. There are a few workers who like their lives to be flexible. When they are on lease, it allows them the choice to work at their convenience and for as long as they desire.
- **Independent contractors:** Independent contracting is an alternative method of recruitment. Firms may prefer hiring of independent contractors for specific jobs that are located within or outside its premises. The system of independent contracting is beneficial for the organization as well as for the worker. In this case, the worker is different from an employee, since it is more economic for the company with full or part-time employees, in terms of social security schemes such as provident fund, insurance, gratuity, etc. In addition, this is also a good way to keep ideal workers in association with the firm. If an individual is allowed the freedom to work from home, as per his convenience of time, it is beneficial to both, the firm and the individual.

6.4 SELECTION PROCESS

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

According to 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.'

6.4.1 Essential Elements of Selection Procedure

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

- First, whether the nature of selection is faulty or safe because a faulty selection affects not only the training period that may be needed but also results in

heavy expenditure on the new employee and the loss that may be incurred by the organization in case the job-occupant fails on his job.

- Second, the policy of the company and the attitude of the management. As a practice some companies usually hire more than the actual number needed with a view to removing the unfit persons.
- Third, the length of the probationary or the trial period. The longer the period, the greater the uncertainty in the minds of the selected candidate about his future.

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

- (i) Someone should have the authority to hire. This authority comes from the employment requisition, as developed by an analysis of the workload and workforce.
- (ii) There must be some standard of personnel with which a prospective employee may be compared, i.e., there should be available, beforehand, a comprehensive job description and job specification as developed by a job analysis.
- (iii) There must be a sufficient number of applicants from whom the required number of employees may be selected.

6.4.2 Developing and Using Application Forms

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

The application form provides the following information:

- (i) Identifying information such as name, address, telephone number
- (ii) Personal information such as marital status, age, dependents, place of birth
- (iii) Physical characteristics, such as, height, weight, health, defects, identifying marks
- (iv) Family background
- (v) Education, academic, technical and professional
- (vi) Experience
- (vii) References
- (viii) Miscellaneous comments including hobbies, financial status, membership of professional bodies
- (ix) Reasons for seeking job in the organization

NOTES

NOTES

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.

6.4.3 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.
- **Leadership confidence:** Managers who are sincere, sympathetic and democratic in their attitude towards employees can easily establish confidence in their leadership.
- **Sound wage structure:** Complete wage plan incorporates guaranteed base wage incentive for productivity and other fringe benefits.
- **Favourable work environment:** Good working conditions create job satisfaction. A satisfied labour force is an invaluable asset of an enterprise.
- **Higher-order need satisfaction:** Workers should be given ample opportunities to satisfy their social and egoistic needs.
- **Other measures:** Employee counselling, good promotion policy, grievance redressal procedure, proper selection techniques, induction training, collective bargaining are some of the other measures to enhance employee morale.

Check Your Progress

3. What is the the most commonly used mode of searching for jobs?
4. What are the limitations of the internal labour markets?
5. What is the primary aim of employee selection?

6.5 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Recruitment needs fall into three broad categories—planned, anticipated and unexpected.
2. Selection for public sector undertakings is done through Public Service Commission, Banking Service Commission, Subordinate Services Commission, etc.
3. 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.

4. The downside of the internal labour markets 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.
5. The primary aim of employee selection is to choose those persons who are most likely to perform their jobs with maximum effectiveness and to remain with the company.

NOTES

6.6 SUMMARY

- 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.
- 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.
- 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 workers.
- 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.
- 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.

6.7 KEY WORDS

- **Public sector:** It refers to the part of an economy that is controlled by the state.
- **Forecasting:** It is the process of making predictions of the future based on past and present data and most commonly by analysis of trends.

6.8 SELF ASSESSMENT QUESTIONS AND EXERCISES

NOTES

Short-Answer Questions

1. What are the other options to fill a vacancy in an organization?
2. How can one recruit an employee using the Internet?

Long-Answer Questions

1. Examine the different sources of recruitment within an organization.
2. Explain the selection process in detail.

6.9 FURTHER READINGS

- Aquinas, P. G. 2005. *Human Resources Management: Principles and Practice*. New Delhi: Vikas Publishing House Pvt Ltd.
- Decenco, David A. and Stephen P. Robbins. 1989. *Personnel/HRM*, 3rd Edition. New Delhi: Prentice-Hall of India.
- Flippo, Edwin B. 1984. *Personnel Management*, 4th Edition. New York: McGraw Hill.
- Bernardin, John. 2004. *Human Resource Management—An Experimental Approach*. New Delhi: Tata McGraw Hill Ltd.
- Beardwell, Ian and Len Holden. 1995. *Human Resource Management*. London: Macmillan.
- Byars, Loyd L. and Leaslie W. Rue. 1997. *Human Resource Management*. Chicago: Irwin.

UNIT 7 PLACEMENT, INDUCTION, TRAINING AND DEVELOPMENT

*Placement, Induction,
Training and
Development*

NOTES

Structure

- 7.0 Introduction
- 7.1 Objectives
- 7.2 Placement
 - 7.2.1 Induction
- 7.3 Training and Development
 - 7.3.1 Need Analysis
 - 7.3.2 Training Techniques
 - 7.3.3 Need Assessment
 - 7.3.4 Training Methods for Operatives and Supervisors
- 7.4 Answers to Check Your Progress Questions
- 7.5 Summary
- 7.6 Key Words
- 7.7 Self Assessment Questions and Exercises
- 7.8 Further Readings

7.0 INTRODUCTION

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 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. In this unit, we will discuss the concepts of placement and induction, along with the significance of training and development of employees. We will also focus on the training methods for operatives and supervisors.

NOTES

7.1 OBJECTIVES

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

- Discuss the concept of placement and induction
- Explain training needs assessment
- Explain the training methods for operatives and supervisors

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

<ol style="list-style-type: none">1. Organizational Issues<ul style="list-style-type: none">• History of the company• Names and titles of key executives• Employees' title and department• Layout of physical facilities• Probationary period• Products/ Services offered• Overview of production processes• Company policies and rules• Disciplinary procedures• Employees' handbook• Safety steps2. Employee Benefits<ul style="list-style-type: none">• Pay scales, pay days• Vacations, holidays• Rest pauses• Training avenues• Counselling• Insurance, medical, recreation, retirement benefits3. Introductions<ul style="list-style-type: none">• To supervisors• To co-workers• To trainers• To employee counsellors4. Job Duties<ul style="list-style-type: none">• Job location• Job tasks• Job safety needs• Overview of jobs• Job objectives• Relationship with other jobs
--

NOTES

NOTES

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.

(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. Define placement according to Pigors and Myers.
2. What is the purpose of follow-up induction programme?

7.3 TRAINING AND DEVELOPMENT

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

NOTES

7.3.1 Need Analysis

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

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

The need for training arises from more than one reason:

- (i) An increased use of technology in production.
- (ii) Labour turnover arising from normal separations due to death or physical incapacity for accidents, disease, superannuation, voluntary retirement, promotion within the organization and change of occupation or job.
- (iii) Need for additional hands to cope with an increased production of goods and services.
- (iv) Employment of inexperienced, new or *badli* labour requires detailed instruction for an effective performance of a job.
- (v) Old employees need training to enable them to keep abreast of the changing methods, techniques and use of sophisticated tools and equipment.
- (vi) Need for enabling employees to do the work in a more effective way, to reduce learning time, reduce supervision time, reduce waste and spoilage of raw material and produce quality goods and develop their potential.

- (vii) Need for reducing grievances and minimizing accident rates.
- (viii) Need for maintaining the validity of an organization as a whole and raising the morale of its employees.

NOTES

7.3.2 Training Techniques

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

The methods of training are as follows:

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

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

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

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

Merits of On-the-Job-Training

- Trainee learns on the actual equipment in use and in the true environment of his job.
- It is highly economical since no additional personnel or facilities are required for training.
- The trainee learns the rules, regulations and procedures by observing day-to-day applications. He can, therefore, be easily sized up by the management.

- This type of training is a suitable alternative for a company in which there are almost as many jobs as there are employees.
- It is most appropriate for teaching the knowledge and skills which can be acquired in a relatively short period, say, a few days or weeks.

Demerits of On-the-Job-Training

- Instruction is often highly disorganized.

II. Job Instruction Training (JIT)

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

The job instruction training process is in four steps:

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

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

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

III. Vestibule Training (or Training-Centre Training)

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

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

NOTES

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

NOTES

Merits of the Vestibule Training

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

Demerits of the Vestibule Training

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

IV. Classroom or Off-the-Job Methods

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

These methods consist of the following:

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

Special Purpose Training

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

7.3.3 Need Assessment

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

Reasons for Conducting Training Needs Assessment

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

- Employees’ underperformance is not always a training issue. Factors like organizational barriers, sub-standard equipment; bad management practices can also contribute to poor performance. Needs assessment will help determine the necessity of training and this prevents the organization from looking at training solutions for non-training issues. And in case if it is a training issue, the organizations can plan accordingly.
- Besides identifying the training needs, the needs assessment, if conducted properly, will help the organization to identify the causes for poor performance. It can pinpoint exactly where the problem lies in the organizational set up.
- Needs assessment helps in determining the content and scope of training. It helps in identifying the type of training, the duration of training and the target audience for training.
- Needs assessment helps in establishing the desired learning outcome. It helps in determining the training content and training objectives of the training programme.
- Needs assessment ensures that the final training design is aligned with employee needs. A considerable effort is made during needs assessment to gather information on knowledge, skills and attitude requirements. This helps the training designer in replicating the learner’s job in a training situation.
- Needs assessment establishes the basis for back-end evaluation. During needs assessments quantitative measurement are taken of business needs, performance needs, learning needs and learner needs. These same measurements are used later to evaluate training in terms of learner reaction, learning, job performance and business needs. If the comparison shows

NOTES

positive changes in the four areas, the training goals are considered to be met. Hence, needs assessment data is an aid for conducting training evaluation.

NOTES

7.3.4 Training Methods for Operatives and Supervisors

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

Lecture method

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

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

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

1. **Standard lecture:** Presentation made by the trainer for giving information to the trainees.

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

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

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

NOTES

NOTES

Demonstration method

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

- Showing how the equipment works or procedure functions.
- Presenting visually how the procedures are linked.
- Simplifying the procedures by recreating them in front of the trainees.
- Revealing the cause and effects. For instance, unsafe handling of equipment and its consequences.
- Explaining how the product functions. For instance, demonstration of how washing machines work.
- Explaining the problems associated with product functioning.
- Encouraging trainees to perform the procedure.
- Displaying the efficiency of the product or procedure.
- Display product capabilities. For instance, new software is always demonstrated to show its capabilities.
- Enabling the trainee to ‘watch and learn.’

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

- 1. Performance demonstration:** This method is effective for imparting training in using new equipment or technology. In this method, an operator or an expert demonstrates the whole operation or works on the equipment and the trainees are expected to watch and learn. This method is primarily used in factories to train trainees in handling equipment. The demonstration is not only related to using an equipment but it can also be related to safe handling of equipment, correcting small mechanical faults, etc. Performance demonstration has very little element of lecture or verbal presentation, because the focus is on the operation of the equipment and the operator.
- 2. Teaching demonstration:** This is a method that combines lecture and a demonstration. It is effective in situations where the training objective is knowledge and skill development. In this method, the trainer first verbally explains the process or procedure, and then goes on to demonstrate the

same. The advantage of this method lies in the fact that the trainees get a verbal introduction to the process or procedure before they practice or work on it. This method is commonly used in pharmaceutical industry to train personnel working on the manufacturing processes.

- 3. Interactive demonstration:** This is a training method used for introducing new skills and to correct faulty skills of the existing employees. In this method, the trainer first allows the trainees to work on the equipment and after observing them work, suggests corrective measures. This method is very effective for building on the already existing skill set of the employees.

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

Case Study method

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

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

The case study method has developed a variant known as the incident process. Unlike case study where all the relevant details of the case are provided, the incident process method only provides a brief and sketchy detail of the problem. The trainees are expected to gather other relevant details from the trainer or do

NOTES

NOTES

their own research. This method focuses on developing information gathering and sorting skills of the trainee, as it is information on which most of the decisions are made. As a training method, the case study method is very effective for skill development. Organizations often use it to train their managers and other employees.

Role play

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

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

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

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

Simulation

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

NOTES

Check Your Progress

3. List the different types of on-the-job training methods.
4. What does training needs assessment focus on?
5. What is role play?
6. How can a simulator training be made effective?

7.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. 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.).

NOTES

2. The purpose of the follow-up induction programme is to find out whether the employee is reasonably satisfied with the job.
3. There are a variety of OJT methods, such as the following:
 - (a) Coaching
 - (b) Under study
 - (c) Job rotation
 - (d) Internship
 - (e) Apprenticeship
4. According to some training practitioners, training needs assessment focuses on analyzing those training needs that have already been identified. While others use the training needs assessment as a blanket term, inclusive of identification of training needs and analysis of needs themselves.
5. Role play is a training method in which trainees enact hypothetical situations.
6. How can a simulator training be made effective? For effective simulator training, it is important not only to physically replicate the equipment, but also to create the same operational environment including the psychological pressures.

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.
- 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’.
- In an organization, orientation is required for overcoming employee anxiety, reality shocks and for accommodating employees.
- To improve the effectiveness of every organization they need to have well-trained and experienced people to perform the activities that have to be done.
- If the current or potential job occupant can meet this requirement, training is not important. But when this is not the case, it is necessary to raise the skill levels and increase the versatility and adaptability of employees.
- The forms and types of employee training methods are interrelated. It is difficult, if not impossible, to say which of the methods or combination of methods is more useful than the other.
- The lecture is the most formal of training methods and in training terms it means a verbal presentation given before the trainees for instruction and it may be accompanied by visual aids like flipcharts or projections.

- In the case study method, it is the case/problem which is the source of learning rather than the trainer. All the same this is not to suggest that the trainer has no role to play, as it is the trainer who selects the cases and directs the discussion in a specific line of enquiry.
- Role play is a training method in which trainees enact hypothetical situations. They play assigned roles, by improvising their behaviour.
- Simulation represents replication of environment, processes and situations that occur in a work situation/environment. The aim of this method is to provide the trainee with the 'feel' of the work place situation in a controlled setting.

NOTES

7.6 KEY WORDS

- **Internship:** It refers to the position of a student or trainee who works in an organization, sometimes without pay, in order to gain work experience or satisfy requirements for a qualification.
- **Case study:** It is a process or record of research into the development of a particular person, group, or situation over a period of time.

7.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. Write a short-note on special purpose training.
2. What do you understand by simulation?
3. What are the different types of role play?

Long-Answer Questions

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

7.8 FURTHER READINGS

- Aquinas, P. G. 2005. *Human Resources Management: Principles and Practice*. New Delhi: Vikas Publishing House Pvt Ltd.
- Decenco, David A. and Stephen P. Robbins. 1989. *Personnel/HRM*, 3rd Edition. New Delhi: Prentice-Hall of India.

NOTES

Flippo, Edwin B. 1984. *Personnel Management*, 4th Edition. New York: McGraw Hill.

Bernardin, John. 2004. *Human Resource Management—An Experimental Approach*. New Delhi: Tata McGraw Hill Ltd.

Beardwell, Ian and Len Holden. 1995. *Human Resource Management*. London: Macmillan.

Byars, Loyd L. and Leaslie W. Rue. 1997. *Human Resource Management*. Chicago: Irwin.

UNIT 8 EXECUTIVE DEVELOPMENT

NOTES

Structure

- 8.0 Introduction
- 8.1 Objectives
- 8.2 Executive Development: Needs and Programs
 - 8.2.1 Nature of Executive Development
 - 8.2.2 Need and Importance of Executive Development
 - 8.2.3 Executive Development Programmes
- 8.3 Answers to Check Your Progress Questions
- 8.6 Summary
- 8.7 Key Words
- 8.8 Self Assessment Questions and Exercises
- 8.9 Further Readings

8.0 INTRODUCTION

Executive or management development is an educational process which is fairly long term and utilizes a methodical and orderly procedure. This process assists the managerial staff to assimilate theoretical knowledge. The concept of development is related to this process. It has within its purview activities that not only improve the performance of a task, but also those that bring about an all-round development of their personality and help develop their potential. As far as the organization is concerned, this tends to help a person attain promotion and get more responsibility. For any organization to perpetuate itself through growth, there is a basic need for developing its manpower resources. It is one thing to possess knowledge but another to put it to effective use. It is essential to help develop skills and also update knowledge. Especially, in a rapidly changing society, employee training and development are not only activities that are desirable but also those that an organization must commit its resources to, if it is to maintain a viable and knowledgeable work force. In this unit, we will learn about the need for executive development and the programmes to do so.

8.1 OBJECTIVES

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

- Understand the concept of executive development
- Discuss the need for executive development
- Describe the significance of executive development programmes

8.2 EXECUTIVE DEVELOPMENT: NEEDS AND PROGRAMS

NOTES

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.

8.2.1 Nature of Executive Development

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

Deferred application of human resources

The major problem is to make a special preparation for top management responsibilities involving deferred application of selected candidates. The problem

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

Preparing and helping managers in present and future jobs

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

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

Management development as a business-led process

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

NOTES

NOTES

restructuring the business activities, and (7) optimizing profits.

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

8.2.2 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:

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

8.2.3 Executive Development Programmes

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

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

1. Job rotation

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

2. The syndicate system

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

3. Conference

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

4. Role-playing

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

5. Sensitivity training

The sensitivity training purports to develop awareness and sentiments to one's own and others' behavioural patterns. The method provides face-to-face learning of ongoing behaviour within a small group and lacks structure. Obviously, the learning is at an emotional level rather than intellectual one. The sensitivity training

NOTES

NOTES

group meets continuously for several days. The trainer acts as a moderator to facilitate the feedback process and check severe psychological damage to participants. The method is likely to increase managerial sensitivity and trust, and enhance respect for the contributions of others. However, the method has not received proper recognition in the business world.

6. Structured insight

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

7. Case and in-basket methods

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

8. Business games

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

processes. These games are likely to develop financial skills, quickness in thinking, and the ability to adapt under stressful situations.

9. University courses

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

10. Non-group methods

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

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

Conclusion

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

NOTES

NOTES

Check Your Progress

1. What are the objectives of management development programmes?
2. What are the three activities in the process of management development?
3. List the major limitations of role-playing for managerial development.

8.3 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The objectives of management development programmes include preparing promising personnel for higher managerial positions in the future and assisting and improving the existing top executives.
2. There are three activities in the process of management development—analysis of needs, evaluation of skills and competencies, and meeting the needs.
3. 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.

8.4 SUMMARY

- For any organization to perpetuate itself through growth, there is a basic need for developing its manpower resources. It is one thing to possess knowledge but another to put it to effective use. It is essential to help develop skills and also update knowledge.
- 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.
- In organizational terms, executive development is intended to equip persons to get promotions and hold greater responsibility. Training a person for a bigger and higher job is development.
- The objectives of executive development programmes include preparing promising personnel for higher managerial positions in the future and assisting and improving the existing top executives.
- There are three activities in the process of management development—analysis of needs, evaluation of skills and competencies, and meeting the needs.
- 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.

- The developmental techniques include job experience, coaching, understudy positions, individual counselling, conferences and technical meetings at company expense, job rotation, in-company training classes, etc.

8.5 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.
- **On-the-Job Training:** It is one of the oldest types of training methods. It refers to recruits learning at work under the supervision of a line manager or supervisor.

8.6 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. Why is the need for executive development felt?
2. Discuss the case and in-basket method of executive development.

Long-Answer Questions

1. Explain the various types of EDPs.
2. Discuss the off the job training methods.

8.7 FURTHER READINGS

- Aquinas, P. G. 2005. *Human Resources Management: Principles and Practice*. New Delhi: Vikas Publishing House Pvt Ltd.
- Decenco, David A. and Stephen P. Robbins. 1989. *Personnel/HRM*, 3rd Edition. New Delhi: Prentice-Hall of India.
- Flippo, Edwin B. 1984. *Personnel Management*, 4th Edition. New York: McGraw Hill.
- Bernardin, John. 2004. *Human Resource Management—An Experimental Approach*. New Delhi: Tata McGraw Hill Ltd.
- Beardwell, Ian and Len Holden. 1995. *Human Resource Management*. London: Macmillan.
- Byars, Loyd L. and Leaslie W. Rue. 1997. *Human Resource Management*. Chicago: Irwin.

NOTES

BLOCK III ADMINISTRATION

NOTES

UNIT 9 EMPLOYEE COMPENSATION AND RETENTION

Structure

- 9.0 Introduction
- 9.1 Objectives
- 9.2 Wages and Salary Administration
 - 9.2.1 Incentives
 - 9.2.2 Bonus
 - 9.2.3 Fringe Benefits and Flexi Systems
- 9.3 Answers to Check Your Progress Questions
- 9.4 Summary
- 9.5 Key Words
- 9.6 Self Assessment Questions and Exercises
- 9.7 Further Readings

9.0 INTRODUCTION

Services rendered by individuals to organizations have to be equitably paid for. This compensation generally comprises cash payments, which include wages, bonus and shared profits. Good compensation plans have a salutary effect on the employees. They are happier in their work, cooperative with management and productivity is up. Although there can be both monetary form and non-monetary form of compensation, the monetary is the most basic element which attracts individuals to an organization and are persuaded to remain there. Compensation paid to the labour for the service offered is called as wages or salary. In this unit, we will discuss the different aspects of employee compensation and retention in detail.

9.1 OBJECTIVES

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

- Understand the different aspects of employee compensation and retention
- Discuss the significance of wages and salary administration
- Describe the concepts of bonus, incentives, fringe benefits, and flexi systems

9.2 WAGES AND SALARY ADMINISTRATION

Wage and salary administration refers to a collection of practices and procedures employed for planning and distributing company-wide compensation programs for employees. These practices include employees at all levels and are usually handled by the accounting department of a company. Wage and salary administration procedures usually entail activities such as calculating the number of hours worked in order to determine compensation, administering employment benefits, and answering payroll questions from employees. At the majority of firms and organizations, wages are usually dispersed to all employees on a specific date. The workers in charge of salary administration may also be charged with ensuring that the company adheres to compensation laws of the government. Let us discuss the process of wages and salary administration in detail.

The activities of wage and salary administration are as follows:

- Job evaluation
- Surveys of wage and salaries
- Analysis of relevant organizational problems
- Development and maintenance of the wage structure
- Establishing rules for administering wages
- Wage payments
- Incentives
- Profit sharing
- Wage changes-adjustments
- Supplementary payments
- Control of compensation and other related items

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.

NOTES

NOTES

- Job sequences and lines of promotion are established wherever they are applicable.
- Employees' morale and motivation are increased because a wage programme can be explained and is based upon facts.

(ii) To employers

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

The wage determination process

The steps involved in the wage determination process 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

NOTES

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.

NOTES

- (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.'

9.2.1 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 intensity.' According to Hummel and Nickerson: 'It refers to all the plans that provide extra pay for extra performance in addition to regular wages for a job.' Florence observes: 'It refers to increased willingness as distinguished from capacity.' Incentives do not create but only aim to increase the national momentum towards productivity.'

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

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

'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.

NOTES

Merits of wage incentive plans

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

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

Demerits of wage incentive plans

- (i) Quality tends to deteriorate unless there is a stricter system of checking and inspection.
- (ii) Payment by results may lead to opposition or restriction on output when new machines and methods are proposed or introduced. This is because of the fear that the job may be restudied and earnings reduced.
- (iii) When paid by result, workers tend to regard their highest earnings as norms and, therefore, press for a considerable higher minimum wage.
- (iv) The amount and cost of clerical work increases.

NOTES

- (v) There is a danger of disregarding safety regulations and thereby increasing the rate of accidents.
- (vi) Some workers tend to overwork and thus undermine their health.
- (vii) Jealousies may arise among workers because some are able to earn more than others or because fast workers are dissatisfied with the slower or older workers in the group.
- (viii) It is difficult to set piece or bonus rates accurately. If they are too low, workers may be under pressure to work too hard and become dissatisfied; and if too high, they may slacken their efforts to avoid a revision of rates.

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

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

9.2.2 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.

NOTES

9.2.3 Fringe Benefits and Flexi Systems

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
- (v) Christmas bonus

Belcher defines these benefits as 'any wage cost not directly connected with the employees, productive effort, performance, service or sacrifice.' Cockman views employee benefits as 'those benefits which are supplied by an employer to or for the benefits of an employee, and which are not in the form of wages, salaries and time-rated payments.'

NOTES

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.

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 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

NOTES

NOTES

benefits to attract and maintain the existing employees by providing them additional benefits. Along with attracting the employees, fringe benefits such as vacations along with holidays and rest break also help the employees to get fresh and perform their duty with more encouragement. Therefore, we can say that the fringe benefits help to:

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

Principles of fringe benefits

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

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

- Compensation benefits
- Pension plans
- **Payment for the time employees have not worked:** This fringe benefit forms an important benefit for the employees of company. Mostly every company provides the payment for time not worked benefit to its employees. Payment for time not worked benefit can be of two types, on-the-job free timer payment and off-the-job free time payment. On-the-job free time includes lunch periods, coffee breaks, rest periods, get-ready times and wash-up times whereas off-the-job free time includes vacations, sick leaves, public holidays and casual leaves.
- **Insurance benefits:** Insurance benefits are also an important fringe benefit for the employees of a company. Nowadays, every company provides its employees the facility of purchasing insurance policies at prices, which is much less than the cost the employees have to pay for if they buy insurance themselves.
- **Compensation benefits:** Companies also provide compensation benefits to its workers against some disability or injuries to the employees or their family members. Other employees of the company contribute to the funds that are collected for the ill or injured employees. All these compensation benefits are synchronized by the Workmen's Compensation Act.
- **Pension plans:** Companies also provide supplementary income or pension to its employees after their retirement. These pension plans can be company paid or both company and employee paid. In addition to the pensions, companies also provide bonus to the employees reaching superannuation.

NOTES

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

1. What is the basic purpose of wage and salary administration?
2. What are wage incentives?
3. List one difference between wages and fringe benefits.
4. What are the two types of fringe benefits?

9.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

NOTES

1. The basic purpose of wage and salary administration is to establish and maintain an equitable wage and salary structure.
2. 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. 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.
4. 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.

9.5 SUMMARY

- The basic purpose of wage and salary administration is to establish and maintain an equitable wage and salary structure.
- 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.
- 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.
- Incentive is a system of payment under which the amount payable to a person is linked with his output.
- Bonuses are also paid to executives at a certain percentage of the profits. The bonuses may average from 30 per cent to 50 per cent of the basic salary.
- One may define fringe benefit as primarily a means in the direction of ensuring, maintaining and increasing the income of the employee.

9.6 KEY WORDS

- **Wage:** It refers to a fixed regular payment earned for work or services, typically paid on a daily or weekly basis.
- **Incentive:** It is a monetary gift provided to an employee based on performance, which is thought of as one way to entice the employee to continue delivering positive results.

- **Fringe Benefit:** It is an extra benefit supplementing an employee's money wage or salary, for example a company car, private health care, etc.

9.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

NOTES

Short-Answer Questions

1. Name the factors influencing wage and salary structure and administration.
2. Enumerate the objectives of the wage and salary administration for various stakeholders.

Long-Answer Questions

1. Describe the principles of wage and salary administration.
2. What are fringe benefits? Discuss its objectives and uses.

9.8 FURTHER READINGS

- Aquinas, P. G. 2005. *Human Resources Management: Principles and Practice*. New Delhi: Vikas Publishing House Pvt Ltd.
- Decenco, David A. and Stephen P. Robbins. 1989. *Personnel/HRM*, 3rd Edition. New Delhi: Prentice-Hall of India.
- Flippo, Edwin B. 1984. *Personnel Management*, 4th Edition. New York: McGraw Hill.
- Bernardin, John. 2004. *Human Resource Management—An Experimental Approach*. New Delhi: Tata McGraw Hill Ltd.
- Beardwell, Ian and Len Holden. 1995. *Human Resource Management*. London: Macmillan.
- Byars, Loyd L. and Leaslie W. Rue. 1997. *Human Resource Management*. Chicago: Irwin.

NOTES

UNIT 10 PROMOTION, DEMOTION, TRANSFERS AND LABOUR ATTRITION

Structure

- 10.0 Introduction
- 10.1 Objectives
- 10.2 Career Management
 - 10.2.1 Sweat Equity
 - 10.2.2 Promotion, Demotion and Transfers
 - 10.2.3 Job Evaluation Systems
 - 10.2.4 Labour Attrition: Causes and Consequences
- 10.3 Answers to Check Your Progress Questions
- 10.4 Summary
- 10.5 Key Words
- 10.6 Self Assessment Questions and Exercises
- 10.7 Further Readings

10.0 INTRODUCTION

A career is an occupation undertaken for a significant period of a person's life and with opportunities for progress. It describes an individual's journey through learning, work and other aspects of life. Most of us use the term to exclusively refer to our journey through our professional lives. Normally, employees want to advance and grow in their careers. Most individuals develop quite early in their life, the idea or a mental image of what career they would like to pursue. Unless an organization meets these desires and aspirations of its employees, it cannot make optimum use of its human resources. But organizations have their own requirements and constraints which limit their capacity to meet the employees' expectations. Career planning is an important technique for productive resolution of this conflict, between the individual and the organization. In this unit, we will discuss these techniques specifically, sweat equity, job evaluation systems, promotion, demotions, transfers, and labour attrition.

10.1 OBJECTIVES

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

- Understand the concepts of sweat equity and job evaluation systems
- Discuss the meaning of promotion, demotions, and transfers
- Describe the causes and consequences of labour attrition

10.2 CAREER MANAGEMENT

*Promotion, Demotion,
Transfers and Labour
Attrition*

Career management is conscious planning of one's activities and engagements in the jobs one undertakes in the course of his life for better fulfilment, growth and financial stability. It is a sequential process that starts from an understanding of oneself and encompasses occupational awareness.

NOTES

10.2.1 Sweat Equity

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

10.2.2 Promotion, Demotion and Transfers

Let us begin by discussing promotions.

I. Promotion

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

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

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

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

Types of promotion

The different types of promotions are:

(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.

NOTES

(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.

(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.

NOTES

(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.

NOTES

Promotion policy

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

(a) Promotion Policy Statement

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

(b) Ratio of Internal Promotion Vs External Recruitment

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

(c) Decide the Basis for Promotion

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

(d) Decide the Routes for Promotion

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

(e) Communicate the Promotion Policy

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

(f) Lack of Promotional Avenues

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

(g) Determination of Seniority

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

(h) Relationship of Disciplinary Action to Promotion

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

Advantages of a promotion policy

The following are the benefits of a good promotion policy:

- (i) A good promotion policy provides an incentive to work more effectively as it recognises an employee who does better work. It must however tell employees in advance what avenues exist for advancement.
- (ii) It develops employee loyalty by rewarding him and placing him in a higher position in the organization for his efficiency.
- (iii) It facilitates and increases job satisfaction.
- (iv) It increases work effectiveness in the organization.
- (v) It also attracts efficient employees to the organization.
- (vi) It increases employee interest in training and self-development.
- (vii) A promotion policy makes employees believe that their turn too will come and so they remain with the company. This reduces labour turnover.

II. Demotion

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

Causes of demotion

- Demotion may be used as a disciplinary weapon.
- Demotion may be resorted to when employees, because of ill health or personal reasons, cannot do their job properly.

NOTES

NOTES

- If a company curtails some of its activities, employees are often required to accept lower-level position until normalcy is restored.
- If an employee finds it difficult to meet job requirement standards, following his promotion he may be reverted to his old position.

Conditions for demotion

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

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

III. Transfer

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

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

According to Arun Monappa and Mirza Saiyadain, transfer ‘is a change in assignment in which the employee moves to another job at approximately the

same level of responsibility, demanding about the same skill and at about the same level of pay’.

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

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

Types of transfers

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

(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

NOTES

in community life. To minimise this, shift transfers are effected. Shift transfers also help workers to be out of routine fatigue.

NOTES

(e) Remedial

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

(f) Versatility

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

(g) Punishment or Penal

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

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

(h) Request Transfers

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

(i) Mutual Transfers

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

Transfer policy

It is clear that transfers are made for a number of reasons and are initiated by either the supervisor or the subordinate. If transfers are left entirely to the discretion of supervisors or employees, a number of problems are likely to occur such as favouritism or victimisation. To avoid these problems it is necessary that every organization evolve its transfer policy. Every organization should have a just and impartial transfer policy which should be known to each employee. It is, therefore, important that the company should formulate a policy to govern the administration of all types of employee transfers, rather than decide each case solely on the

characteristics of that case. The absence of a well-formulated transfer policy will breed a state of uncertainty amongst the employees. For a successful transfer policy, proper job description and job analysis should be done. Further, care should be taken to ensure that frequent or large-scale transfers are avoided by laying down adequate procedures for the purpose. A systematic transfer policy should provide for the following:

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

10.2.3 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:

NOTES

NOTES

I. Non-analytical or non-quantitative system

This system utilizes non-quantitative methods of listing jobs in the order of difficulty. The comparison and evaluation made on non-quantitative basis is made by ranking or classifying the jobs from the lowest to the highest. Non-analytical system is usually of two types. These are as follows:

- (i) **Ranking system:** This is a very simple method of job evaluation. Under this system, the job raters simply rank one job against another without assigning point values. The ranking method consists of ranking the jobs in the organization from the lowest to the highest.

As the size and complexity of an organization increases, it becomes difficult to find raters acquainted with all jobs to be ranked.

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

II. Analytical or quantitative system

In the ranking system and grading system, the relative ranking of jobs was determined without reference to any numerical values (points). However, in the quantitative system, various factors of a job are considered and points are assigned to them according to their relative worth. The analytical or quantitative systems of job evaluation are as follows:

- (i) **The point rating system:** The point rating system is based on the assumption that it is possible to assign points to the different factors as well as to each degree of each factor involved in jobs and that the total of the points will give an index of the relative value of jobs. The method was originally designed and developed by the Western Electric Company. The point rating system is based on the assumption that it is possible to assign points to respective factors which are essential for evaluating an individual's job.
- (ii) **The factor comparison system:** This system is similar to the point rating system. The factor comparison system was developed by Eugene J. Bengel at the Philadelphia Rapid Transit Company in 1926. He developed this system in order to solve the two problems faced by the point rating system, i.e., determining the relative importance of factors and describing their degrees. This method begins by finding out the major factors which are present in more or less degree in all the jobs in a particular organization.

Each job is ranked several times—once for each compensable factor selected. For example, jobs may be ranked first in terms of the factor skill. Then, they are ranked according to their mental requirements. Next, they are ranked according to their ‘responsibility’, and so forth. Then these ratings are combined for each job in an overall numerical rating for the job. Thereafter, it is easy to assign money value to these jobs in some direct proportion to the points assigned under evaluation.

NOTES

10.2.4 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

NOTES

- If the location of the plant is changed
- If the employee has been rendered unfit for work due to some accident / disability
- If some disciplinary action is taken
- If the employee is getting married (especially women)

3. Avoidable causes

These causes require the management to attend to certain factors on a continuous basis in order to keep attrition levels low. These avoidable causes include the following:

- Dissatisfaction with salary
- pressure / burden of work
- Dissatisfaction with working conditions
- Lack of growth avenues
- Absence of recreational facilities
- Absence of training facilities

If the management reacts at the right time and in an efficient manner, these causes could be avoided.

Impact of attrition

- Production is disturbed.
- Precious time is wasted in finding replacements.
- Efficiency of new recruits is low at the beginning.
- Training and induction are not only time-consuming but require expenditure.
- New recruits take time to settle and get trained.
- New recruits also cause a lot of damage and wastage during training period.

Check Your Progress

1. Define sweat equity.
2. Mention any two causes of demotion.
3. What are remedial transfers?
4. What is the point rating system of job evaluation?

10.3 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. 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.
2. Two causes of demotion are:
 - (a) Demotion may be used as a disciplinary weapon.
 - (b) Demotion may be resorted to when employees, because of ill health or personal reasons, cannot do their job properly.
3. Remedial transfers are transfers made to remedy some situation primarily concerned with employee on the job.
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.

NOTES

10.4 SUMMARY

- Promotion usually implies several things to the person concerned—higher status, both at work and in the community outside, more pay and fringe benefits, perhaps greater job security and a more senior position from which a person renders better service to his organization.
- When an employee is moved to a job with less responsibility, status or compensation he is said to be demoted. Demotion is the reverse of promotion. It is more a punishment for inefficiency or incompetence.
- A transfer is a change in job assignment. It does not involve a change in responsibility and status. A movement of an employee between equivalent positions at periodical intervals is called "transfer".
- If transfers are left entirely to the discretion of supervisors or employees, a number of problems are likely to occur such as favouritism or victimization. To avoid these problems it is necessary that every organization evolve its transfer policy.
- Determining the relative worth of all jobs in the enterprise is difficult. This is so, because jobs differ with respect to the demands made on the employees as well as the value of the job to the enterprise.
- The comparison and evaluation may be made on two bases: Non-analytical or non-quantitative system and analytical and quantitative basis.

- With youngsters becoming more and more ambitious and organizations offering competitive salaries, labour attrition and employee retention have become major issues.

NOTES

10.5 KEY WORDS

- **Promotion:** It is the transfer of an employee to a new position which commands higher pay, and better privileges or status compared with the old position. It may be the recognition of his good work, behaviour or simply to keep up with economic inflation.
- **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.
- **Attrition:** Attrition in business can mean the reduction in staff and employees in a company through normal means, such as retirement and resignation, the loss of customers or clients to old age or to growing out of the company's target demographic.
- **Job Evaluation:** It is a systematic way of determining the value/worth of a job in relation to other jobs in an organization.

10.6 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What are the different types of promotion?
2. In which conditions do demotion serves its purpose?
3. Write a short note on the analytical and quantitative basis of job evaluation.
4. What are the avoidable and unavoidable causes of labour attrition?

Long-Answer Questions

1. Explain the different bases for promotion.
2. Define transfer. Explain the various types of transfers.
3. What is a transfer policy? Explain the conditions that should be followed in a systematic transfer policy.
4. Examine the analytical and quantitative basis of job evaluation.

10.7 FURTHER READINGS

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

Decenco, David A. and Stephen P. Robbins. 1989. *Personnel/HRM*, 3rd Edition. New Delhi: Prentice-Hall of India.

Flippo, Edwin B. 1984. *Personnel Management*, 4th Edition. New York: McGraw Hill.

Bernardin, John. 2004. *Human Resource Management—An Experimental Approach*. New Delhi: Tata McGraw Hill Ltd.

Beardwell, Ian and Len Holden. 1995. *Human Resource Management*. London: Macmillan.

Byars, Loyd L. and Leaslie W. Rue. 1997. *Human Resource Management*. Chicago: Irwin.

*Promotion, Demotion,
Transfers and Labour
Attrition*

NOTES

UNIT 11 EMPLOYEE RETENTION

NOTES

Structure

- 11.0 Introduction
- 11.1 Objectives
- 11.2 Employee Retention: Need and Programs
 - 11.2.1 Various Retention Methods
 - 11.2.2 Methods and Importance of the Employee Retention Control Process
 - 11.2.3 Implication of Job Change
- 11.3 Answers to Check Your Progress Questions
- 11.4 Summary
- 11.5 Key Words
- 11.6 Self Assessment Questions and Exercises
- 11.7 Further Readings

11.0 INTRODUCTION

Employee retention is the organizational objective of keeping talented employees and reducing turnover by fostering a positive work atmosphere to promote engagement, showing appreciation to employees, and providing competitive pay and benefits and healthy work-life balance. Employers are particularly interested in retaining employees during periods of low unemployment and heightened competition for talent. In this unit, we will discuss need and programmes for employee retention.

11.1 OBJECTIVES

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

- Understand the concept of employee retention
- Discuss the need for employee retention
- Describe the programmes for employee retention

11.2 EMPLOYEE RETENTION: NEED AND PROGRAMS

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

Some of the common problems that employees face include:

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

All these issues cause employees to leave their jobs and look for better options. If talented employees leave an organization, it would have serious consequences for the business. Therefore it is necessary for organizations to initiate employee retention programs to retain employees.

If the organization does not focus on key employees, there are strong chances that there would be an increased risk of leaving. Some inputs the organization could follow for talent retention of employees are:

- Competitive compensation strategies and good incentives.
- Motivators such as autonomy at work, prudence to utilize their skill sets and recognition, sense of pride and achievement are also important for the employee.
- Career opportunities for growth for 'high potential employees' and 'star performers' and the rest of the employees.
- Aspiration management for 'high potential employees' and 'star performers'.
- Flexi work initiatives such as telecommuting, flexi timings and fun at work.
- Global job rotations.
- Job enrichment.
- Mentoring and coaching.
- Leadership development.
- Step up programmes which make an employee ready to take on future roles and responsibilities.
- Organizations have to create an ambience where talent can bloom.
- Provide a clear sight of the employee's future growth prospects from their present career path.

NOTES

NOTES

- Organizations must place employees in the correct outfit which suits them and their career the most.
- They have to put in place systems that will help unleash the potential of their workforce.
- The conducive environment must create an emotional bonding between the organization and the employees.
- They must take effective steps to find out the issues creating a negative image in the minds of the employees.
- They have to build a reward and recognition mechanism that provides value for employees.

Retention of High Performers

Management literature everywhere is full of woes of retaining talent in India. Needless to say that Retention of High Performers is crucial to the company as the loss of losing one can actually hit the business of the organization. To understand what can be done to retain them, it is important to understand what motivates these people. All retention measures will have to be designed around these factors that are so important to them.

Motivators for High-potential Employees

- (i) **Quality of relationships at work:** There are three sets of people that high-potentials have to deal with: (1) their manager, (2) colleagues and (3) direct reports. What high-potentials look for and expect as behaviour from their managers is recognition praise for good work, opportunity to work on projects of their interest, exposure to more senior leaders and empathy which gives them the leeway to maintain work-life balance.
- (ii) **Credible commitment to development:** The high-potential employees are always very sensitive to the commitment of the organization towards their development. They tend to take a critical (constructive) view of the (a) development plans, (b) the training methods and (c) the executive commitment that they see around them. They would expect an achievable development plan customized to their aspirations (obviously in tune with the organizations too) in place. They would also expect not only the support but also the active participation by the manager and the organization at large to achieve the development objectives. The training quality the content and delivery should be such that it enables current and future job performance, enables deeper understanding of the business and helps them build networks internally within the organization and also in their professional community outside. They would also expect respect and support from the senior management in pursuing their goals within the organization.

(iii) Challenge in the job experience: It gets often repeated for high potentials, that the biggest motivator is their 'job'. What they expect from their job is enriching day-to-day experiences as well as management experiences. In their day-to-day experiences they want to utilize their specialized skills, involvement in forecasting and planning, launching new businesses, designing new products, working with different departments, handling crises, get opportunities to do creative problem-solving etc. In terms of management experience, the most important is the people management experience bit. Leading and driving people is the most energizing to high potentials. They want to be involved and gain experience in hiring new employees, developing work plans for direct reports and assessing employees' performance and also potential. Apart from this, they would want to drive department strategy, handle budgets, lead business turnaround and participate in change management.

NOTES

Retention Measures for High Potentials

Given the above factors of motivation for high potentials, the following could be the takeaways to design a retention programme for them:

- Leverage employee relationship and networks
- Ensure credible organizational commitment to employee development
- Structure the challenge within the job

11.2.1 Various Retention Methods

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

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

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

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

NOTES

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

11.2.2 Methods and Importance of the Employee Retention Control Process

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

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

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

11.2.3 Implication of Job Change

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

Check Your Progress

1. What happens when a good performer leaves a company?
2. What are the different types of job change?

11.3 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. When a good performer or worker leaves, a company loses out a lot in terms of productivity, manpower and expenses.
2. Job change may be upward, downward or lateral by its nature.

11.4 SUMMARY

- It is estimated that employees spent about 1/3rd of their life working. Obviously, spending such a huge amount of time at work causes stress in employees.
- Some of the common problems that employees face include interpersonal conflict, communication problems, gossip, bullying, harassment, discrimination, and so on.
- When a good performer or worker leaves, a company loses out a lot in terms of productivity, manpower and expenses.
- Employee retention programmes help employers hang on to their best performers, who are naturally valuable assets for the organization.
- A high rate of labour turnover is bad for both workers and the organization. Hence, efforts should be made to reduce it.
- Job change means any type of change in existing job in the organization. Job change may be upward, downward or lateral by its nature.

NOTES

NOTES

11.5 KEY WORDS

- **Bullying:** It means to use superior strength or influence to intimidate (someone), typically to force them to do something.
- **Labour Turnover:** It is defined as the proportion of a firm's workforce that leaves during the course of a year.

11.6 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What are some of the problems faced by employees?
2. What are the implications of job change?

Long-Answer Questions

1. Discuss some of the things that should be kept in mind to ensure employee retention.
2. Explain how can labour turnover be reduced?

11.7 FURTHER READINGS

- Aquinas, P. G. 2005. *Human Resources Management: Principles and Practice*. New Delhi: Vikas Publishing House Pvt Ltd.
- Decenco, David A. and Stephen P. Robbins. 1989. *Personnel/HRM*, 3rd Edition. New Delhi: Prentice-Hall of India.
- Flippo, Edwin B. 1984. *Personnel Management*, 4th Edition. New York: McGraw Hill.
- Bernardin, John. 2004. *Human Resource Management—An Experimental Approach*. New Delhi: Tata McGraw Hill Ltd.
- Beardwell, Ian and Len Holden. 1995. *Human Resource Management*. London: Macmillan.
- Byars, Loyd L. and Leaslie W. Rue. 1997. *Human Resource Management*. Chicago: Irwin.

BLOCK IV
WELFARE, UNIONS AND SYSTEM

*Employee Welfare,
Separation*

**UNIT 12 EMPLOYEE WELFARE,
SEPARATION**

NOTES

Structure

- 12.0 Introduction
- 12.1 Objectives
- 12.2 Welfare, Safety, and Accident Prevention
- 12.3 Employee Grievances and their Redressal
 - 12.3.1 Features of Grievance
 - 12.3.2 Understanding Employee Grievance
 - 12.3.3 Need for a Grievance Handling Procedure
 - 12.3.4 Nature and Causes of Grievances
 - 12.3.5 Preconditions for Sound Grievance Handling
- 12.4 Industrial Relations
 - 12.4.1 Issues
- 12.5 Answers to Check Your Progress Questions
- 12.6 Summary
- 12.7 Key Words
- 12.8 Self Assessment Questions and Exercises
- 12.9 Further Readings

12.0 INTRODUCTION

Employee welfare is a comprehensive term that includes various services, benefits and facilities that an employer provides to his employees. These services are provided for the comfort and improvement of the employees, and are provided over and above their wages. They also help in uplifting the morale of the employees and motivating them, which further enables the organization to retain them for a longer duration. Employee welfare can include monetary benefits and monitoring of working conditions. In India, various laws and acts have been passed since independence to govern the functioning of a company. These laws and acts provide social security to the employees of the company. In this unit, we will discuss the different facets of employee welfare.

12.1 OBJECTIVES

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

- Understand the concept of employee welfare and safety
- Discuss the significance of employee grievances and their redressal
- Describe the concept of industrial relations

12.2 WELFARE, SAFETY, AND ACCIDENT PREVENTION

NOTES

There have been various laws and acts that have been passed since independence for the benefit of employees as well as for their safety. The following are some of the important laws and acts:

- The Employees' State Insurance Act, 1948
- The Employees' Provident Fund Act, 1952
- The Workmen's Compensation Act, 1923
- The Maternity Benefit Act, 1961
- The Industrial Disputes Act, 1947

Let us discuss these in detail.

The Employees' State Insurance Act, 1948

The Employees' State Insurance Act was passed in 1948 to make available various social welfare facilities available to the employees of a company through one agency. The Employees' State Insurance Scheme (ESIS) is a compulsory and causative scheme for the well-being of the employees. According to this Act, a company should provide medical benefits, such as medical attendance, treatment, drugs and injections to the insured employees having net salary less than 6,500 and their family members. This Act is applicable only to the companies that employ more than 20 employees in the company.

The ESIS is a breakthrough in the history of social security in India. The main objective of this scheme is to launch social insurance for the employees of a company in order to provide them social security during situations, such as illness, long-term sickness or any other health hazard. According to this scheme, medical facilities are also provided to the retired insured individuals and permanently disabled workers and also to their spouses at a minimal payment of ₹ 10 per month.

The ESIS Act is monitored by the Employees' State Insurance Corporation (ESIC), which is established by Central Government. ESIC has its own funds, known as ESI fund that provides cash benefits to insured persons, medical benefits, such as hospitals and dispensaries. The following are the benefits provided by this act:

- **Sickness benefits:** This is given to the employees for maximum period of 91 days. The sickness benefit is the half of the daily average wages of the employee. For getting the sickness benefit the employee should be under the medical treatment at a hospital maintained by the company. Extended sickness benefit is also given to the insured employees who are suffering from the long-term diseases. In this case, employee can get sickness benefit for maximum period of 309 days and the payment given to the employee is

63% of the wages. Sickness benefit is useful to an employee who is unable to work due to illness. Employee also gets medical treatment and financial support.

- **Medical benefit:** It is in the form of free medical treatment that an employee claims in case of illness, maternity and accident. Employee gets this benefit at ESI hospital or dispensary of the doctor to whom the worker is getting treatment. The family of the insured worker also avails this benefit. Workers suffering from critical diseases, such as T.B., Cancer, Leprosy and mental diseases are provided special facilities.
- **Maternity benefit:** It is in the form of cash payment to the insured women for confinement, miscarriage or illness arising out of pregnancy. This benefit is calculated at half of average daily wages. If the insured woman dies during the period of confinement, the nominee gets the benefit for the whole period.
- **Disablement benefit:** This is given in case of permanent disablement of an employee. The benefit is given when an employee is caught in an industrial accident within the factory. The annual benefits depend on the nature of disablement. For the temporary disablement full pay is given to the employee for the period of disablement. For the permanent disablement the employee is given cash benefit for the life at a percentage of full rate.
- **Dependents' benefit:** It is given to the dependents of the employee of a dead insured employee. The benefit is given if an employee dies in an industrial accident. The family of the employee is entitled for cash benefit under this scheme. The widow will receive pension for her whole life.
- **Funeral benefit:** This is given in the form of cash 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.

NOTES

The Employees' Provident Fund Act, 1952

The Employees' Provident Fund Act was launched in 1952 that provides retirement benefits to the employees of a company. Retirement benefits include provident fund, family pension, and deposit-linked insurance. This Act is applicable for the companies in India that employ 20 or more than employees except in Jammu and Kashmir. This Act is not applicable on the companies that are registered under the Cooperative Societies Act, 1912, or under any other law related to cooperative societies of less than 50 individuals. This scheme is applicable to the employees getting the salary of ₹ 5,000 per month.

According to this Act, the employees need to contribute 8.33 percent of his/her basic salary and dearness allowances comprising of cash value of food allowances and maintaining allowances given to the employees. Now, the government has increased the rate of employee contribution to 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

NOTES

provident fund scheme, both employer and employee contribute equal portion of the basic salary of the employee for provident fund. The total contribution of the provident fund is then deposited with the Provident Fund Commissioner or any trust. The employees get the provident fund after their retirement. The employees also get 8 to 12 per cent interest on the provident fund. Under this scheme individual pension and family pension are provided to the employees of the company.

The government has introduced various schemes under this act. These are as follows:

- **Employees' Pension Scheme, 1995:** It was introduced for the individual employees of a company in the year 1995. Under this scheme, the employees are provided 50 per cent of the salary as their pension after retirement or superannuation after completing 33 years service.
- **Death relief fund:** It was established by the government in January 1964 in order to provide financial help to the nominees or the successor member of the family whose salary does not exceeds ₹ 1,000 per month.
- **Gratuity scheme:** It was a scheme introduced under the Payment of Gratuity Act, 1972, meant for factories, mines, oil fields, plantations, ports, railways, and other companies. This act is applicable for the employees that obtain salary less than or equal to ₹ 3,500 per month.
- **Employees' Deposit-Linked Insurance Scheme:** It was launched for the members of Employees' Provident Fund and the exempted Provident Funds on 1 August 1976. According to this scheme, after the expiry of the member of the provident fund, the individual allowed to obtain the provident fund deposits would be given an extra payment equal to the average balance in the provident fund account of the deceased person during last three years. This scheme is applicable only when the average amount is greater than or equal to 1,000.
- **Group life insurance:** It is a plan that provides coverage for the risks on the lives of a number of individuals under one contract. However, the insurance on each life is independent from the insurance of individuals. This facility is given to the employees that work with an employer without evidence of insurability. The following are features of group life insurance:
 - o Insurance is provided to the employees without any evidence of insurability.
 - o The insurance contract is signed between the insurance company and the employer. There is no direct interaction of the employee with the insurance company.
 - o It is yearly renewable insurance plan.
 - o If any employee of the company suffers from an injury or death, then the claim received by the employer from the insurance company is given to the nominee of the employee.

- o The premium of the insurance is either paid the employer or by the employer and the employee both.

The Workmen's Compensation Act, 1923

The Workmen's Compensation Act was established by the government in the year 1923. According to this Act, a company needs to provide a payment of compensation to its employees and their family on the occurrence of organizational accidents and some disease leading to the death or any kind of disablement of the individual. The main objective of this Act is to apply a commitment on the employers to offer compensation to the employees against the accidents that occur during the course of employment. The following are the important features of The Workmen's Compensation Act:

- This Act provides social security to the employees of a company by providing them compensation against various risks.
- A company is liable to pay the compensation only if the accident or the injury to the employee has been caused during the course of employment.
- This Act also provided overtime pay and the value of concessions or benefits in the form of food, clothing and accommodation.
- The amount of compensation that a company needs to pay to an employee depends upon the type of injury or disablement suffered by the employee.
- The minimum amount of compensation that must be paid to an employee on the occurrence of permanent disablement or death is ₹ 60,000 and ₹ 50,000 respectively. However, the maximum amount of compensation that must be paid to an employee on the occurrence of permanent disablement or death is ₹ 2.28 lakh and ₹ 2.74 lakh respectively.

This Act is applicable for all the employees that work in railways, factories, mines and other companies. It also applies to all the companies that are involved in an industry specified in Schedule II of the Act.

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

NOTES

- Disallow the dismissal of a female employee during her pregnancy period
- Allow the female ladies to feed her baby twice a day during the working hours

NOTES

The Industrial Disputes Act, 1947

The Industrial Disputes Act was passed in the year 1947. This Act is related to the termination and retrenchment of the employees by a company. This act includes Sections 25-A to 25-S related to employee termination. Among these sections, Section 25-C to 25-E are not applicable for the companies than employ less 50 individuals in the company. Sec 25-C states that when any permanent employee who has worked for more than or equal to one year is being terminated by the company, the company is liable to provide a compensation equal to the 50 per cent of her/his basic salary. Sec 25-C also states that the company is not responsible to give any compensation to an employee, if he or she refuses to accept an alternative job equivalent to his/her previous job. A company is also not liable to give compensation if he or she does not reach the workplace at the scheduled time during the normal working hours at least once a day.

Sec 25-F states that a company cannot terminate the services of an employee without giving a written notice of one month provided the employee has worked for at least one year with the company. The notice must contain the termination information, such reason for termination and wages for the period of notice. Similarly, according to Sec 25-FF, Sec 25-FFA and Sec 25-FFF, a company is liable to give compensation in case of transfer of undertaking, 60 days notice to the employees before closing the company and compensation to the employees if the employer is closing down the company, respectively.

Section 25-G and Section 25-H handles the processes of retrenchment and re-employment for retrenched employee. Section 25-M states that a company cannot terminate a permanent employee without the permission of the government or such authority as may be specified by the government in the Official Gazette.

Section 25-N states that a company cannot terminate the services of an employee without giving a written notice of three month provided that the employee has worked for at least one year with the company. The notice must contain the termination information, such reason for termination and wages for the period of notice. Section 25-Q and Section 25-R deals with the notice of at least 90 days by a company before closing a company, special provisions relating to restarting of a company closed down before operation of the Industrial Disputes Act, 1976, penalty for termination, and retrenchment without any prior notification and penalty of closure.

Industrial accident

The life of an industrial worker is a hazardous one. An industrial accident may be defined as ‘an occurrence which interferes with the orderly progress of work in an

industrial establishment.’ According to the Factories Act, industrial accident is ‘an occurrence in an industrial establishment causing bodily injury to a person which makes him unfit to resume his duties in the next 48 hours.’

Causes of accidents: Accidents are usually the result of a combination of factors. According to safety experts there are three basic causes. These are:

1. **Unsafe conditions:** Also known as ‘technical causes.’ They arise when there are improper or inadequate safety guards on machines, when mechanical or construction designs are defective and unsafe; or when there is an absence of proper maintenance and supervision of these devices.
2. **Unsafe acts:** These acts may be the result of lack on the part of the employee or certain bodily defects or wrong attitudes on the part of the employee.
3. **Other causes:** These refer to unsafe situational and climate conditions and variations – such as bad working conditions, rough and slippery floors, excessive glare, etc.

Accident prevention

According to the National Safety Council, USA, accident prevention depends on three E’s.

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

Accident prevention can be achieved through two basic activities:

1. Reducing unsafe conditions, i.e., removing and reducing physical hazards
2. Reducing unsafe acts. This can be implemented through proper selection and placement of employees, providing training to new employees in safety practices, and through persuasion and propaganda

Occupational diseases

Occupational diseases are the result of physical conditions and the presence of industrial poisonous and non-poisonous dust in the atmosphere. They usually develop over an extended period of time. They are slow and generally cumulative in their effect. The diseases are the result of constant exposure to the influence of toxic substances of micro-organisms, of air-borne contaminants and stress-producing elements.

Provisions under the Factories Act, 1948

The Factories Act, 1948, provides for health safety and welfare. We explain the relevant sections pertaining to health and safety of workers:

NOTES

NOTES

Health

The Act provides detailed instructions on cleanliness, disposal of wastage, ventilation, lighting, over-crowding and so on. The factors that influence the general health of the worker is the working environment that tends to produce ill health. Every employer should protect his employees against health hazards by:

- (i) Devoting adequate attention to working conditions.
- (ii) Substituting a less toxic substance for the hazardous one.
- (iii) Providing protective clothing.

Sections 11 to 20 of the Factories Act provide detailed instructions. These are:

Labour welfare

Labour welfare implies providing better work conditions (for example, proper lighting, cleanliness, low noise) reasonable amenities (for example, recreation, housing, education, etc). The need for providing such services and facilities arise from the social responsibility of industries, a desire for upholding democratic values and a concern for employees.

The Oxford Dictionary defines labour welfare as ‘efforts to make life worth living for workmen’. The report of the committee on labour welfare set up by the Government of India in 1969 refers to welfare as a broad concept, a condition of well-being. It suggests the measures which promote ‘the physical, psychological and general well-being of the working population.’

The ILO defines labour welfare as ‘such services, facilities and amenities as adequate canteens, rest and recreation facilities, arrangements for travel to and from work, and for the accommodation of workers employed at a distance from their houses, and other such services, amenities and facilities contribute to improve the conditions under which workers are employed.’

Labour welfare have their origin either in some statute formed by the state or in some local custom or in a collective agreement or in the employer’s own initiative. Today, welfare has been generally accepted by the employers. Each employer depending on his priorities gives varying degrees of importance to labour welfare. The state only intervenes to ‘widen the area of applicability’. It is now accepted that labour welfare is a social right.

Need for labour welfare

We need labour welfare because:

- 1. From the point of view of workers:** Welfare measures must eliminate risk and insecurity. The organization besides providing a fair day’s wages must also provide facilities like medical aid, crèches, subsidized food and transport required by workers.

2. **From employer's point of view:** Employers provide amenities to discharge their social responsibility, raise the employee's morale, use the workforce more effectively and reduce turnover and absenteeism. Welfare helps build a positive image of the organization and makes it easier for them to attract and hire competent personnel.
3. **From union's point of view:** Trade unions role in labour welfare stems from worker's need for welfare services. Unions feel that welfare services ought to be provided whether by the government or the employers. However, much depends on the initiative of the unions, their bargaining strength and the priority given by them to the rights of the workers.

NOTES

Principles of labour welfare

The following principles should be borne in mind while setting up a labour welfare service:

1. First determine the employees' real needs. The welfare service should satisfy the real needs of the workers.
2. Due to differences in sex, age, income levels of employees, a mix of benefits is suggested so that the choice is left to each individual employee.
3. The cost of the service should be calculated and its financing established on a sound basis.

Provisions of Factories Act regarding labour welfare

The Factories Act, 1948, under Sections 42 to 49, contains certain provision for the welfare of the labour working in the factories. The following are some of the provisions mentioned under this act:

1. **Washing facility (Section 42):** Every factory should provide adequate facilities for washing. Separate and suitable facilities should be provided for both male and female workers.
2. **Storing and drying clothes (Section 43):** The state government, with respect to the factories has made rules to provide the facility to the workers for keeping their clothes not worn during working hours. This section also enables the factories to provide facility to the workers for drying wet clothes.
3. **Sitting arrangement (Section 44):** Every factory should have proper sitting arrangements for the workers who have to work in the standing position.
4. **First aid applications (Section 45):** Every factory should maintain sufficient first aid facility to the workers. The first aid boxes should be equipped with prescribed contents, and there should be at least one box for every 150 workers. Every company having more than 500 workers must have an ambulance room properly equipped with all the equipments and having nursing staff as well.

NOTES

5. **Canteen (Section 46):** Every factory having more than 250 workers must provide a canteen facility to their employees.
6. **Shelters, rest rooms and lunch rooms (Section 47):** Every factory having more than 150 workers must contain suitable facilities for shelters, rest rooms and lunch rooms. The lunch rooms must contain proper arrangements for drinking water and sitting plan for workers.
7. **Creches (Section 48):** Every factory employing more than 30 workers must contain rooms for the use of their children under the age of six years. Such rooms must be have proper lightening and ventilation facilities. The rooms must have trained women to take care of the children.
8. **Welfare officers (Section 49):** Every factory employing more than 500 workers must have welfare officers. The state government decides the duties and qualification of these workers.

Check Your Progress

1. When was the Employees' State Insurance Act passed?
2. What is the Workmen's Compensation Act, 1923?
3. What is labour welfare?

12.3 EMPLOYEE GRIEVANCES AND THEIR REDRESSAL

The concept of grievance has been defined in several ways by different scholars. According to Dale Beach, 'grievance is any dissatisfaction or feeling of injustice in connection with one's employment situation that is brought to the attention of the management.'

Flippo defined it as 'a type of discontent which must always be expressed. A grievance is usually more formal in character than a complaint. It can be valid or ridiculous, and must grow out of something connected with company operations or policy it must involve interpretation of application of the provisions of the labour contract.'

Grievances give rise to unhappiness, frustration, discontent, indifference to work and poor morale and ultimately lead to inefficiency and low productivity. An HR manager should therefore, see to it that grievances, are redressed at the earliest.

12.3.1 Features of Grievance

An analysis of the above-mentioned definitions reveals the following features:

1. 'Grievance' is a term used to refer to any form of discontentment or dissatisfaction with regard to any aspect of the organization.

2. The discontentment or dissatisfaction is a result of issues related to the work place or employment and has nothing to do with personal or family life.
3. The dissatisfaction could either be expressed or implied. It is easier to note and identify expressed grievances as they are reflected through gossip, active criticism, arguments, poor performance and other ways. On the other hand, unexpressed grievances can be seen in indifference to work, laziness, absenteeism, etc.
4. It is not necessary for the discontentment to be always true, rational or legitimate. It may or may not be valid. In fact, at times it may be altogether irrational. The important thing is that the moment a grievance is noticed, it is not possible for the management to overlook or dismiss it as being irrational or invalid.
5. A grievance can be traced to the employees' perception of unfulfilled expectations from the employers/organization.
6. A grievance results from a feeling of injustice experienced by the employee(s).
7. In the absence of timely redressal, grievances end up lowering morale and reducing employee productivity.

NOTES

12.3.2 Understanding Employee Grievance

The best way to handle grievances is to prepare to tackle them in anticipation. Steps should be taken to tackle them even before grievances take on huge proportions. The normal practice for an ordinary manager is to redress grievances as and when they are brought to his notice. A very good manager will anticipate grievances and prevent them. A good manager will be able to sniff out simmering grievances even before they get transformed into actual grievances through several ways. They are:

1. **Observations:** If an employee lacks compatibility with his colleagues, is always late for work, fails to meet deadlines, is slow and damages office property, then his behaviour is noticed by his seniors or superiors and reports it to the higher authorities.
2. **Opinion surveys:** An organization may conduct regular surveys to find out the opinions and views of its employees with regard to the policies and procedures of the organization. Regular meetings, group sessions, periodical interviews with workers and collective bargaining sessions help to reveal employee discontent, if any, and helps check its growth into a grievance(s).
3. **Gripe boxes:** If a worker resents the company's policies but is uncomfortable voicing his grievances openly, then there should be a facility for him to submit a written complaint or drop it in a gripe box. The complainant should be allowed to maintain anonymity. This allows employees

NOTES

to express themselves freely. Such gripe boxes should be available at prominent locations inside the factory.

4. **Exit interview:** Exit interviews must be conducted when employees leave the company. Exit interviews should be conducted with precision to know why the employee is leaving the organization. By conducting such interviews the organization can gauge the workers' grievances. The employee must be encouraged to express his opinion regarding the organization freely and frankly. In case the company cannot elicit such information because of the employees' reluctance to speak truthfully he should be provided with a questionnaire and his dues must be given only after he has filled up the same.
5. **Grievance procedure:** A company should have an organized and planned grievance redressal system which the employees can use to express their grievances. Management must persuade the employees to use it because if this does not happen then the pent up complaints whenever they have anything to say. In the absence of such a mechanism the pent up grievances of the employees may erupt some day for the management to sit up and take notice.
6. **Open door policy:** Some organizations generally invite their employees to drop in to meet their managers, informally, at any time of the day and discuss their grievances. The managers then confirm the validity of the grievance and crosscheck the details. This process helps the management keep a finger on the pulse of the workforce. At first glance, this policy may appear attractive but it also has disadvantages as follows:
 - (i) It works only in very small organizations.
 - (ii) It bypasses the frontline supervisor.
 - (iii) The top management may not be familiar with the work situation.
 - (iv) While physically the doors may be kept open, there exist psychological as well as social barriers which prevent employees walking in.

12.3.3 Need for a Grievance Handling Procedure

Without an analysis of their nature and pattern, the causes of employee dissatisfaction cannot be removed. The HR manager should help the top management and line managers, particularly foremen and supervisors, in the formulation and implementation of the policies, programmes and procedures which would best enable them to handle employees' grievances. These policies, programmes and procedures are generally known as the grievance redressal procedure. The grievance redressal procedure is a device by which grievances are settled, generally to the satisfaction of the trade union or the employees and the management. The adoption of the grievance handling procedure is essential for a variety of reasons. These are given in Table 12.1.

Table 12.1 Reasons for Adoption of a Grievance Handling Procedure

1. Most grievances seriously disturb the employees. This may affect their morale, productivity and their willingness to cooperate with the organization. If an explosive situation develops, this can be promptly attended to if a grievance handling procedure is already in existence.
2. It is not possible that all the complaints of the employees would be settled by first-line supervisors, for these supervisors may not have had a proper training for the purpose, and they may lack authority. Moreover, there may be personality conflicts and other causes as well.
3. It serves as a check on the arbitrary action of the management because supervisors know that employees are likely to see to it that their protest does reach higher management.
4. It serves as an outlet for employee gripes, discontent and frustrations. It acts like a pressure valve on a steam boiler. The employees are entitled to legislative, executive and judicial protection and they get this protection from the grievance redressal procedure, which also acts as a means of upward communication. The top management becomes increasingly aware of employee problems, expectations and frustrations. It becomes sensitive to their needs, and cares for their well-being. This is why the management, while formulating plans that might affect the employees—for example, plant expansion or modification, the installation of labour-saving devices, and so on, should take into consideration the impact that such plans might have on the employees.
5. The management has complete authority to operate the business as it sees fit – subject, of course to its legal and moral obligations, and the contracts it has entered into with its workers or their representative trade union. However, if the trade union or the employees do not like the way the management functions, they can submit their grievance in accordance with the procedure laid down for that purpose.

NOTES

Source: Mamoria, C.B. and S.V. Gankar. *Personnel Management Text and Cases*. Bombay: Himalaya Publishing House.

According to T.O. Armstrong, 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

12.3.4 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

NOTES

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.

12.3.5 Preconditions for Sound Grievance Handling

The efficiency of a grievance procedure depends upon the fulfilment of certain prerequisites. These are as follows:

- (i) **Conformity with prevailing legislation:** The procedure should be in conformity with the existing law. It should be designed to supplement the statutory provisions. In other words, the existing grievance machinery as provided by law must be made use of. The procedure may be incorporated in the standing orders or collective bargaining agreement of the organization.
- (ii) **Acceptability:** The grievance procedure must be acceptable to all and should, therefore, be developed with mutual consultation among management, workers and the union.
- (iii) **Clarity:** There should be clarity regarding each and every aspect of the grievance procedure. An aggrieved employee must be informed about the person to whom a representation can be made, the form of submission (written or oral), the time limit for the redressal of grievance, and so on.
- (iv) **Promptness:** The grievance procedure must aim at speedy redressal of grievances. The promptness with which a grievance is processed adds further to the success of the grievance procedure. Since justice delayed is justice denied, the procedure should aim at rapid disposal of the grievances. Promptness can be ensured in the following ways:
 - (a) As far as possible the grievance should be settled at the lowest level.
 - (b) There should be only one appeal.
 - (c) Time limit should be prescribed and rigidly enforced at each level.
 - (d) Different types of grievances may be referred to appropriate authorities.
- (v) **Simplicity:** The grievance procedure should be simple. The procedure should consist of as few steps as possible. If there are too many stages in the procedure, too many forms to be filled up, too much going around and so on, the very purpose of the procedure is defeated. Instead of resorting to the formal procedure, an employee may ignore it. Information about the procedure should be communicated to the employees.

- (vi) **Training:** The success of the procedure also depends upon imparting training to the supervisors and union representative in handling grievances. This will help to ensure effective working of the grievance procedure.
- (vii) **Follow up:** The working of the grievance procedure should be reviewed at periodical intervals by the HR department. The department should periodically review the procedure and introduce the essential structural changes making it more effective.

NOTES

12.4 INDUSTRIAL RELATIONS

Industrial relations is a dynamic socio-economic process characterized by cooperation and conflict. The state today has an increasing role to play, with its emphasis on welfare, in maintaining a balance between labour and management, especially in India where the former is inadequately organized.

12.4.1 Issues

Industrial relations is a 'designation of a whole field of relationships that exist because of the necessary collaboration of men and women in the employment processes of industry.' It is not the cause but an effect of social, political and economic forces.

It has two faces like a coin—cooperation and conflict. The relationship, to use Hegal's expression, undergoes change from thesis to antithesis and then to synthesis. Thus, the relationship starting with cooperation soon changes into conflict and after its resolution again changes into cooperation. This changing process becomes a continuous feature in industrial system.

The relationship between labour and management is based on mutual adjustment of interests and goals. It depends upon economic, social and psychological satisfaction of the parties. Higher the satisfaction, healthier the relationship. In practice it is, however, found that labour and capital constantly strive to maximize their pretended values by applying resources to institutions. In this effort, they are influenced by and are influencing others. Both of them try to augment their respective income and improve their power position. The major issues involved in the industrial relations process are terms of employment (wages, dearness allowances, bonus, fringe benefits), working conditions, (leave, working hours, health, safety and welfare); non-employment such as job security, personnel issues such as discipline, promotional opportunities and among others recognition of trade unions. However, in view of sharply divided and vociferously pressed rival claims, the objectives of labour and management are not amenable to easy reconciliation. This is all the more so because the resources are limited. Be that as it may, the means adopted to achieve the objectives which vary from simple negotiation to economic warfare adversely affect the community's interest in maintaining an uninterrupted and high level of production. Further, in a country like India where labour is neither adequately nor properly

organized, unqualified acceptance of the doctrine of 'free enterprise' particularly between labour and management strengthens the bargaining position of the already powerful management.

NOTES

It is apparent that the State, with ever-increasing emphasis on welfare aspect of governmental activity, cannot remain a silent and helpless spectator in the economic warfare. The legislative task of balancing the conflicting interest in the arena of labour management relations proves to be an extremely difficult one, in view of mutually conflicting interests of labour and management. The substantive issues of industrial relations is of perennial nature and, thus, there can never be a 'solution for all times to come'. There can only be broad norms and guidelines as criteria in dealing with issues of industrial relations. The law plays an important role in shaping the structure of industrial relations. It represents the foundation from which the present system and procedure flow to deal with the problems of industrial relations.

Emergence of the industrial relations problem

Labour problems in factories or even retail handicraft types of industrial organizations do not attract public attention. The workers, wherever employed, are few in number, maintain close contact with the management and the relative position of the management and workers is such that the conflicts, if any, are generally resolved by mutual negotiations. Even where they cannot be resolved, the impact of their conflict on the community is negligible. However, it need hardly be emphasized that our laws must ensure social justice to them.

Problems affecting labour management relations assume significance in the field of wholesale handicraft and get increasingly complicated as we proceed from the independent phase of the wholesale handicraft to the factory phase of centralized production. Helped by industrial revolution and buttressed by energy evolution it has become possible for the employer to engage thousands of workers at one and the same time. These employers cannot, and do not maintain personal contact with the workers, who are not infrequently drawn from entirely different regions and who do not even appreciate the implications of the emerging industrial civilization. The loss of workers' individuality and impersonality are the factors which, among others, aggravate labour-management relations.

Check Your Progress

4. What is grievance?
5. Why should exit interviews be conducted?
6. What is the relationship between labour and management based on?

12.5 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The Employees' State Insurance Act was passed in 1948 to make available various social welfare facilities available to the employees of a company through one agency.
2. According to the Workmen's Compensation Act, a company needs to provide a payment of compensation to its employees and their family on the occurrence of organizational accidents and some disease leading to the death or any kind of disablement of the individual.
3. The Oxford Dictionary defines labour welfare as 'efforts to make life worth living for workmen'.
4. According to Dale Beach, 'grievance is any dissatisfaction or feeling of injustice in connection with one's employment situation that is brought to the attention of the management.'
5. Exit interviews should be conducted with precision to know why the employee is leaving the organization. By conducting such interviews the organization can gauge the workers' grievances.
6. The relationship between labour and management is based on mutual adjustment of interests and goals. It depends upon economic, social and psychological satisfaction of the parties.

NOTES

12.6 SUMMARY

- There have been various laws and acts that have been passed since independence for the benefit of employees as well as for their safety.
- The Employees' State Insurance Act was passed in 1948 to make available various social welfare facilities available to the employees of a company through one agency.
- The Employees' Provident Fund Act was launched in 1952 that provides retirement benefits to the employees of a company.
- The Workmen's Compensation Act was established by the government in the year 1923. The main objective of this Act is to apply a commitment on the employers to offer compensation to the employees against the accidents that occur during the course of employment.
- The Industrial Disputes Act was passed in the year 1947. This Act is related to the termination and retrenchment of the employees by a company.

NOTES

- A grievance is usually more formal in character than a complaint. It can be valid or ridiculous, and must grow out of something connected with company operations or policy it must involve interpretation of application of the provisions of the labour contract.
- Just about any factor involving wages, hours or conditions of employment has and can be used as the basis of grievance.
- The major issues involved in the industrial relations process are in terms of employment, working conditions, etc.

12.7 KEY WORDS

- **Grievance:** It refers to a real or imagined cause for complaint, especially unfair treatment.
- **Exit Interview:** It is an interview held with an employee about to leave an organization, typically in order to discuss the employee's reasons for leaving and their experience of working for the organization.

12.8 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What are the benefits provided by the Employees' State Insurance Act, 1948?
2. State the functions of the works committee set up under the Industrial Disputes Act, 1947.
3. What do you understand by labour welfare?

Long-Answer Questions

1. Describe the different acts passed by the government for the benefit of employees.
2. What is grievance? What are its causes? Discuss the need for a grievance handling procedure.
3. Examine the various issues in industrial relations.

12.9 FURTHER READINGS

- Aquinas, P. G. 2005. *Human Resources Management: Principles and Practice*. New Delhi: Vikas Publishing House Pvt Ltd.
- Decenco, David A. and Stephen P. Robbins. 1989. *Personnel/HRM*, 3rd Edition. New Delhi: Prentice-Hall of India.

Flippo, Edwin B. 1984. *Personnel Management*, 4th Edition. New York: McGraw Hill.

Bernardin, John. 2004. *Human Resource Management—An Experimental Approach*. New Delhi: Tata McGraw Hill Ltd.

Beardwell, Ian and Len Holden. 1995. *Human Resource Management*. London: Macmillan.

Byars, Loyd L. and Leaslie W. Rue. 1997. *Human Resource Management*. Chicago: Irwin.

*Employee Welfare,
Separation*

NOTES

UNIT 13 TRADE UNIONS

NOTES

Structure

- 13.0 Introduction
- 13.1 Objectives
- 13.2 Trade Unions: Multiplicity of Trade Unions
 - 13.2.1 Scope and Coverage
 - 13.2.2 Rights of Registered Trade Unions
 - 13.2.3 Workers Participation in Management
- 13.3 Separation: Needs and Methods
 - 13.3.1 Process of Employee Separation
- 13.4 Answers to Check Your Progress Questions
- 13.5 Summary
- 13.6 Key Words
- 13.7 Self Assessment Questions and Exercises
- 13.8 Further Readings

13.0 INTRODUCTION

The Trade Unions Act, 1926 allows employees to form registered trade unions for collective bargaining. The Act gives the registered trade unions certain protection and privileges. The government also formulated a comprehensive scheme on 30 December 1983 for workers' participation in management. The scheme, applicable to all public sector undertaking, allows both the workers and the management to have equal participation in the shop/plant forums. In this unit, we will discuss the concept of trade union, along with the significance of workers' participation in management. It will also focus on the need and methods of employee separation.

13.1 OBJECTIVES

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

- Understand the concept of trade union
- Discuss the significance of workers' participation in management
- Describe the need and methods of employee separation

13.2 TRADE UNIONS: MULTIPLICITY OF TRADE UNIONS

Trade unions are organizations formed by workers from related fields that work for the common interest of its members. They help workers in issues like fairness of pay, good working environment, hours of work and benefits. They represent a cluster of workers and provide a link between the management and workers.

Trade unions typically fund the formal organization, head office, and legal team functions of the trade union through regular fees or union dues.

Originating in Great Britain, trade unions became popular in many countries during the Industrial Revolution. Trade unions may be composed of individual workers, professionals, past workers, students, apprentices or the unemployed.

In India, the purpose of trade unions is to look into the grievances of wagers and present a collective voice in front of the management. Hence, it acts as the medium of communication between the workers and management. Regulation of relations, settlement of grievances, raising new demands on behalf of workers, collective bargaining and negotiations are the other key principle functions that these trade unions perform.

The Indian Trade Union Act, 1926, is the principle act which controls and regulates the mechanism of trade unions. In India, political lines and ideologies influence trade union movements. This is the reason why today political parties are forming and running trade unions.

Let us discuss trade unions in India in detail.

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.

13.2.1 Scope and Coverage

The extent of this Act is the entire country. All kinds of unions aiming at regularizing the labour–management relations come under the fold of this Act. According to Section 2(h) of the Act, a ‘trade union’ regulates not only the relations between employees and employers but also between employees and their colleagues.

The Act is a central enactment but it is administered by and large, by the state governments. Trade unions whose objectives are not restricted to one state, are the subject of the Central Government. The state government shall appoint a Registrar of trade unions assisted by Additional or Deputy Registrars, for each State. The state government shall also make regulations for enforcing the provisions of the Act.

Although it is not necessary to register a trade union, it is desirable since a trade union which registered is entitled to certain rights and privileges. As many as seven workers of a company can form a trade union. The executive committee of the union should be constituted according to the provisions of the Act. The rules of the trade union should clearly mention its name and objects, the purposes for which its funds can be used, provision for maintenance of a list of members, procedure for admission of ordinary, honorary or temporary members, rate of subscription (being not less than ₹ 0.25 per member), procedure for amending or rescinding rules, manner of appointing executive committee and other office-bearers, safe custody of funds, audit and inspection of account books, procedure for

NOTES

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

NOTES

All persons who have attained the age of 15 years, are eligible to be a member of a registered trade union, subject to the rules of the union.

Appointment of office-bearers

At least 50 per cent of the office bearers of a union should be employed in the industry related to the trade union. Outsiders such as lawyers, politicians, social workers, etc. can constitute the remaining 50 per cent. For being appointed as an office bearer, one must be:

- (a) 18 years old or above; and
- (b) should not been convicted by a court of law.

Cancellation of registration

The registration of a trade union can be cancelled if an application has been forwarded for its cancellation. The Registrar can cancel a trade union by giving at least 2 months' notice under any of the following circumstances.

- (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.

NOTES

13.2.2 Rights of Registered Trade Unions

A trade union has a right to demonstrate. A trade union has a right to appeal against an order of the Registrar either refusing or cancelling registration, to the Civil Court/High Court, within the prescribed time.

Multiplicity of trade unions

According to the Trade Unions Act, 1926, in India, any seven persons can form a union. This Act allows such people to raise issues, such as initiate arguments, file suits and even bargain with employers. As there are no limits to the formation of unions in one organization, small sections of workers form separate unions.

Although a strong union fights for the welfare and interest of the workers, and helps in organizational stability and growth, the existence of several trade unions in one institution may act as a barrier in collective bargaining. As a result, the growth and welfare of the both the employees and the organization may be affected.

Issues due to multiplicity of trade unions

Several trade unions in one organization can result in several problems, affecting the growth and stability of both the workers and the organization. Some of these issues are:

- Limited representation
- Inter-union opposition
- **Limited representation:** Multiplicity of trade unions in an organization have small portion of the total workforce. Each union has its own issues and requirements. As a result, it is difficult for all the unions to unite as a single body and make a single list of demands. The multiple trade unions therefore make the bargaining power of the workers very weak.
- **Inter-union opposition:** Multiple trade unions in an institution also lead to inter-union contention. Unions try every possible measure to get a stronger hold on the workers. This results in the loss of interest of the workers in unionism. In such situations, deceitful employers take advantage of this rivalry and may refuse to bargain saying that there is a lack of a strong representative union.

13.2.3 Workers Participation in Management

NOTES

Workers' participation is a broad concept. It has been differently viewed by sociologists, psychologists, economists and lawyers. Sociologists view workers' participation as an instrument of varying potentialities to improve industrial relations and promote industrial peace. Psychologists consider participation as a mental and emotional involvement of a person in a group situation which encourages workers to share managerial responsibility.

Being a dynamic subject, no rigid limits can be laid down for workers' participation for all industries and for all times. It can be elastic enough to include workers' representation even at the top level, namely, board of directors. It can also be confined to the extremely limited domain of consultation at the lowest level such as 'to promote measures for securing and preserving amity and good relations between the employer and workmen and to that end, to comment upon matters of their interest or concern and endeavour to compose any material difference of opinion in respect of such matters.'

Workers' participation in management has been classified into five stages. These are informative, consultative, associative, administrative and decisive participations, the extent of each depending upon the quality of management and the character of the employee.

K.C. Alexander has, however, suggested different modes of workers' participation, viz. (i) collective bargaining, (ii) joint administration, (iii) joint decision-making, (iv) consultation, and (v) information sharing.

According to Kenneth F. Walker, various forms of workers' participation in management are ascending participation, descending participation, disjunctive participation and informal participation. In ascending participation, workers may be given an opportunity to influence managerial decisions at higher levels, through their elected representatives to works committee, shop or joint council or board of the establishment. In descending participation, they may be given more powers to plan and make decisions about their own work. They may participate through collective bargaining. They may also participate informally, when for example, a manager adopts a participative style of supervision of workers. These and other forms of participations have played a significant role in transforming the scope and concept of workers' participation.

Check Your Progress

1. Why is it desirable to register a trade union?
2. How do sociologists view workers' participation in management?

13.3 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
- **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.

13.3.1 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

NOTES

NOTES

that the tasks assigned to the employee have been handed over or completed properly. The other track involves the employee and the HR department dedicated for the separation process, who handle the employee benefits, such as provident fund (PF), gratuity (if applicable), etc.

The separation process requires the HR manager at every step and in the final exit interview. The final exit interview is conducted to assess the reasons as to why the employee is leaving the company. It also takes the views of the employee on work and in general. The employee is also asked to give the 'de-motivating factors', if any, that might have been the reason for him/her to leave.

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

Dismissal

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

Lay-off

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

Retrenchment

Retrenchment means the termination of service of an employee for any reason; but it certainly isn't a punishment imposed as a disciplinary action. The job can be either terminated due to economy, installation of labour-saving machinery or other any such industrial or trade reasons. Usually, the employee is given a month's notice in writing or is offered payment in place of such notice.

Termination

Termination of job can be two types: 1. Voluntary termination, 2. Involuntary termination. Also termed as the 'pink slip', job termination happens at the hand of the employer. The terminations that occur due to a mutual agreement between the company and the worker are termed as involuntary terminations. The end of an employment contract for a particular period of time is one such example. There are also age-related job terminations, where the employee leaves the company as he reaches the pre-determined age of retirement.

Suspension

A company resorts to suspension of an employee for the violation of company policy, or major breaches of policy. Work suspensions happen when a reporting manager or supervisor considers an action of an employee, to be a violation of policy that should amount to punishment. Depending on the company's policy, it might decide not to pay the employee during the suspended period. Some companies which have paid suspensions will bar the worker from coming to work but will still offer pay.

Death or Incapacity

In the case of a death of person, the company provides death benefits to the surviving members of the deceased. The benefits may come in the form of cash payments, where the family is provided some monetary relief, besides the monthly pension. In case of labourers, who die during their working tenure, their spouse or child is appointed in their place.

And when an employee is unable to perform any gainful employment due to some physical or mental disability, illness, physical injury, advanced age, or intellectual deficiency, the company initiates the separation method. Generally, the companies provide for the employees who are separated on grounds of incapacity.

Voluntary Retirement Scheme

The voluntary retirement scheme (VRS) was initiated to off-load excess manpower without putting any pressure on the employee to quit. Usually, employees who have attained 40 years of age or completed 10 years of service are eligible for this scheme. The scheme can be availed by all employees, including workers and executives, barring the directors of a company. Anybody who opts for voluntary retirement is permitted 45 days emoluments for each completed year of service. Or they are entitled to monthly emoluments at the time of retirement multiplied by the left over months of job before the normal date of service, whichever is less. In addition, the employees also receive their provident fund and gratuity dues. The compensation gained at the end of VRS is not taxable, on the condition that the retiring employee is not employed elsewhere.

Golden Handshake

Golden handshake method is the way of a company asking its senior executive to leave in lieu of a huge sum of payment. A very profitable separation agreement is offered to the employee as an incentive to retire. A golden handshake is usually offered for loss of employment through layoffs, firing or even retirement. The company may offer several ways to make payment, such as cash, or stock options.

NOTES

NOTES

Check Your Progress

3. What is voluntary separation?
4. What is a lay-off?

13.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Although it is not necessary to register a trade union, it is desirable since a trade union which registered is entitled to certain rights and privileges.
2. Sociologists view workers' participation as an instrument of varying potentialities to improve industrial relations and promote industrial peace.
3. When an employee leaves the company on his or her own accord, it is known as voluntary separation.
4. 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.

13.5 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.
- Several trade unions in one organization can result in several problems, affecting the growth and stability of both the workers and the organization.
- Psychologists consider participation as a mental and emotional involvement of a person in a group situation which encourages workers to share managerial responsibility.
- Collective bargaining is defined to cover the negotiation, administration, interpretation, application and enforcement of written agreements between employers and unions representing their employees setting forth joint understandings as to policies and procedures governing wages, rates of pay, hours of work and other conditions of employment.
- Employee separation is a process which ensures that an employee who is leaving the organization makes his exit in a structured and systematic manner.

- The employee separation process begins from the moment the employee puts forward his notice to the employer about his intention to leave the organization.
- Dismissal is the process of separating a worker where the employer asks the employee to leave, generally for the fault of the employee.

NOTES

13.6 KEY WORDS

- **Lay-off:** It means a temporary or permanent discharge of a worker or workers.
- **Trade Unions:** They are organized association of workers in a trade, group of trades, or profession, formed to protect and further their rights and interests.
- **Collective Bargaining:** It means the negotiation of wages and other conditions of employment by an organized body of employees.

13.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What are the issues related to the multiplicity of trade unions?
2. Write a short-note on workers' participation in management.
3. What do you mean by VRS?

Long-Answer Questions

1. Describe the Trade Union Act in detail.
2. What is collective bargaining? Discuss its features as well as the prerequisites of successful collective bargaining.
3. Discuss the process of employee separation.

13.8 FURTHER READINGS

- Aquinas, P. G. 2005. *Human Resources Management: Principles and Practice*. New Delhi: Vikas Publishing House Pvt Ltd.
- Decenco, David A. and Stephen P. Robbins. 1989. *Personnel/HRM*, 3rd Edition. New Delhi: Prentice-Hall of India.
- Flippo, Edwin B. 1984. *Personnel Management*, 4th Edition. New York: McGraw Hill.

Bernardin, John. 2004. *Human Resource Management—An Experimental Approach*. New Delhi: Tata McGraw Hill Ltd.

Beardwell, Ian and Len Holden. 1995. *Human Resource Management*. London: Macmillan.

Byars, Loyd L. and Leaslie W. Rue. 1997. *Human Resource Management*. Chicago: Irwin.

NOTES

UNIT 14 HUMAN RESOURCE INFORMATION SYSTEM

NOTES

Structure

- 14.0 Introduction
- 14.1 Objectives
- 14.2 Human Resource Information System: Personnel Records and E-Records of Employees
 - 14.2.1 Need, Objectives and Advantages of HRIS
- 14.3 Human Resource Accounting: Objectives, Scope and Importance
 - 14.3.1 Objectives of HR Accounting
 - 14.3.2 Advantages and Limitations of HR Accounting
 - 14.3.3 Personnel Audit
 - 14.3.4 Personnel Research
- 14.4 Answers to Check Your Progress Questions
- 14.5 Summary
- 14.6 Key Words
- 14.7 Self Assessment Questions and Exercises
- 14.8 Further Readings

14.0 INTRODUCTION

This unit will discuss the Human Resource Information System or HRIS. HRIS can be defined as an integrated system used to gather, store and analyse information regarding an organization's human resources (HR). This system helps automate and manage the organization's HR, payroll, management and accounting activities. During recent times, organizations mostly use computerized HRIS. A computerized HRIS is an information system that makes use of computers to monitor, control and influence the movement of human beings from the time they indicate their intention to join an organization till the time they leave the organization. Accounting and auditing of human resources is also an integral part of the HRIS. Human resource accounting (HRA) is the measurement and reporting of the costs incurred for recruiting, hiring, training and developing employees and their present economic value to the organization. It involves the assessment of the costs and value of the people as organizational resources. Informed employers also voluntarily use HR audit as a tool for evaluation and control of personnel function. HR audit is used widely to check the organizational performance in the management of human resources. This unit will therefore discuss the importance of HRIS, with an emphasis on the needs, objectives and advantages of the system, and the significance of human resource accounting and audit.

NOTES

14.1 OBJECTIVES

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

- Understand the need, objectives and advantages of the HRIS
- Explain the steps involved in a modern HRIS
- Discuss the objectives, advantages and limitations of human resource accounting
- Explain the significance, objectives and advantages of human resource audit

14.2 HUMAN RESOURCE INFORMATION SYSTEM: PERSONNEL RECORDS AND E-RECORDS OF EMPLOYEES

Human resource information system (HRIS) is a system used by an organization to collect, analyse and report information about its people and jobs. It applies to information needs at the macro and micro levels. HRIS is simply a database system offering important information about employees in a central and accessible location. When such information is required, the data can be retrieved and used to facilitate human resource planning decisions.

Information needs in HRM

A human resource manager requires a lot of information and data pertaining to all aspects of human resource management (HRM). HRIS ensures that this information, which is essential for planning, controlling, decision-making and preparing reports, is made available to them. The information needed to satisfactorily perform various functions of human resource management are:

- **Procurement function**
 - o Inventory of present and future manpower
 - o Possible changes influencing manpower utilization
 - o Cost of recruitment and replacement
 - o Matching of required skill with the available skill
- **Development function**
 - o Cost of training programmes and the benefits from them
 - o Plans related to career and succession
 - o Performance measurement

- **Compensation function**
 - Costs of employees in terms of turnover
 - Connection between productivity and wages
 - Effect of money on work motivation
- **Maintenance function**
 - Causes and costs of employee separation
 - Absenteeism, turnover and other indicators of organizational health
 - Incentives needed for voluntary separation (VRS), if necessary
- **Integration function**
 - Causes of change in productivity level
 - Cost of adoption to environmental changes
 - Impact of changes in technology and markets

NOTES

Computerized HRIS

A computerized HRIS is an information system that makes use of computers to monitor, control and influence the movement of human beings from the time they indicate their intention to join an organization till the time they leave the organization. According to S. Chandrashekar, it consists of the following subsystems:

- **Recruitment information:** It includes advertisement module, applicant's profile, appointment and placement data.
- **Personnel administration information:** It consists of personnel needs of an employee concerning leaves, transfer, promotion, increment, etc.
- **Manpower planning information:** It offers data that could help human resource mobilization, career planning, succession planning and inputs for skill development.
- **Training information:** It provides information for designing course material, arranging need-based training and appraising the training programme, etc.
- **Health information:** It consists of data related to health, welfare and safety of employees.
- **Payroll information:** It provides data regarding wages, salaries, incentives, allowances, fringe benefits, deductions for provident fund, etc.
- **Personnel research information:** It is a bank of historic and current data about employee attitude, turnover, **absenteeism**, which may be used for different types of analyses

NOTES

14.2.1 Need, Objectives and Advantages of HRIS

The need for HRIS is felt for the following reasons:

- The personnel records, when kept manually, do not offer up-to-date information at short notice.
- The manual transfer of data from one record to another may increase the chances of error.
- The clerical work involved is quite labour intensive and costly.
- The manual analysis of data is time-consuming and quite often not readily available for decision-making purpose.
- Information is not available at a central, easily accessible place since records are kept at separate locations, handled by different persons in different departments.

Objectives of HRIS

The objectives of HRIS are as follows:

- To supply up-to-date information at a reasonable cost
- To offer an adequate and comprehensive information system about human resources
- To offer data security through passwords and elaborate codes. Thus, it helps in maintaining privacy

Advantages of HRIS

The advantages of HRIS are as follows:

- For large organizations that employ very large number of people, it becomes necessary to employ HRIS.
- In a geographically dispersed company, every office requires timely and accurate information about manpower. If information is stored in multiple locations, costs and inaccuracy will increase.
- Modern-day compensation package is complex consisting of many allowances and deductions. HRIS helps in easy calculation of these.
- 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.

NOTES

Check Your Progress

1. Define human resource information system.
2. List the objectives of HRIS.

14.3 HUMAN RESOURCE ACCOUNTING: OBJECTIVES, SCOPE AND IMPORTANCE

The American Accounting Society Committee on Human Resource Accounting defines human resources accounting as the process of identifying and measuring data about human resources and communicating this information to interested parties.

Flamhoitz defines HRA as ‘accounting for people as an organizational resource’. It involves measuring the costs incurred by organizations to recruit, select, hire, train and develop human assets. It also involves measuring the economic value of people to the organization.

According to Woodruff Jr, Vice-President of R.G Barry Corporation, ‘Human resource accounting is an attempt to identify and report investments made in human resources of an organization that are presently not accounted for in conventional accounting practice. Basically it is an information system that tells the management what changes over time are occurring to the human resources of the business.’

Stephen Knauf defines HRA as ‘The measurement and quantification of human organizational inputs such as recruiting experience and commitment.’

NOTES

From the above definitions, we may define HRA as the measurement and reporting of the costs incurred for recruiting, hiring, training and developing employees and their present economic value to the organization. It involves the assessment of the costs and value of the people as organizational resources.

14.3.1 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

14.3.2 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.
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.

NOTES

NOTES

8. HRA will give the cost of developing human resources in the business. This will enable the management to ascertain the cost of labour turnover also. There may be a high labour turnover and the management may not take it seriously in the absence of cost figures of human resources. Though it is not possible to eliminate labour turnover but in case the cost of labour turnover is high, then the management should try to reduce it as far as possible.

Limitations of HR accounting

HRA is a source of essential information not just for the management but also for the investors. Yet, its development and application have not really been very encouraging. This is so because HRA has the following drawbacks:

1. **Not easy to value human assets:** No guidelines are available to differentiate between the 'cost' and 'value' of human resources. The existing valuation system has many negative points. Once the task of valuating human resources in a particular way has been completed, many human resources may just leave the organization. Human life itself is uncertain. Therefore, it is not right to evaluate the asset under such hazy conditions. An organization cannot own human assets like physical assets. They cannot use or retain them at their own sweet will either. Therefore, it would be inappropriate to treat them as 'asset' in the true sense of the word. Once these 'assets' gain experience, they may simply leave the organization causing immense damage.
2. **Results in dehumanizing human resources:** There is always a chance of HRA leading to employees being manipulated or dehumanized. A person from the lower rungs may, for instance, lack motivation, which will affect his performance and productivity.
3. **No evidence:** There is no empirical evidence to support the hypothesis that HRA is an effective managerial technique for improving the management of human resources.
4. **HR is full of measurement problems:** The accountants and financial professionals do not agree on any one measurement process. They have yet to come up with a common solution with regard to the form and manner in which the process should be undertaken, and their value in the financial statements.

To further add to the problems, there is the question of making a decision regarding the recovery rates. How should the human resources be amortized in order to be able to value them? What about the rate of amortization? Should it be constant, decreasing or increasing? Should the rate differ from one category of personnel to the other?

5. **Employees and unions may not like the idea:** There is a constant fear that the trade unions may oppose HR accounting. Placing a value on employees may lead them to expect rewards/compensation based on such

valuation. HRA may result in division among the ranks of employees. A group of employees may be valued lower than their real worth due to manipulations by the management. Such manipulative practices will be protested against by the unions.

14.3.3 Personnel Audit

An audit is a review and verification of completed transactions to see whether they represent a true state of affairs of the business or not. Though there is no legal obligation to audit personnel policies and practices, informed employers voluntarily use it as a tool for evaluation and control of personnel function.

Qualitative and quantitative indicators for HR audit

Table 14.1 outlines the most commonly used qualitative and quantitative indicators of effectiveness classified by major functions. It should be remembered that these indicators are not fool proof and may not be applicable in all cases.

Table 14.1 Qualitative and Quantitative Indicators for HR Audit

Major Functions	Qualitative Indicators	Quantitative Indicators
1. Procurement	Personnel inventory, replacement tables, organization planning, job descriptions and specification, source evaluation, exit interviews, induction programmes	Turnover rates, selection rates, retrenchment, dismissal and lay-offs, recruitment time-lag and recruitment ratios
2. Utilisation	Identification of merits	Capacity utilisation, idle time-statistics, extra-time statistics, backlogs, turnover per employee, profits per rupee of personnel expenses, etc.
3. Training and Development	Training programmes, supervisory and management development programmes, systematic promotions, career planning, formal appraisals	Time taken in training, apprentice ratios, scrap losses, productivity increases
4. Compensation	Job evaluation programme, wage and salary surveys, complaint from employees about wage and salaries	Wage and salary differentials, benefit range and costs, number of employees earning bonus in excess of standard rate
5. Integration and Maintenance	House organ, employee hand-book, employee voluntary participation in optional service programmes	Measured morale, measured communication, absenteeism and turnover rates, number of grievances, suggestion ratios, accident rates
6. Labour Relations	Labour-management committees, contract interpretations, no strike clause	Work stoppages, grievances and their settlement, arbitrations, costs

Source: Tripathi, P.C. 1999. 'Personnel Management and Industrial Relations'. New Delhi: Sultan Chand and Sons, pp. 126–127.

NOTES

NOTES

Process of HR audit

The HR audit should do a thorough probe, evaluating HR policies, programmes, philosophy, practices and concepts and comparing with standards and with those of the personnel records of the said organization and other organizations. The level and depth of the audit should be decided in advance. Rao has included the following in an HR audit process:

- Identify indices, indicators, statistical ratios and gross numbers in some cases
- Examine the variations in time-frame in comparison with a similar previous corresponding period
- Compare the variations of different departments during different periods
- Examine the variations of different periods and compare them with similar units and industries in the same region.
- Draw trend lines, frequency distributions and calculate statistical correlations.
- Prepare and submit a detailed report to the top management and to the managers at appropriate levels for information and necessary action.

Audit of HR results

The real test of HR policies and programmes lies in the results achieved. Comprehensive policy statements and elaborate procedural manuals are useless unless they yield good results. In the audit of results, the HR audit may calculate ratios and percentages from personnel statistics. Such measurement will reveal useful trends in manpower utilisation.

HR audit is a comparatively new area of audit. Therefore, the HR auditor has no body of laws, regulations and standard practices to guide him. The HR auditor has to depend upon his own judgement and records available within the organization. Moreover, HR audit may become a fault-finding exercise. For example, wherever certain deficiencies are detected, the management and workers may start blaming each other. To avoid such situations, a forward looking approach is required.

Audit report

After examining various aspects of human resource management, the HR auditor compiles his observations, analysis, findings and recommendations in the form of a report. There is no prescribed format of the report in case of HR audit. The audit has to examine the various HR reports, personnel policies and practices. The HR audit report is meant mainly for the top management. However, certain aspects of the report, e.g., attitude survey and safety survey may be made available to employees. The report should be based solely on the findings and it should be submitted within a reasonable time after the audit work is over. The following items should be contained in the report:

- Table of contents
- Preface, giving a brief statement of the objectives
- Executive Summary, in which the entire report is summarised for the top executives; this should also contain the recommendations along with the factual information or findings.
- The report proper, in which a major division is covered as a special section; a clear and in-depth analysis of the data and information, furnished area-wise or department-wise. Each section should be complete, and should contain as many supporting data as are practical without making it too voluminous. Other data should be included in the appendix.
- Summary, which is general in nature and is relevant to all the persons concerned. This is more detailed than the summary and conclusions at the end of the report.
- Appendix, this includes supporting data and information which is not necessary in the main part of the report.
- Bibliography, which refers to important books and journals that are necessary for future reading, is included at the end.
- Audit report should be signed by all members making the audit.

NOTES

14.3.4 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 focussed approach. It seeks to find out what is happening to a certain group of people in a specific situation. This research is usually performed by human resource managers and personnel consultants.

Personnel research can be applied in various ways. It can be applied to solve an urgent problem within a company. Supposedly, employees of a certain company are not sending in their travel reimbursement slips on time. In such a

NOTES

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.

Check Your Progress

3. Define human resource accounting.
4. What are the two types of personnel research?
5. Define audit.

14.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. HRIS is a system by which an organization collects, analyses and reports information about its people and jobs. It is basically a database system that offers important information about employees in a central and accessible location.
2. The objectives of HRIS are as follows:
 - To supply up-to-date information at a reasonable cost
 - To offer an adequate and comprehensive information system about human resources
 - To offer data security through passwords and elaborate codes for maintaining privacy
3. Human resource management is the measurement and reporting of the costs incurred for recruiting, hiring, training and developing employees and their present economic value to the organization. It involves the assessment of the costs and value of the people as organizational resources.
4. There are two types of personnel research: (i) basic and (ii) applied.
5. An audit is a review and verification of completed transactions to see whether they represent a true state of affairs of the business or not.

14.5 SUMMARY

- HRIS is a system by which an organization collects, analyses and reports information about its people and jobs. It applies to information needs at macro and micro levels.

- HRIS provides information necessary for planning, controlling, decision-making and preparing reports.
- A computerized HRIS is an information system that makes use of computers to monitor, control and influence the movement of human beings from the time they indicate their intention to join an organization till the time they leave the organization.
- HRA is the measurement and reporting of the costs incurred for recruiting, hiring, training and developing employees and their present economic value to the organization.
- Human resource accounting helps in knowing whether human asset is being built up in the business or not.
- The HR audit should do a thorough probe, evaluating HR policies, programmes, philosophy, practices and concepts and comparing with standards and with those of the personnel records of the said organization and other organizations.

NOTES

14.6 KEY WORDS

- **Absenteeism:** It means the habitual non-presence of an employee at his or her job.
- **Amortization:** It means the deduction of capital expenses over a specific period of time (usually over the asset's life).
- **Employee handbook:** It is a written or electronic document containing summaries of the employer's policies and benefits designed to familiarize employees with various matters affecting the employment relationship.
- **Bibliography:** It is a list of the books referred to in a scholarly work, usually printed as an appendix.

14.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What is a computerized HRIS? Classify its subsystems.
2. List the advantages of HRIS.
3. State the objectives of HR accounting.
4. What is personnel research?
5. Briefly explain the process of HR audit.

NOTES

Long-Answer Questions

1. Explain the information needs in human resource management.
2. Discuss the advantages and limitations of HR accounting.
3. What is the role of HR accounting in India? Elaborate.
4. Explain how personnel research can be used for the optimum productivity in an organization.

14.8 FURTHER READINGS

- Aquinas, P. G. 2005. *Human Resources Management – Principles and Practice*. New Delhi: Vikas Publishing House Pvt Ltd.
- Decenco, David A. and Stephen P. Robbins. 1989. *Personnel/HRM*, 3rd Edition. New Delhi: Prentice-Hall of India.
- Flippo, Edwin B. 1984. *Personnel Management*, 4th Edition. New York: McGraw Hill.
- Bernardin, John. 2004. *Human Resource Management–An Experimental Approach*. New Delhi: Tata McGraw Hill Ltd.
- Beardwell, Ian and Len Holden. 1995. *Human Resource Management*. London: Macmillan.
- Byars, Loyd L. and Leaslie W. Rue. 1997. *Human Resource Management*. Chicago: Irwin.
- Werther Jr, William B. and Keith Davis. 1993. *Human Resources and Personnel Management*, 4th Edition. New York: Macmillan.